

CABINET

2 NOVEMBER 2010

REPORT OF THE CABINET MEMBER FOR HOUSING

Title: Essex & Suffolk Water Agreement	For Decision
<p>Summary:</p> <p>The Council collects water and sewerage charges from its social housing tenants on behalf of Essex and Suffolk Water (ESW) who trade as Northumbrian Water. In return for providing this service the Council receives an administration recoupment payment from ESW which is paid into the Housing Revenue Account (HRA).</p> <p>Throughout 2008-09 and 2009-10 a comprehensive review of the service was completed by Housing and Finance officers and negotiations with ESW have resulted in an increase in the administration recoupment rate from 6.5% to 13% of the charges from ESW. Officers have also negotiated over £1 million in back payment of administration recoupment and claw backs for overpayments to the benefit of the Housing Revenue Account.</p> <p>The report presents the proposal to enter into a formal three-year contract with ESW on the revised terms, which will be backdated to 1st April 2009. The value of the contract of over the three-year term is estimated at £15m.</p> <p>In accordance with the Councils Procurement policy any contract in excess of £400,000 requires Cabinet approval.</p> <p>Wards Affected: None</p>	
<p>Recommendation(s)</p> <p>The Cabinet is recommended to agree that the Council enters in to the revised three-year agreement with Essex and Suffolk Water effective from 1st April 2009 on the terms set out in this report.</p>	
<p>Reason(s)</p> <p>To achieve better value for money.</p>	
<p>Comments of the Chief Financial Officer</p> <p>The continuation of the ESW contract will contribute approximately £650,000 annually towards the overall administration costs of LBBDD's services.</p>	
<p>Comments of the Legal Partner</p> <p>The Council's Contract Rules require that all contracts with a value in excess of £400,000 must be reported to the Cabinet before any procurement begins. The Council will not be procuring anything in this instance. Rather it is the Council's services that are being</p>	

procured by ESW and the Council stands to gain significant increase in income as a result. In the circumstances the Legal Partner is satisfied that there are no specific legal issues that arise from entering into the contract.

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1. Background

- 1.1 The Council collects water and sewerage charges from its social housing tenants on behalf of Essex and Suffolk Water (ESW) who trade as Northumbrian Water. In return for providing this service the Council receives an administration recoupment payment from ESW which is paid into the Housing Revenue Account (HRA).
- 1.2 Throughout 2008-09 and 2009-10 a comprehensive review of the service was completed by Housing and Finance officers and negotiations with ESW have resulted in an increase in the administration recoupment rate from 6.5% to 13% of the charges from ESW. Officers have also negotiated over £1 million in back payment of administration recoupment and claw backs for overpayments to the benefit of the Housing Revenue Account.

2. Proposal

- 2.1 The report presents the proposal to enter into a formal three-year contract with ESW on the revised terms, which will be backdated to 1st April 2009.
- 2.2 The Council's commission for collection of water charges currently stand at 6.5%. This is much lower than most London authorities and does not represent value for money. Under the terms of the proposed agreement, the Council will receive 13% commission. Benchmarking exercises have shown that the new administration recoupment rate is in line with other outer London Boroughs.
- 2.3 In addition the contract will contain a new clause which sees a more favourable definition of "Technical Demolitions" which will have a significant savings for the HRA on properties intended to be disposed of which are no longer let. This will become significant as the council implements its estate renewal plans.
- 2.4 The revised agreement, therefore, offer significant improvement in terms of value and efficiency in administration.

3. Financial Issues

- 3.1 The Council will be able to achieve an additional £650k towards administration of HRA.

4. Legal Issues

4.1 There are no specific legal issues apart from that relating to the drawing up of the contract.

5. Other implications

5.1 Risk management

5.1.1 The Council will retain the risk of non-collection. Whilst 2% void allowance has been built into negotiations, any additional losses will have to be absorbed within the remaining 11%

5.2 Contractual Issues

5.2.1 The contract is proposed to be effective from 1st April 2009 for a period of three years.

5.2.2 Either party can cancel the agreement after 3 years by serving notice on the other party of no less than 12 months prior to the commencement of a financial year (1st April).

5.3 Customer Impact

5.3.1 There will be no direct impact on council tenants as the agreement is a continuation of existing arrangements, albeit on better terms which will benefit the HRA.

6. Options Appraisal

6.1 The structure of the water supply industry in the UK is such that the council has no choice in who provides the service. Hence, use of the negotiated process as opposed to the usual competitive tendering process

6.2 Throughout 2008-09 and 2009-10 a comprehensive review of the service was completed by Housing and Finance staff. As a result Officers have negotiated an increase in the administration recoupment rate from 6.5% to 13% of the charges from ESW. Officers also negotiated over £1 million in back payment of Administration Recoupment and claw backs for overpayments for the benefit of the HRA.