

Meeting: Cabinet
Date: 11 January 2024
Classification: Part 1
Key Decision: Yes
Title of Report: Award of contract for Toilet Cleaning and Light Maintenance Services

Executive Director: Alan Richards, Executive Director Environment and Place
Report Author: Nicola Watts, Interim Waste Procurement Contract Manager
Executive Councillor: Councillor Davidson, Cabinet Member for the Environment

1. Executive Summary

- 1.1. Toilet Cleaning and Light Maintenance Services are currently provided under contract as part of the Waste Collection and Street Cleansing Services. There is an opportunity at the end of the current contract for the services to be provided by South Essex Property Services Limited at a cost slightly below the current market offer with additional benefits of working with an organisation set up to deliver services for the Council.

2. Recommendations

It is recommended that Cabinet:

- 2.1. Award a contract to South Essex Property Services Limited for the provision of the 'Toilet Cleaning and Light Maintenance Services' for public toilets and portaloos and toilets within Parks and some other named locations in Southend-on-Sea City from April 2025 to April 2030 with an option to extend the contract for up to a further 5 years.

3. Background

- 3.1. The current 'Toilet Cleaning and Light Maintenance Services' is delivered by Veolia ES (UK) Limited ("Veolia") under the Waste Collection and Street Cleansing Contract which started in October 2015. The 8-year contract which expired in October 2023, has been extended until October 2024, with the option to extend for a further 6-month period to April 2025.
- 3.2. During Summer 2020, the Council was awarded funding by the "Welcome Back Fund" to support and manage the impacts of the pandemic. To encourage people to get out and exercise, £4,349 of the funding was used to purchase 30 portaloos (including 5 disabled portaloos) which were positioned in a number of locations across Southend to support social distancing. Eventually they were then repositioned to locations along the seafront in order to increase toilet capacity post-covid.

Service Outline

- 3.3. There are currently 16 public toilet locations and 6 toilet locations in Parks in the Southend-on-Sea City Council area that are included within the contract. There are a further 25 portaloos (5 in storage) that are currently in use during the summer season only to increase toilet provision at locations with high visitor numbers. The portaloos are also serviced by Veolia but are not part of the core services under Veolia's contract so are charged through the Dayworks rates in the contract for the summer period. The scope of the services is outlined below.
- 3.4. The key areas in the provision of the Toilet Cleaning and Light Maintenance Services includes;
- a) removal of litter from within the immediate external area (to be defined as within 3m of the toilet walls);
 - b) Cleaning toilets;
 - c) Opening and closing;
 - d) Light maintenance and repairs;
 - e) Waste collection, transportation and disposal (including clinical waste);

- f) Emptying of liquid waste from portaloos, flushing of sewage pipes associated with toilet buildings and emptying of sewage sumps (at named locations);
- g) Provision of consumables;
- h) Responding to emergency situations like pump failures;
- i) Reporting of repairs that fall outside the scope of light maintenance and repairs (to the Council's Building Repairs Team).

3.5. The cleaning of the toilets include the following activities;

- a) all urinals, toilet pans and seats;
- b) all nappy changing tables;
- c) all wash basins, taps and hand dryers;
- d) all shower areas, including waste traps, grills, water outflows, exposed pipework and shower heads;
- e) all changing areas and all specialist equipment;
- f) all floors, walls, ceilings windows and ledges
- g) all fixtures and fittings including signage;
- h) all service rooms and store cupboards; and
- i) all window glass, frames, light fittings, shades and covers inside and outside.

3.6. As part of the tender process for the new Waste Collection and Street Cleansing Contract anticipated to start in April 2025, the toilet services have provisionally been included as an Additional Service. However, as detailed below, better value for money can be obtained by awarding the contract for toilet services to South Essex Property Services Limited and removing the services from the Waste Collection and Street Cleansing Contract tender process. The Council has commenced the second stage of the procurement process for the Waste Collection and Street Cleansing Contract so making a decision to remove the toilet services from the tender at this stage will allow bidders and the Council to focus on the core services.

4. Reasons for Decisions

- 4.1. The Council can make a direct award to South Essex Property Services Limited using Regulation 12 of the Public Contracts Regulations 2015. However, in making a direct award such as this, the Council must still demonstrate that the decision is best value which is explored further below.
- 4.2. There are three requirements that must all be met to use this route (Regulation 12 of the Public Contracts Regulations 2015) and this is how the Council meets those requirements:

(a) The contracting authority exercises over the legal person concerned a control which is similar to that which it exercises over its own departments;

South Essex Property Services Limited is wholly owned by South Essex Homes Limited. South Essex Homes Limited is a private company limited by guarantee without share capital.

The Partnership Agreement with South Essex Homes Limited and South Essex Property Services Limited makes very clear that the Council exercises significant control over both companies which would meet the test for control as detailed above. Extract from the Partnership Agreement:

1.3.4 the Council exercises power over significant decisions of South Essex Homes and through South Essex Homes, South Essex Property Services;

1.3.5 the Council has responsibility for and exercises ultimate control over South Essex Homes and South Essex Property Services;

(b) More than 80% of the activities of the controlled legal person are carried out in the performance of tasks entrusted to it by the controlling contracting authority or by other legal persons controlled by that contracting authority;

South Essex Property Services Limited have confirmed that more than 80% of their activities are carried out in the performance of tasks for South Essex Homes Limited and the Council and therefore meeting the test in (b) above. The turnover for SEPS for the year ended 31 March 2023 was £6,605k of

which £6,266k came from the Council and South Essex Homes Limited. Therefore 94.8% of the turnover of SEPS was from activities of SEPS in the performance of tasks entrusted to it by the Council and South Essex Homes Limited. Whilst there may be minor fluctuations to this percentage, it is anticipated that it will stay well above the 80% threshold throughout the life of the toilet cleansing services contract. The award of the toilet cleansing contract to South Essex Property Services Limited will increase further the % of their activities that are carried out in the performance of tasks for South Essex Homes Limited and the Council

(c) there is no direct private capital participation in the controlled legal person with the exception of non-controlling and non-blocking forms of private capital participation required by national legislative provisions, in conformity with the Treaties, which do not exert a decisive influence on the controlled legal person.

There is no direct private capital participation in South Essex Property Services Limited.

Detailed solutions costs

- 4.3. As part of the Detailed Solutions received from bidders in July 2023 for the new Waste Collection and Street Cleansing services contract, the Council has received indicative itemised costs for delivery of the toilet cleansing service for an 8-year contract term.
- 4.4. Although these are not final costs at this stage, they have provided indicative prices. Pricing of this service is more straightforward than some other elements of the main contract and therefore they are deemed accurate for the purposes of a price comparison.
- 4.5. The prices submitted are confidential and commercially sensitive and are therefore provided in Part 2 of this paper.

South Essex Property Services Limited Costs (SEPS)

- 4.6. SEPS have provided a best and final quotation for the work, following a series of meetings with them since January 2023. The price is based on a 5-year contract term with CPI applied annually to all costs including goods, vehicles and equipment (excluding staff costs and variable costs). Variable costs will be charged based on actuals, which include consumables (i.e. toilet roll, soap) repairs (i.e. replacement items) and waste removal (tonnages), which will avoid SEPS under-pricing or risk pricing. Staff costs will be uplifted by the Real Living Wage increase.
- 4.7. SEPS have presented a number of options to further reduce this price by limiting the opening times for the portaloos by 50% and 25%. It should be noted that the portaloos are not open 100% of the time during the summer currently and so there is scope to streamline this service element and reduce costs further with minimal impact on service delivery.
- 4.8. The total quoted price includes fixed price elements plus a variable price charge based on actuals, giving an overall price for the service, based on the current specification of £765,521.70. Part 2 of this paper demonstrates how this quote provides value for money against market rates.

Staff

- 4.9. Staff details are confidential and are therefore provided in Part 2 of this paper.
- 4.10. SEPS will be paying staff the Real Living Wage which normally tracks above the National Minimum Wage, by around 15%. Staff costs represent around 61% of the total contract costs.

YEAR	UK Real Living Wage	National Minimum Wage
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19/20	£9.30	£8.21
20/21	£9.50	£8.72
21/22	£9.90	£8.91
22/23	£10.90	£9.50
23/24	£12	£10.42

5. Other Options

Pros and cons/ Risks and benefits

- 5.1. There are a number of key benefits to contracting with SEPS for the delivery of the toilet cleaning and light maintenance contract, but also some risks. These are outlined below.

Pros/ benefits

- a) Arm's length subsidiary organisation keeping the service delivery and spend within the Council;
- b) Higher quality and standard expected through specific and dedicated staff and resources;
- c) More scrutiny and control over the service;
- d) Increased transparency of costs;
- e) Flexible contract with ability to change and adapt to changing financial constraints to reflect to budgets and make efficiencies and savings more easily;
- f) Removal of toilets from main contract to allow Waste Collection and Street Cleansing Contractor to focus attention on the larger service elements;
- g) Payment of the Real Living Wage to staff by SEPS means better staff morale, resilience and retention with corresponding benefits to achievement of service standards;
- h) Ability to minimise profit margin without erosion of service standard;.
- i) Opportunity to consolidate with other services delivered by SEPS (i.e. Civic Centre and Civic Buildings cleaning contract, caretakers, security staff) which provides further staffing resilience due to a number of local staff being available;

- j) SEPS can evidence value for money against market.;
- k) A close relationship as part of the Group enabling open and honest conversations;
- l) Ability to report issues outside of the contract specification to support other Council services and priorities (i.e. reporting antisocial behaviour, homelessness/rough sleeping, substance misuse or identifying areas requiring recycling facilities);
- m) Increased flexibility and responsiveness to service requirements through open dialogue with the Council;
- n) All monies/ profit made by SEPS are retained within the Group and can be used by the Council;
- o) Opportunity to deliver communications and customer service differently in toilet blocks and assess the most effective ways of communicating with the public and reporting issues.

Cons/ risks

- p) Some items to be sub-contracted (i.e. Legionella Testing, sump tank emptying, portaloos emptying) due to lack of appropriate equipment;
- q) SEPS pay the Real Living Wage. This will slightly increase the cost of staff and generally tracks above the National Living Wage, which is not offered to the current contractor's staff;
- r) Change to the way the current reporting functions operate, however an opportunity to make improvements.

6. Financial Implications

Costs against the current budget

- 6.1. Although the current cost and budget provision for this service is £340k p.a., it is recognised that this is not reflective of the current market and therefore is not representative of the current cost of this contract. Additionally, more resources are being deployed on this service than the level the Council are contracted to pay for. £340k p.a. does not even cover the staff costs required

for the delivery of the service and is therefore not sustainable. As part of the 2024/25 budget setting proposals, additional budget is earmarked for the waste collection and cleansing contract which is currently under a live procurement. This investment will also be utilised to fund the increased cost of the toilet cleansing contract as the value within the medium-term financial forecast is based on the initial tender submission which included toilet cleansing as an optional item.

7. Legal Implications

- 7.1. As detailed above, the direct award of a contract to SEPS is compliant with Regulation 12 of the Public Contracts Regulations 2015. Further, the Council can demonstrate best value through the evaluation of price against the Detailed Solutions received as part of the tender for Waste Collection and Street Cleansing Services and further through the pros and cons detailed above.
- 7.2. TUPE will apply to the transfer of these services to SEPS. This allows employees to assert their right to transfer with the contract should they meet certain requirements regarding their employment. This is dealt with in more detail in the part 2 report.

8. Policy Context

- 8.1 The award of this contract will contribute to delivering the Council's Corporate Plan priority for a clean city with a resilient environment.

9. Carbon Impact

- 9.1. As a result of changing providers, no carbon impacts have been identified.

10. Equalities

- 10.1. An equalities impact assessment has not been completed as there is no change in service.

11. Consultation

11.1. No consultation has been completed as there is no change in service.

12. Appendices

12.1. **Appendix 1:**

13. Report Authorisation

This report has been approved for publication by:		
	Name:	Date:
S151 Officer	Joe Chesterton	28/12/2023
Monitoring Officer	Kim Sawyer	02/01/2024
Executive Director(s)	Alan Richards	22/12/2023
Relevant Cabinet Member(s)	Cllr Meg Davidson	18/12/2023