AGENDA ITEM NO 14
REPORT NO 312/11

ANGUS COUNCIL
CORPORATE SERVICES COMMITTEE – 28 APRIL 2011
UPDATE OF MARKET PROCUREMENT OF WATER SERVICES
REPORT BY THE DIRECTOR OF CORPORATE SERVICES

ABSTRACT: This report advises that Angus Council has migrated to the new Procurement Scotland contract with Business Stream for water and drainage services and is adopting new management arrangements to benefit from the maximum discounts available within the contract terms.

1. RECOMMENDATIONS

It is recommended that the Committee notes the content of this report.

2. BACKGROUND

The Corporate Services Committee, at its meeting on the 04 September 2008, approved the recommendation in Report No: 862/08 to enter into a two year contract with Business Stream for the period September 2008 to September 2010, at an estimated saving of £50,000 in a full year, to allow continuity of current budgetary and management arrangements whilst waiting for the marketplace to mature and instructed the Director of Corporate Services to monitor the marketplace development with a view to identifying opportunities for reduced procurement costs in partnership with Tayside Procurement Consortium.

The Corporate Services Committee, at its meeting on the 02 September 2010, approved the recommendation in Report No: 635/10 and authorised the Director of Corporate Services, subject to a review of the terms and conditions of the new contract confirming benefit to Angus Council, to transfer Angus Council to the new Procurement Scotland water and drainage services contract at the expiry of the current contract with Business Stream.

The current Business Stream contract has operated successfully during the intervening period with Angus Council receiving discounts and consequent savings.

Procurement Scotland has undertaken a scoping exercise to determine the scale of water and drainage services received by Scottish public bodies and has proceeded to procure a new national contract with Business Stream which runs from 1st April 2011 to 31st March 2014.

It has been estimated that the aggregated water and drainage services budget for Angus Council in 2009/10 was ~£832,000 and it has been noted that recent water consumption has been increasing 3% per year.

The Director of Corporate Services, in accordance with the delegation granted by the Corporate Services Committee and with the advice of the Head of Finance; Head of Property and the Corporate Procurement Manager, has undertaken a review of the terms and conditions of the new contract and has determined that participation by Angus Council will be more beneficial than remaining with the current Business Stream contract.

Whilst the current contract with Business Stream does not terminate until 31st July 2011, Business Stream have advised that migration to the new contract will not be subject to penalty and it has therefore been concluded that Angus Council should migrate to the new contract from 1st April 2011 to gain maximum benefit.
The Director of Corporate Services through delegation to the Head of Finance has therefore signed up to the new contract by the required date, 7th March 2011.

The governance route for this procurement is through the Tayside Procurement Consortium Steering Group as it is a “Category A” commodity (i.e. one which in terms of Scottish Government policy and the Tayside Procurement Strategy 2008-11 should be procured for all Scottish public bodies by Procurement Scotland as strategic lead).

The Head of Property will be leading a Water Management Efficiency Review during 2011/12, as detailed in Report No: 484/10, which will examine the scope for water conservation and cost reduction measures to be taken forward and advise any Spend to Save opportunities.

3. BENEFITS

Discounts

The new contract provides enhanced discounts with a range of 4 options as detailed in Tables 1 to 4.

Business Stream have also advised that signing up to a specific option will mean immediate benefit from the associated discounts provided that the Council undertakes to establish those management arrangements not yet in place by 1st April 2011 within a reasonable timescale thereafter.

Anticipated savings are based upon the estimated water and drainage services budget for 2009/10 without any uplift for 2010/11 or 2011/12 i.e. ~£832,000. The outturn costs for 2010/11 will better inform this estimate and the budget for 2011/12.

**Table 1  Option A - Annual in advance**

<table>
<thead>
<tr>
<th>Discount</th>
<th>Comment</th>
<th>2011/12 %</th>
<th>2012/13 %</th>
<th>2013/14 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base discount</td>
<td>For contract participation</td>
<td>3.0</td>
<td>6.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Payment annually in advance</td>
<td>Angus Council will pay the anticipated cost for water and drainage services, ~£832,000 in advance and reconcile payment with actual charges during the financial year</td>
<td>4.0</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Consolidated or e-Billing</td>
<td>Electronic billing reduces the resources by contractor and the Council to process invoices and to capture billing data for profiling to be undertaken</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Total discount</td>
<td></td>
<td>8.0</td>
<td>11.0</td>
<td>13.0</td>
</tr>
<tr>
<td>Estimated saving</td>
<td></td>
<td>£66,600</td>
<td>£91,500</td>
<td>£108,200</td>
</tr>
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</table>

**Table 2  Option B – Payment by Direct Debit**

<table>
<thead>
<tr>
<th>Discount</th>
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<th>2012/13 %</th>
<th>2013/14 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base discount</td>
<td>For contract participation</td>
<td>3.0</td>
<td>6.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Direct Debit</td>
<td>Payable with 14 days</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Total discount</td>
<td></td>
<td>4.0</td>
<td>7.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Estimated saving</td>
<td></td>
<td>£33,300</td>
<td>£58,200</td>
<td>£74,900</td>
</tr>
</tbody>
</table>
Table 3  Option C1 – Consolidated eBilling with Direct Debit

<table>
<thead>
<tr>
<th>Discount</th>
<th>Comment</th>
<th>2011/12 %</th>
<th>2012/13 %</th>
<th>2013/14 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base discount</td>
<td>For contract participation</td>
<td>3.0</td>
<td>6.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Direct Debit *</td>
<td>Payable with 14 days</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Consolidated or e-Billing *</td>
<td>See above comment</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Combined</td>
<td>Additional discount for</td>
<td>0.5</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>combined payment arrangements*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total discount</td>
<td></td>
<td>5.5</td>
<td>8.5</td>
<td>10.5</td>
</tr>
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Estimated saving  £45,800 £70,700 £87,400

Table 4  Option C2 – Consolidated eBilling with BACS payment

<table>
<thead>
<tr>
<th>Discount</th>
<th>Comment</th>
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<th>2012/13 %</th>
<th>2013/14 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base discount</td>
<td>For contract participation</td>
<td>3.0</td>
<td>6.0</td>
<td>8.0</td>
</tr>
<tr>
<td>Consolidated or e-Billing</td>
<td>See above comment</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Total discount</td>
<td></td>
<td>4.0</td>
<td>7.0</td>
<td>9.0</td>
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Estimated saving  £33,300 £58,200 £74,900

The Director of Corporate Services and the Head of Finance have examined the merits of the four options and the technical and managerial arrangements needed in each case and concluded that Option A represents the best Value for Money for Angus Council for the duration of the three year contract and provides immediate improved savings. This view is representative of most Scottish public bodies.

In accordance with the contract terms action has been taken to:-

- Sign an agency agreement with Procurement Scotland
- Review and select the preferred discount option with Business Stream
- Verify Angus Council’s property information with Procurement Scotland

Efficiency savings

Electronic billing will be introduced in 2011/12 thereby reducing the resources expended on validating invoices and enabling the capture of invoice data to enable the development of historic consumption and charging records to better inform immediate and future monitoring and management activities.

It is anticipated that this will deliver savings for departments in the resources currently employed to undertake these duties.

Initially it will be necessary for resources to be expended to establish new management and data handling arrangements.
Other services
This contract also incorporates the provision of additional services including access to tailored water efficiency advice; free water management tools including a free desktop water audit to identify opportunities for water efficiency at Council buildings and a discount on a range of water related support services.

Additionally, all buildings with a water meter size of 25mm and above will automatically qualify for free Automated Meter Reading [AMR]. This, as currently in place for electricity and gas meters, will provide regular meter readings, in this case every 15 minutes, accessible online from the secure Business Stream Portal. This facility will support the corporate and departmental monitoring and management of water consumption and associated charges allowing a more focused approach towards identifying opportunities to reduce consumption and deliver efficiency savings.

4. MANAGEMENT ARRANGEMENTS

General
The adoption of the new contract and associated payment processes will require changes to current management arrangements to ensure that Angus Council has a single point of contact with Business Stream who will maintain an overview of, and address matters arising from, these new contract arrangements.

Water and drainage services represent a utility service similar to that currently managed by the Property division for energy on behalf of Angus Council and it has been determined that the Property division shall provide the single point of contact with Business Stream, building upon the arrangements employed for the current Business Stream contract and the technologies adopted for managing energy.

Arrangements have been made by the Property division to contact Procurement Scotland to verify Angus Council's property information.

2011/12 Budget
Business Stream has been contacted to gather together historic data for water and drainage services costs prior to 2010/11 to inform the preparation of a Water Management summary sheet for incorporation within the Final Budget Volume for 2011/12 and similar to that prepared annual for Energy, which details the financial provision for each department and sub-division combined with the associated budgeted metered consumption where this information is available.

It is anticipated that these provisions will need to be adjusted as more accurate information becomes available through the 2011/12 billing processes and through the data being gathered as AMR becomes operational. It is intended that reports on water consumption progress will be prepared and submitted to departments on a regular basis to allow them to investigate and action opportunities to make savings through good housekeeping initiatives.

Spend to Save and Invest to Save Funding
Consideration will be given to the establishment of Spend to Save funding in 2012/13 to facilitate programmes of water conservation and associated cost saving measures as part of the budget setting process.

5. FINANCIAL IMPLICATIONS

The migration to the new Procurement Scotland will benefit the Council by delivering increased savings in charges for water and drainage services compared to the current contract and these savings will continue to grow throughout the contract term (reference Table 1 / Option A above).

It is anticipated that the changes in billing and associated management arrangements will also deliver savings for departments in the resources currently employed to undertake these duties.

There will be an initial setting-up cost of £10,000 - £12,000 to adjust the STARK software used to manage energy billing to accommodate water billing and an ongoing £1,000 license fee and these costs, as well as any requirements for specialist training, will be accommodated within existing Property division budgetary provisions.
The Property division will investigate, with Business Stream, any additional costs associated with the development of management progress reports for departments.

6. **HUMAN RIGHTS IMPLICATIONS**

There are no Human Rights Act implications specific to this report.

Any implications, as a consequence of discharging recommendations detailed in this report, will be managed in accordance with the standing procedures and processes established by the Property Division.

7. **EQUALITIES IMPLICATIONS**

The issues dealt with in this report have been the subject of consideration from an equalities perspective. An equalities impact assessment is not required.

8. **CONSULTATION**

The Chief Executive, Head of Law and Administration, Corporate Procurement Manager and the Head of Finance have been consulted in the preparation of this report.

9. **CONCLUSION**

It is recommended that the Committee notes the content of this report

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**REFERENCES**

<table>
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<tr>
<th>Committee</th>
<th>Date</th>
<th>Report No</th>
<th>Subject</th>
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<tr>
<td>Corporate Services</td>
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<td>862/08</td>
<td>Market procurement of water and drainage services</td>
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<td>02 September 2010</td>
<td>635/10</td>
<td>Update of market procurement of water and drainage services</td>
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**Colin McMahon**

DIRECTOR OF CORPORATE SERVICES

**Note:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing the above report.

**Property/JP/JP**