



DECISION ITEM

REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	FINANCE AND DEMOCRACY COMMITTEE	24 JANUARY 2022	8
PUBLIC CONVENIENCE CONTRACT FOR CLEANSING AND MAINTENANCE			

PUBLIC ITEM

This item is for consideration in the public part of the meeting.

SUMMARY

Danfo (UK) Ltd 'Danfo' has carried out the contract for the provision, maintenance, and cleansing of the public convenience units in Fylde for the last 15 years; this arrangement comes to an end in March 2022. The Public Contracts Regulations normally requires contracts to be subject to competition, after advice from legal and procurement officers an open tender procedure under the Public Contracts Regulations 2015 was implemented to award a new contract.

Tender documents were issued on the 25th October 2021, with compliant bids received from two potential suppliers: Danfo UK Ltd and Healthmatic Ltd. Both companies passed compliance checks prior to the evaluation based on a 60:40 quality-price ratio, Danfo was the successful bidder based on the evaluation model. Danfo's overall submission was high quality providing the panel with complete assurance that they will be able to deliver requirements to the high standards expected and which they currently deliver.

Provisional outcome letters have been sent to both bidders on the 10th December, providing a 10-day standstill period for the bidders to seek further clarification on the decision if required. The new contract start date is 1st April 2022 subject to Member ratification and will run for a period of 15 years with an option to extend up to a period of 5 further years, subject to termination clauses contained within the contract terms and conditions.

This decision is being put to the Finance and Democracy Committee following a recommendation from Operational Management due to the requirement for an unfunded revenue budget increase of £51,543 on the budgeted contract price. This will subsequently be referred to the February council meeting for final approval because it is an increase in service delivery price on a required contract, providing sufficient time for Danfo to mobilise ahead of the new contract start date.

RECOMMENDATION

1. The Finance and Democracy Committee is asked to note the recommendations of the Operational Management Committee included below and to include any appropriate feedback to support full council awarding the retendered Public Convenience contract for cleansing and maintenance to Danfo UK Ltd for a period of 15 years based on the tender submission and evaluation assessment identifying Danfo as the best value for money option.
2. That Full Council approve an unfunded revenue budget increase of £52,543 per annum (plus CPI increases from year 3 onwards) to meet the additional cost of the contract covering the cleansing and maintenance of public conveniences and additional services which include maintenance, inspection of hydration points (£8,300 per annum) as well as programmed improvements and refurbishments (£33,356 per annum).

SUMMARY OF PREVIOUS DECISIONS

An information update item was presented at the 9th November Operational Management Committee to inform Members of the latest position with regards to the retendering of the public convenience contract, including the cleansing and maintenance of the existing facilities across the borough.

At a meeting of the Operational Management Committee on the 12th January 2022, it was RESOLVED:

1. To recommend that full council award the retendered the retendered Public Convenience contract for cleansing and maintenance to Danfo UK Ltd for a period of 15 years based on the tender submission and evaluation assessment identifying Danfo as the best value for money option.
2. That Full Council approve an unfunded revenue budget increase of £52,543 per annum (plus CPI increases from year 3 onwards) to meet the additional costs of the contract covering the cleansing and maintenance of public conveniences and additional services which include maintenance, inspection of hydration points (£8,300 per annum) as well as programmed improvements and refurbishments (£33,356 per annum).
3. That on an annual basis, a report is presented to the Operational Management Committee at the first meeting after the end of each financial year to provide details of the improvements and refurbishments delivered across the service in the previous financial year under the agreed contract.
4. That due to the size of the contract and the impact on the revenue budget, the decision is referred to the next meeting of the Finance and Democracy Committee, prior to full council.

CORPORATE PRIORITIES

Economy – To create a vibrant and healthy economy	✓
Environment – To deliver services customers expect	✓
Efficiency – By spending money in the most efficient way	✓
Tourism – To create a great place to live and visit	✓

REPORT

1. Local authorities do not have a statutory obligation to provide public conveniences however, adequate, high quality provision of the service is deemed necessary in Fylde because as a popular tourist destination with many outdoor recreational attractions. For the past 15-years, Danfo (UK) Ltd 'Danfo' has carried out the contract for the provision, maintenance, and cleansing of the public convenience units in Fylde; this arrangement comes to an end in March 2022. To put in place arrangements beyond the contract end date an open tender procedure was required and carried out under the Public Contracts Regulations 2015.
2. Two compliant bids were received from Danfo UK Ltd and Healthmatic Ltd (<http://www.healthmatic.com> www.healthmatic.com) both national leading companies for toilet provision, maintenance and cleansing with Danfo UK Ltd having existing contracts in Lancashire and the North West. There are other toilet cleansing companies, but they do not offer repairs or maintenance on facilities which was a requirement in the tender documents issued on 25th October 2021.
3. The bids were required to pass the initial compliance checks through the completion of a standard selection questionnaire confirming supplier information, any exclusion grounds, financial standing and technical and professional ability; the bids then progressed through to the award stage based on a 60:40 quality-price ratio evaluation assessment, this is a pre-agreed standard model used at Fylde intended to identify the best value bid as opposed to the cheapest service that bidders are made aware of prior to submitting a tender.
4. The pricing schedule was broken down into the categories listed below which contributed up to 40% of the overall contract evaluation score, the bidder was required to identify the proportion of the tender price applicable to each category:
 - Cleaning of the public conveniences to the standards set out in the specification
 - Maintenance of the public conveniences as set out in the specification

- Cash collection services
 - Cleaning and maintenance of hydration points, and
 - Improvements and refurbishment
5. Healthmatic submitted the lower overall tender price at £189,500 per annum and was awarded full marks (40), Danfo received a score of 33.28 submitting a price of £221,043 per annum. Danfo provided detailed rationale for the increase on the current contract price, citing cost increases in almost all areas of service provision, in particular labour, fleet, energy, and supply chain costs. As the current provider of the service Danfo applied evidence and rationale on increased use of public conveniences in Fylde resulting in the need for additional cleansing and maintenance that included in the tender. It is expected that demand will remain high based on the popularity of the Fylde coast with tourists and regular visitors from the immediate Lancashire and North West hinterland.
6. A high-quality service is an essential part of the tourism and Fylde council offer as such the quality element of the tender evaluation accounts for 60% of the overall score. High levels of customer satisfaction experienced in Fylde cannot be achieved and retained without quality public sector services that offer value for money and are consistent with customer expectation and the council's reputation. The bidders were required to provide a comprehensive response to four detailed questions referred as 'method statements' that provide the opportunity to outline how the service will be delivered, the quality / value for money actions and the unique aspects of their offer. Each bidder was required to provide detail on how they will deliver against the following:
- Methodology (30%)
 - Investment and Improvements (10%)
 - Environment (15%)
 - Social Value (5%)
7. The Danfo submission was significantly more detailed and comprehensive, supported by factual data from having operated the contract and evidence of local knowledge about the estate, the Borough and the council, which provided the panel with complete assurance they will deliver requirements to the high standards expected. The bidder had clearly benefitted from the experience, knowledge and relationship acquired from delivering the service for the last 15 years. The panel noted in particular:
- Comprehensive and more specific detail of the methodology on the delivery of the key requirements in all areas of the service showing a clear understanding of the estate, the seasonal demands, the local area, and the council
 - Improvements to the door locking mechanism to increase coin income / prevent doors being left unlocked for multiple use from a single payment – this would have a positive impact on the coin income that is retained by the council
 - Installation of 'pay to enter' cubicles at the Victorian Monument toilets, further increasing coin income (an invest to save proposal)
 - A proposal for a cashless entry system (contactless) that would further increase the income that the council retains
 - Commitment to clean any changing places facility without additional charge throughout the duration of the contract
 - Refurbishment programme commencing from year 1 with an ambitious programme over the period of the contract aimed at ensuring the quality of the facilities and the cleansing remains at a high standard
 - LED lightbulbs, rainwater harvesting and electric vehicle charge points to be included as part of the refurbishment and improvement costs to meet environmental management requirements
 - Donation to the Fylde Sand Dunes project as part of the social value and contribution to a known local environmental scheme that protects some of the estate
 - Local job employment guarantee – something Danfo already deliver operating the Blackpool and Wyre contracts with a much stronger presence in Lancashire and the North West
8. Healthmatic's submission scored fair in their methodology response and weak in the other three areas, the content of the submission was limited and failed to clearly identify tangible deliverables and did not include

many of the issues essential to maintaining high quality facilities across the estate. The evaluation panel had reservations that the bidder would be able to deliver to a high standard based on the lack of specific detail, supporting evidence or examples of previous delivery being provided. There was little commitment beyond the cleansing and maintenance of toilets for example, technological innovation, contribution to local projects etc. they chose not to include. It was also evident that some of the service and facility improvements that had been included in the Danfo submission as part of the contract fee would be chargeable additions which was reflected in the much lower allocation of the tender bid on improvements and standards.

9. The procurement method that has been used for this contract is the open procedure. Open procedure was used to allow the whole market to bid for the opportunity and because it is an efficient one stage process. The tender has been subject to the Public Contract Regulations, as the value of the contract exceeds the 'supply and services contracts threshold of £213,477. This places further rules on the Council that must be followed including minimum timescales, limited procedures, publication of additional notices and a mandatory standstill period. The Council must inform bidders at the start of the process what the evaluation criteria is and cannot deviate from this when bids are received. The Council are not permitted to give bidders the opportunity to amend the bid to match a competitor offer, this would constitute a second bid, putting the Council at risk of a successful challenge by discriminating against the highest scoring bidder.
10. Negotiation with bidders on fundamental aspects of contracts, variations in which are likely to distort competition, and on prices, are not permitted for open procedures subject to the regulations. Discussions with bidders may be held but only for the purpose of clarifying or supplementing the content of their tenders or the requirements of the contracting authorities and provided this does not involve discrimination.
11. It is recognised that Danfo had an advantage because they have delivered the service for the last 15 years, developing a good understanding of the quality requirements at Fylde and a strong rapport with officers resulting in a flexible approach to ad hoc requirements and knowledge of the local facilities so they are aware of the future requirements when it comes to refurbishment and improvements. Healthmatic have unfortunately not had the same opportunity that delivering the service offers, the company currently have no contracts, offices or employees in the North West. Whilst these are not a factor in the evaluation score but would explain the difference in the content and knowledge between the methodology statements.
12. Danfo's bid also included additional enhancements the authority may choose to consider, such as the single access points; while these improvements would be subject to additional charges, the inclusion within the bid demonstrated innovation exceeding minimum requirements and provided confidence in the suitability of the approach.
13. The price and quality scores are combined to determine the value for money provider. The panel have recommended that Danfo Ltd would offer the best value service based on price and quality:

Table 1: Tender Scores

Evaluation Summary	Danfo	Healthmatic
Price	33.28	40.00
Quality	48.00	24.00
Total Score	81.28	64.00

14. Provisional outcome letters have been sent to both bidders on the 10th December, providing a 10-day standstill period for questions or to seek further clarification on the decision. The new contract start date is 1st April 2022 and will run for a period of 15 years with an option to extend up to a period of 5 further years, subject to termination clauses contained within the Contract terms and conditions.
15. The recommendation to award the contract to Danfo Ltd will be put before the February Council meeting for approval because there is an increase in the service delivery price that is unfunded in the 22/23 budget proposals. Making the decision at the February council will allow sufficient time for Danfo to mobilise ahead of the new contract start date.

FINANCIAL IMPLICATIONS

16. The Table below sets out the Council's existing base revenue budget provision for the maintenance and cleansing of public conveniences and compares this with the budget required under the new contract:

Table 2: Revenue Budget - Costs

	2022/23 Onwards
Existing base revenue budget p.a. for maintenance and cleansing of public conveniences	168,500
*New contract price p.a. from DANFO	*221,043
Additional unfunded base revenue budget required per annum	52,543

* The contract price figure above is fixed for the first two years of the contract and will then increase by CPI annually from 1st April 2024. Included in the contract price are the following additional elements:

- £8,300 per annum in respect of Hydration Points, the contractor will "clean and complete scheduled water quality testing, such as Legionella, TVC, E-coli, Coliforms and any other drinking water quality tests that may be required to ensure the water from the hydration points is maintained at an approved and safe standard for drinking". Whilst this element of the contract price will only be incurred when the hydration points are installed, it is recommended that budget provision is included so it is in place when required. The hydration points are being installed as part of the approved capital programme with most proposed points either attached to existing toilet blocks or located close by, and
- £33,356 per annum for programmed improvements and refurbishments; Danfo clearly demonstrated a comprehensive understanding of the Fylde estate with detail on implementing improvements and technologies that will have a positive impact on the coin income that is retained by the council and maintaining the quality of the assets over the period of the contract
- The current contract price to service, cleanse and maintain the toilets is £168,500, the additional requirements that will enhance and future proof the service total £41,656, resulting in an increase of £10,887 (6%) on the cleansing and maintenance element of the contract tender.

COIN INCOME

17. Coin income is retained by the council, the Danfo tender bid included several improvements that will increase coin income through a reduction in access without payment which at busy periods can be significant. The commitment includes a 12-month replacement programme of all current turn locks with a new push button locking system that has been proven to achieve a 25% increase in coin income reducing free access to facilities. Other suggested improvements include the installation of a single-entry access point at some location (i.e. Monument Promenade facility) which prevents loss of income during "peak" periods when doors have been left open for use without payment. There would be upfront costs of approximately £25,000 to achieve the required modifications to allow turnstile entry however the payback period would be relatively short given the guaranteed increase in coin income i.e. a similar installation at a facility in Blackpool doubled the coin income in just over a year (invest to save scheme).
18. The current charge for using public conveniences in Fylde is 20p through a coin activated locking system on each cubicle door. This charge was introduced at the start of the current contract 15 years ago, without any increases over this period during which costs have increased. Neighbouring Local Authorities have been charging a higher rate for some time and there is a proposal to increase the Fylde charge to 40p (using a single coin) that will be considered at Budget Council in March 2022, as part of the annual fees and charges review.
19. Any increase in the charge for using the facilities would represent additional income for the council. The table below shows the income received by the council from public conveniences for the last 4 years and the latest estimate for the current year:

Table 3: Income Received from Public Conveniences

	2017/18	2018/19	2019/20	2020/21	
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					2021/22 (latest estimate)
Income received by the council from public conveniences	£27,017	£24,625	£25,606	£35,700	£50,000

20. It is likely that current year income and 2020/21 income has increased as a result of additional staycations during the pandemic. If a fee of 40p is approved at budget council, the council will receive double the income it currently receives (which can fluctuate each year as shown in table 3) assuming there is no adverse impact on usage of the facilities.

IMPLICATIONS	
Finance	This report considers the letting of a 15 year contract to DANFO and recommends that Full Council approve an unfunded revenue budget increase of £52,543 per annum (plus CPI increases from year 3 onwards) to meet the additional cost of the contract covering the cleansing and maintenance of public conveniences and additional services which include maintenance, inspection of hydration points (£8,300 per annum) as well as programmed improvements and refurbishments (£33,356 per annum).
Legal	No implications from this report
Community Safety	No implications from this report
Human Rights and Equalities	No implications from this report
Sustainability and Environmental Impact	No implications from this report
Health & Safety and Risk Management	No implications from this report

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BACKGROUND PAPERS		
Name of document	Date	Where available for inspection
N/A		