

# Nottingham City Council Delegated Decision



**Nottingham**  
**City Council**

Reference Number:

3316

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Commercial and Operations

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Subject:

Water Self-Supply - Water Retail Services to Corporate Estate and Investment Portfolio

Total Value:

£694,000 (Type: Revenue)

Decision Being Taken:

To approve the registration of Nottingham City Council with Ofwat and MOSL at a total cost of £25,000 in year one to become a water self-supply organisation

To allocate the budget to enable recruitment of a Water Projects Officer to carry out the management of water efficiency investments & the self-supply license (Grade F, JE1000004409)

To authorise dispensation from Contract Procedure Rule 5.1.2 in accordance with Financial Regulation 3.29 to award a contract to purchase water from Severn Trent Water Ltd (regional monopoly) and delegate authority to the Director of Commercial, Infrastructure and Energy (approximate annual cost of £869,000) to negotiate and enter into the contract

**Reasons for the Decision(s)**

**The purpose of this decision is to secure approval for Nottingham City Council to enter the water self-supply market, to provide water retail services to all Nottingham City Council operational buildings alongside a proportion of Investment Portfolio properties where Nottingham City Council is the budget holder (377 water accounts).**

**In April 2017 the deregulation of the commercial water market was completed, leading to over 1.2 million eligible businesses and other non-household customers in England having the freedom to choose their supplier of water and wastewater retail services. However, water wholesale services have not been deregulated and will continue to be operated as a regional monopoly (Nottingham City Council's local provider of wholesale services is Severn Trent).**

**Benefits of becoming a self-supplier of water include:**

- lower bills and better value for money**
- improved customer service to internal customers**
- more tailored services to suit Nottingham City**

**Council needs**

**Nottingham City Council spent £869,000 on water and wastewater services in 2016-17, (£763,000 of which are budgets held by Nottingham City Council Utilities team) through Water Plus (United Utilities and Severn Trent Water joint venture). By implementing the proposed self-supply model, Nottingham City Council will purchase water at reduced wholesale rate from Severn Trent Water. Financial savings of £64,000 (circa 7%) and rebates will be realised per annum based on the baseline budget, £4,000 of which will be passed on to bodies fully owned by Nottingham City Council but with water budgets outside of the Utilities Management Teams control.**

**Water will be purchased from the monopoly regional supplier (Severn Trent, we cannot utilise any other wholesaler) at the wholesale rate, creating a significant cost saving to Nottingham City Council, as well as the opportunity to scrutinise cost effective water efficiency projects/programmes.**

**Energy Services will recruit a Water Projects Officer to support the on-going development and management of the water supply model, working closely with internal and external stakeholders including the Utilities Management Team, who hold a significant proportion of Nottingham City Council's water budgets.**

**The self-supply model will also enable water efficiency investment through an invest-to-save "Water Efficiency Loan Scheme" (WELS), with investment of £100,000 in 2018-19 through the existing Energy Development Fund, delegated to the Head of Energy Services. Water consumption reduction due to WELS will create savings estimated at £60,000 per year (against the baseline year 2016-17). The Water Projects Officer will identify water efficiency measures to be implemented across the Corporate Estate (projects will have a 3-5 year payback period). In addition, the Water Efficiency Loan Scheme also leverages investment and improvement to existing Nottingham City Council buildings (suitable investments will be passed to Property for scrutiny). Reducing water consumption will also have significant environmental benefits, reducing scarcity and the CO2 associated with the supply and treatment of water.**

**Combining water and efficiency measures a total of 10% will be saved per annum based on the baseline figure. Analysis of the financial plan is in Appendix A to this decision.**

**By providing water services in house, Nottingham City Council will offer an improved standard of performance monitoring, control of budgets and reduced water consumption as well as higher quality customer service.**

**Applying for water supply company status would follow a 5 stage process:**

**Stage 1: Recruit a Water Projects Officer to manage the running of the self-supply operations and WELS programme.**

**Stage 2: Apply for a self-supply licence on the OFWAT website, which authorises the holder to use the supply system of an appointed water company whose area is wholly or mainly in England to supply the eligible premises of its customers, persons associated with the licensee, or the licensee itself.**

**Stage 3: Undertake MOSL (market operator) market assurance process, which is completed with applying for membership to the operator.**

**Stage 4: Buy wholesale water from Severn Trent Water entering into a wholesale contract and ending current retail services with the retail arm WaterPlus.**

**Wholesale prices are published by Severn Trent Water, <https://www.stwater.co.uk/businesses/network-access-code/>**

**Wholesalers will be required to offer the same tariffs to all retailers - whether new entrants, retailers created by other regional water companies and their own retail arms, ensuring fair competition for all**

**Stage 5: Begin operations as a self-supply local authority.**

**Other Options Considered:**

The alternative to setting up the in-house water supply company is for Nottingham City Council to default to Severn Trent Water's new "Water Plus" tariff, which is currently in effect. This option is not viable because of the current situation the council finds themselves in with WaterPlus and the lack of customer service it has received.

Another alternative is to go through a competitive tender process with alternative commercial companies; this will not provide value for money, and little financial saving will be realised when compared to setting up a self-supply model.

A final option that has been considered is to become a fully licensed water supplier open to provide retail water services to any commercial customer. This option would result in significantly higher start-up costs including increased staffing required for operational running.

**Background Papers:**

N/A

**Published Works:**

N/A

**Affected Wards:**

Citywide

**Colleague / Councillor Interests:**

N/A

**Any Information Exempt from publication:**

Yes

**Exempt Information:**

**Description of what is exempt:**

Financial information

An appendix (or appendices) to this decision is exempt from publication under the following paragraph(s) of Schedule 12A of the Local Government Act 1972

**3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).**

**<span style="font-size:11.0pt;font-family:"Calibri",sans-serif;  
  
mso-fareast-font-family:Calibri;mso-fareast-theme-font:minor-latin;mso-bidi-font-family:"Times New Roman";mso-ansi-language:EN-GB;mso-fareast-language:EN-US;mso-bidi-language:AR-SA">The financial appendix is exempt from publication under paragraph 3 of Schedule 12A of the Local Government Act 1972. The public interest in maintaining the exemption outweighs the public interest in disclosing the information because disclosure would harm the council's commercial negotiations and trading position.**

**Documents exempt from publication:**

**Financial appendix FV.xlsx**

**Consultations:**

**Those not consulted are not directly affected by the decision.**

**Crime and Disorder Implications:**

**There are no crime and disorder implications.**

**Equality:**

**EIA not required. Reasons: N/A**

**Social Value Considerations:**

**By implementing a self-supply model and related Water Efficiency Loan Scheme, the council will have greater control over our operational buildings' water consumption. As many of the properties service the public, by reducing their operating costs the self-supply model will benefit citizens of Nottingham.  
  
It would also promote water efficiency measures, reducing consumption of depleting water sources and reducing carbon emission associated with supply and treatment of water.**

**Relates to staffing:**

**Yes**

**Decision Type:**

**Portfolio Holder**

**Subject to Call In:**

**Yes**

**Call In Expiry date:**

**15/11/2018**

**Advice Sought:**

**Legal, Finance, Procurement, Human Resources, Property**

**Legal Advice:**

As the holder of a self supply licence the City Council is able to purchase water at the wholesale price but it is limited to purchasing water and wastewater supplies from the water company in the City Council's geographical region. On that basis a direct award is permissible in accordance with the Public Contracts Regulations 2015. In addition as a self supply licensee the City Council will not receive retail services and has additional responsibilities including reading its own meters and supplying readings to its supplier. It must ensure it complies with OFWAT's Wholesale Retail Code.

Advice provided by Andrew James (Team Leader Contracts and Commercial) on 24/04/2018 and 14/08/2018.

**Finance Advice:**

The decision is supported by finance as it aligns with key priority d; achieve cost reductions to the budgets for energy & water and through monitoring, auditing, and behaviour change in the C&Ops CIE business plan 18/19 [1].

The estimated savings profile is as the attached document and summarises the impact to the MTFP. There is a risk that the expected rebates will not cover the annual estimated savings profile. If the rebates achieved fall short of that estimated, then further savings will need to be mitigated within the Energy Services area by water behavioural change measures or other means.

Dispensation with Contract Procedure Rule 5.1.2 in accordance with Financial Regulation 3.29 due to 'operational issues', is appropriate as per explained in the decision narrative.

[1] Commercial & Operations Department Business Plan 2018/19 pg 11

Advice provided by Tania Clayton Perez (Commercial Business Partner) on 10/08/2018.

Advice documents: 180802 Water DCF.xlsx

**Property Advice:**

The self supply proposals set out in this report are designed to reduce the running costs of the Council's Operational Property Estate without raising any significant Property issues and are therefore supported.

Advice provided by Rodney Alan Martin (Development Manager) on 11/10/2018.

**Procurement Advice:**

This decision raises no significant procurement issues and is supported by procurement.

Advice provided by Paul Ritchie (Lead Procurement Officer) on 03/04/2018 and 10/08/2018.

**HR Advice:**

**Management propose to create a new role of Water Project Officer to support the delivery of the Council's water supply and water efficiency operations, a job description has been subject to the job evaluation process and the grade confirmed as GLPC F.**

**Management will need to ensure that recruitment is conducted through the appropriate processes, including redeployment. Appointee should commence on level one of the grade.**

**There will need to be support and development plan for the new post holder once appointed in line with managing performance through the probationary policy.**

**Advice provided by Joanne Hill (Service Redesign Consultant) on 10/08/2018.**

**Signatures**

<b>Sally Longford (PH for Energy and Environment)</b>
<b>SIGNED and Dated: 08/11/2018</b>
<b>Andrew Vaughan (Corporate Director Commercial and Operations)</b>
<b>SIGNED and Dated: 07/11/2018</b>