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Defra Group Management Consultancy Call off Contract: Project Engagement Letter

Completed forms and any queries should be directed to Defra Group Commercial (DgC) at [redacted] Please do not complete this form until you have liaised with DgC, and they have allocated you a lot to access Consultancies within and subsequent reference number.

Engagement details			
Engagement ref #	DPEL_61545_027		
Extension?	N	**DPEL Ref.**	N/A
Business Area	Floods and Water		
Programme / Project	Water Scarcity and Development - Cambridge		
Senior Responsible Officer	[redacted]		
Supplier	PA Consulting		
Title	Water savings in households and non-household properties in Cambridge		
Short description	Water savings in households and non-household properties		
Engagement start / end date	Proposed start date 22nd February 2024	Proposed end date 28th March 2024	
Consultancy Spend approval reference	CGB Approval received 21/02/2024		
Expected costs 23/24	£Up to £1.3m (inc VAT) CDEL; up to £280k RDEL ex VAT		
Expected costs 24/25	Nil		
Expected costs 25/26	Nil		
Dept. PO reference	Dept. PO reference - TBC		
Lot #	Lot 2 - Supplier Side Programme Delivery		
Version #	0.6		

Approval of Project Engagement Letter

By signing and returning this cover note, Water Sector Delivery accepts the contents of this Project Engagement Letter as being the services required and agrees for PA Consulting to provide the services in accordance with the agreed Supplier Proposal under the overarching contract (Lot 2- Ref 28595), with Defra Group and confirms the availability of funding to support recharge for the services.

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Signatures		
[redacted]		
[redacted]		
Supplier engages with Business Area to complete. Once agreed, Supplier signs front page and sends to Business Area	Business Area signs front page and sends to DgC	On approval, DgC signs and returns copy to Business Area and Supplier

[redacted]

General Instructions

The overarching aim is to:
Maximise water savings in the Cambridge Water supply area from January to end of March 2024 through cost-effective water conservation measures.

1. Background

Briefly justify why support is required:

Numerous regions in England are currently grappling with issues related to housing, commercial, and associated infrastructure developments. These challenges stem from environmental concerns associated with water abstraction. There are two primary triggers for these problems:

1. Breach of Habitats Regulation and Water Neutrality Position: In certain areas like North Sussex, these challenges arise due to a breach of Habitats Regulation and a declaration of water neutrality by Natural England. This situation necessitates a proactive approach to address the environmental impact of water abstraction.

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2. Environment Agency (EA) Objections under the Water Framework Directive: In locations such as Cambridge, the Environment Agency (EA) objects to development projects in order to prevent the deterioration of the environment, as mandated by the Water Framework Directive. This poses significant hurdles for development in these areas.

We are working collaboratively with the Department for Levelling Up, Housing, and Communities (DLUHC) to find innovative solutions to address water scarcity challenges in Cambridge, particularly as we await the implementation of large strategic supply options. Our strategy includes:

1. **Piloting a water positive credit market for water trading**: One of our primary objectives is to establish an environmental market for "water trading." This approach enables the efficient allocation of water resources, encourages responsible use, and supports sustainable development. It also provides an avenue for developers to offset their water consumption by investing in water-saving measures or nature-based solutions. Water credits can be created by retrofitting existing buildings to create headroom.
2. **Gathering evidence on water efficiency devices**: We recognise the importance of gathering comprehensive data on water efficiency devices. This involves conducting research to assess their effectiveness, cost-effectiveness, and the overall impact on the water environment. By leveraging these findings, we can make informed decisions to promote the adoption of such devices in future development projects.

Consultancy support is crucial for meeting tight timelines, kickstarting the market, and gleaning valuable insights from our delivery. These lessons will guide future policy development, ensuring our efforts yield both immediate and lasting benefits for the Cambridge Water supply area.

2. Statement of services

Objectives and outcomes to be achieved

State and describe the aims of the engagement:

Objective: Maximise water savings in the Cambridge Water supply area from January to end of March 2024 through cost-effective water conservation measures in order to unlock the housing market.

Anticipated Outcomes:

1. Achieve a significant reduction in water consumption across various property types.
2. Lower water bills for residents and businesses in the Cambridge Water supply area.
3. Contribute to environmental sustainability by conserving local water resources.
4. Raise awareness and promote the adoption of water-efficient practices in the community.
5. Establish a scalable model for future water conservation initiatives in the region.

Objective	SMART Attributes
Evaluate the Cost-Value Ratio of Water Efficiency Measures	Conduct a comprehensive evaluation to determine the cost-effectiveness and overall value of implementing various water efficiency measures in household and non-household buildings. Quantify the cost savings achieved through the implementation of water efficiency measures and assess their value in terms of resource conservation, reduced operational expenses, and long-term sustainability.

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	Develop a methodology for assessing the cost-value ratio, gather data on the initial investment, ongoing operational costs, and projected savings, and analyse these factors systematically. Complete the evaluation and provide cost-value analysis reports for decision-making within 12 months.
Compliance with Regulations	Ensure full compliance with regulations. Assess compliance and provide evidence of compliance.
Deliver 1000 HH water efficiency installations per month	Focus on providing water efficiency installations specifically to households, with a clear target of 1000 installations per month. [these can be sub-contracted]
Deliver 200 NHH water efficiency installations savings per month	Focus on providing water efficiency installations specifically to non-households, with a clear target of 200 installations per month.
Innovation and Adoption	Encourage adoption of water efficiency measures. Measure increased adoption/participation rate.
Customer Satisfaction	Gather feedback and measure satisfaction levels. Continuously assess and improve satisfaction.
Evaluation	Provide a comprehensive review of end to end process to gain better understanding of product success, customer satisfaction, water saved and depreciation of savings, return on investment analysis, etc.

Social Value outcomes:

1. **Improved Quality of Life:** Reduced water bills for residents can enhance their disposable income, leading to an improved quality of life and potentially reducing financial stress.
2. **Equitable Access:** Encouraging water efficiency measures benefits all members of the community, ensuring that access to clean water remains affordable for vulnerable or low-income households.
3. **Community Engagement:** Promoting water conservation fosters a sense of community engagement as residents come together to achieve common environmental goals.
4. **Education and Awareness:** Raising awareness about water conservation encourages informed decision-making, empowering individuals to make responsible choices regarding their water usage.
5. **Environmental Stewardship:** Encouraging sustainable water practices instils a sense of environmental stewardship, aligning the community's values with responsible resource management.

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6. **Job Creation:** Implementation of water efficiency measures may generate local employment opportunities in installation, maintenance, and related services.
7. **Long-term Sustainability:** By conserving local water resources, the initiative contributes to the long-term sustainability of the region, ensuring future generations have access to clean water.
8. **Positive Community Image:** A community actively engaged in water conservation projects enhances its reputation as socially responsible and environmentally conscious.
9. **Health Benefits:** Reduced water consumption can lead to lower energy consumption in water treatment and distribution, potentially improving air quality and public health.
10. **Collaborative Efforts:** The initiative encourages collaboration among community members, local organisations, and government agencies, strengthening social ties and shared responsibilities.
11. **Resilience to Water Scarcity:** Building a culture of water efficiency helps the community become more resilient to future water scarcity challenges.

Scope

Define the scope of the services *(SMART):*

This work will be delivered across three sprits:

- Sprint 1: Procuring retrofits: Design of Pilot and procuring the right organisations to deliver the retrofits and ensuring appropriate monitoring mechanisms in place to measure outcomes
- Sprint 2: Implementing the retrofits: the implementation of the proposed approach outlined in sprint 1
- Sprint 3: Evaluation: Capturing the findings from the pilot and recommending next steps

Sprint 1: Procuring retrofits

To develop the best approach and delivery mechanisms to achieve the outcomes set out above, an initial sprint across three weeks will take place. This will be split across the following work packages:

- Design of Pilot – An initial literature review will be carried out to inform the pilot. Definition of the pilot sample population to ensure it is representative. The pilot will aim to include non-household and household types. The design will consider sustainability of the benefits of retrofits and ensure representativeness of the sample by social demographic groups (e.g. ACORN and Census ’21), current billing type (measured and unmeasured) and location categories (e.g. rural, urban etc). The design will include an approach to the assessment of how benefits will be measured both in the short and longer term, including taking to account meter accuracy both for daily flow and night flow. In addition information regarding where previous water efficiency interventions have been undertaken at a property level will be needed. Where data is being gathered, we will comply with data protection legislation and where appropriate, ensure the right permissions from householders/no households are in place to share their information. It is assumed that data related to metering and water efficiency interventions will be provided by the statutory undertaker (assumed to be South Staffs and Cambridge Water). The Design of Pilot will need to comply with best practice as set out in UKWIR and other best practice guidance

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and will need to be reviewed and approved by a steering committee to include the key stakeholders (to be defined).

- Procurement mechanism – assessing and recommending the right procurement approach to both buying and retrofitting the selected devices, ensuring the right legal structure are in place to support implementation:
    a. Develop the RfP and appropriate procurement documents and contractual mechanisms
    b. Identify the appropriate organisations who can implement the devices and have the capacity to delivery in the timescales required, and carry out appropriate due diligence to ensure the organisations are appropriately qualified to carry out works on potable water.
    c. Confirm reporting requirements in line with EA approach
- Implementation plan – develop a plan (including modelling the right volumes) for retrofitting the right devices across the agreed locations within the timescales required:
    a. Stakeholder engagement – map ecosystem of stakeholders and develop engagement plan to include DEFRA, local EA, water company, retrofit organisations, Ofwat, MOSL etc.
    b. Ensure that the programme complies with all relevant statutory, legislative and compliance obligations.
    c. Consider an engagement campaign to encourage uptake of retrofits through a variety of communication channels including social media, cold calling, gamification etc.

CDEL spend will be scoped during the design phase once the right organisations have been selected and provided quotations for retrofitting devices.

Once this stage is completed, a go/no-go decision will be taken on progressing to second sprint based on the recommendations outlined above.

Sprint 2: Implementing the retrofits

Based on sprint 1, deliver the agreed number of target household and non-household retrofits over the time specified across the agreed locations. Retrofits need to be provided within Cambridge Water supply area. All water efficiency devices should be considered.

Provide a comprehensive review of end-to-end process to gain a better understanding of product success, customer satisfaction, water saved and depreciation of savings (in line with EA requirements), return on investment analysis, etc. to inform the development of a water positive credit market in Cambridge.

Use the retrofits undertaken to identify the potential for a market in Cambridge in terms of the feasible number of retrofits and water savings and provide recommendations to inform the development of a water positive credit market in Cambridge.

Sprint 3: Evaluation

Evaluation of retrofits and outcomes of water efficiency measures based on the requirements of the Pilot Design. At this stage the evaluation will be purely based on this design pilot to end March 2024. The evaluation will make recommendations as to what further evaluation should be undertaken to provide evidence of actual water efficiencies achieved over the following months.

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Assumptions and dependencies

Provide further description of the assumptions and dependencies:

Dependencies:

- DEFRA provides access to the right stakeholders during the sprint 1
- Data from Cambridge Water is accessible to support monitoring and evaluation outcomes
- Buy-in from stakeholders is established to support implementation of retrofits
- Any early findings from the Rapid Evidence Review are shared to inform approach
- The appropriate organisations have the capacity and capability to implement the retrofits within the timescales required
- Sufficient uptake for household retrofits to support effective evaluation
- EA to provide reporting requirements and standards and procedures
- Installer will undertake all customer engagement from end to end
- Installer will provide customer with maintenance regime and provide educational material to make sure they understand the product install, why this is taking place and how to maintain it in the long term
- All installers must be competent and comply with minimum standards for water fittings regulations
- Installer to be working closely with Cambridge Water to define geographical area/potential customers to target/ agree data sharing mechanisms, customer communication branding
- Participants will compromise to maintaining the new assets as recommended – a "legal" agreement will need to be drafted.
- All data must be shared with Defra and EA national

Risk management

The key risk of this Programme is achieving the outcomes specified within the timescales provided to design, implement and monitor outcomes. To manage and mitigate this risk, a go/no decision will be agreed following the design phase.

Risk	Description	Mitigation Strategy
Delay in Installations	Risk of not meeting the target of 1000 monthly HH water efficiency installations.	- Implement a robust project management system with clear timelines and milestones.
		- Allocate adequate resources and skilled personnel to ensure timely installations.
		- Regularly monitor progress and identify potential delays, taking corrective action promptly.
		- Maintain contingency plans for unforeseen circumstances that could cause delays.

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Lack of Participation from HH and NHH	Risk that households (HH) and non-households (NHH) may not actively engage in the water efficiency program.	- Conduct extensive awareness campaigns to educate HH and NHH on the benefits of water efficiency.
		- Offer incentives or subsidies to encourage participation.
		- Establish easy-to-use application and registration processes.
		- Provide excellent customer support and assistance throughout the program.
Customers Unsatisfied after Installation	Risk that customers may not be satisfied with the water efficiency installations or may encounter issues afterward.	- Ensure the quality and reliability of installations through thorough inspections and testing.
		- Offer customer training and support on the use and maintenance of installed equipment.
		- Establish a feedback mechanism for customers to report issues and provide prompt resolution.
		Continuously evaluate and improve the installation process based on customer feedback.
Less water saved than expected		Establish realistic estimates of likely water savings from other trials and projects Evaluate why this has been the case

Deliverables

Describe what the supplier will produce:

Sprint 1: 22nd February – 7th March

- Design of pilot report
- Agreed procurement approach and documents prepared
- Stakeholder management plan
- Project management plan
- Risk management plan
- Assessment of CDEL spend and go/no go decision

Sprint 2: 8th March – 27th March

- Customer satisfaction evaluation
- Evidence of products installed, and water saved through each installation

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- Register with all properties that have successfully install water saving devices, to include: Water forecast savings, water actual savings, carbon savings, ROI, products installed, retailer name (if NHH), meter information (age, type, smart, etc.)
- Assessment of potential of a future market in Cambridge
- Data protection requirements agreed. We would like to have access to their usage data and use for case studies. Sharing data with DEFRA and EA in a format that is shareable with future market operator.
- Identify customers who would like to participate in further surveys, interviews, etc.

Sprint 3: 8th March – 27th March

- Evaluation report

Deliverable	Success Criteria	Milestone / Date	Owner (who in the delivery team?)
Project Sprint 1			
Design of Pilot	The Design of Pilot complies with best practice as set out in UKWIR and other best practice guidance and is reviewed and approved by a steering committee to include the key stakeholders	[redacted]	PA
Procurement mechanism	Procurement approach recommended is able to buy and retrofit the selected devices, ensuring the right legal structure are in place to support implementation		PA
Implementation Approach	Plan that captures the implementation of the devices, with associated stakeholder engagement approach		PA
Project Sprint 2			
Implementation of devices	Devices are fitted and comply with legal and regulatory standards across household and non-household properties	[redacted]	PA
Project Sprint 3			
Evaluation Report	Captures the findings from the pilot and provides a set of recommendations and next steps		PA
Internal Capability Development Outcomes			

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Deliverable	Success Criteria	Milestone / Date	Owner (who in the delivery team?)
Social Value Outcomes			

Limitations on scope and change control

Unless instructions to the Supplier are later amended in writing, the work undertaken will be restricted to that set out above. In providing the services detailed above, the Supplier will be acting in reliance on information provided by the Business Area.

The Project Engagement Letter is the agreed contract of work between the Defra Group Business Area and the Supplier and can be varied under the change control process. Any changes to timescales, scope and costs will require approval by DgC.

3. Delivery team

Name	Role (link to stage/s resource will work on)	Grade	Daily rate	# of days	Cost
[redacted]					
[redacted]					

Total resource Total days* Engagement Length**	[redacted]
*Total days worked across all resources **Total working days in engagement	

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Business Area's team

[redacted]

4. Fees

Defra Group will reimburse the Supplier for approved work done according to the table below. The total fees for the scope of work detailed in this Engagement Letter will be £261,400, inclusive of expenses and excluding VAT.

Stage	**Cost**	**Due** (link to milestone dates)
A		**DD/MM/YY**
Sprint 1: Procuring retrofits	[redacted]	
B		
Sprint 2: Implementing retrofits Sprint 3: Evaluating retrofits		
Expenses		
Grand total	£261,400	[redacted]

Expenses statement

Defra Group overarching contract rates include expenses for any travel to/from any UK location defined by the Business Area as the base office for the work. Only expenses for travel at the Business Area's request from this base can be charged. If appropriate, define permissible expenses to be charged.

Payment

The Supplier should invoice fees monthly in arrears. Defra Group will reimburse fees monthly on confirmation of approval of work delivered by the Business Area. The Supplier will keep an accurate record of time spent by staff in providing the services and provide this information and supporting narrative, if requested.

5. Governance and reporting

As part of the Call-Off Contract, the Supplier and Business Area agree to provide reporting on the following:

- Completion of the time tracker on a monthly basis, to track days worked by our consultants;

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- Regular weekly engagement to be managed with project team and embedded into appropriate governance boards where applicable.

Key Performance Indicators

Business Area and Supplier to agree any specific key performance indicators related to this specific project engagement.

KPI	KPI Requirement	Description	Reporting Frequency	Who Measures	Method of Measurement	Performance Target
1	Deliverables	Production of deliverables to required quality and on time	Weekly	Business area	Update by supplier and review by business area	100%

Feedback and satisfaction

Business Area and Supplier to agree regular reporting intervals for the duration of the engagement.

Defra Group reserves the right to hold review meetings during the assignment, discussing what went well, opportunities for improvement on future assignments and similar. This will incorporate any 'Show and Tell' documentation or transferable products that have been produced.

A post-engagement quality review of the engagement will be arranged where the Business Area rates the services provided.

Non-disclosure agreements

The overarching MCF2 framework include NDAs.

6. Exit management

The agreed actions and deliverables by the Supplier for when the contract ends are as follows:

The deliverables above will be provided upon exit. Exit will be dependent on a go/no go decision at the end of Sprint 1. If a no go, this will include all deliverables agreed in Sprint 1, including how CDEL will be spent. If a go decision, this will include deliverables across Sprint 1, 2, and 3.

Notice period

The nature of these engagements require that Defra Group have the ability to terminate an engagement with notice. Defra Group's termination rights for this engagement are marked below.

The minimum notice period for termination is 5 working days regardless of engagement duration.

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1. Business Area identifies a potential need for delivery support, initiates a conversation with DgC, confirms which approvals are required for an engagement to occur, e.g. Consultancy Governance Board if over £100k or DgC Corporate Services Delivery Board if under £100k.
2. Request Form completed by Business Area and submitted to DgC at:

   [redacted]
3. The form is reviewed by the DgC team around which resource route is most appropriate (e.g. Lots 1/2/3) and may request additional information/edits from the Business Area if required.
4. Lot / Supplier is selected and briefed on the request by DgC, then introduced to the requesting Business Area for further discussion and confirmation of work to be delivered
5. A Project Engagement Letter is completed by the Business Area with input from the Supplier (with supporting proposals as appropriate) and then finally agreed between the two parties, including evidence of all required approvals either being in place or being progressed (e.g. PO) and forwarded to the DgC for review by the Consultancy Governance Board (CGB). Approval states are:

Approval state	Definition	Permissions
Full approval	▪ DPEL agreed ▪ DPEL signed: Supplier, Dept and CO ▪ Purchase Order number	▪ Work can start ▪ Supplier can invoice for work

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