

## **REPORT TO CABINET**

**REPORT OF:**                   **Head of Environmental Health and Licensing**

**REPORT NO.**               **ENV251**

**DATE:**                   **5<sup>th</sup> September 2005**

<b>TITLE:</b>	PEST CONTROL SERVICE
<b>FORWARD PLAN ITEM:</b>	N/A
<b>DATE WHEN FIRST APPEARED IN FORWARD PLAN:</b>	N/A
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	POLICY FRAMEWORK AGREEMENT

<b>COUNCIL AIMS/PORTFOLIO HOLDER NAME AND DESIGNATION:</b>	Cllr R Auger Healthy Environment
<b>CORPORATE PRIORITY:</b>	Z
<b>CRIME AND DISORDER IMPLICATIONS:</b>	None
<b>FREEDOM OF INFORMATION ACT IMPLICATIONS:</b>	None
<b>BACKGROUND PAPERS:</b>	Pest control contract

## **1. INTRODUCTION**

The Council has a pest control contract with Pest Express Limited. This is a fixed price contract (subject to annual inflation) between 1/4/2004 and 31/3/2008. In April 2005, following the examination of Council priorities, charges were introduced for pest control treatments with the aim of breaking even. For the first quarter of the financial year the service has made a loss. The service remains 'at risk' and it is likely that a loss will be reported at the year-end.

Discussions have been held with the contractor with a view to reducing these losses. This report outlines the discussions and options for the Council.

## **2. RECOMMENDATIONS**

That the following course of action be recommended to the Council.

- (1) That the Head of Environmental Health and Licensing, in conjunction with the Council's Solicitor, be authorised to negotiate and effect a one off payment to the contractor in order to revise the remaining period of the pest control contract at a sum not exceeding £50,000, plus legal costs, effective as soon as possible.
- (2) That the Council approve a revised budget for this amount.

## **3. DETAILS OF REPORT**

The introduction of a charging scheme to an existing free service was anticipated to have an initial impact on the uptake of this service; however there has been a marked reduction in the number of requests for pest control service since charges were introduced in April. Other factors have also played a part, including adverse publicity and cold weather. Surrounding Councils have been contacted and a general decrease in requests for service for pest control has been noted. The contractor reports 'steady' business in other areas, both with and without charging regimes. It is possible that things will settle down when customers realise that the contract price is considerably lower than the open market price.

One important factor has been the lack of reported wasps during July. In 2004 there were 476 requests whereas in 2005 there have been only 70. This shortfall alone has had a considerable impact on income.

In April, we negotiated with the contractor and a new clause within the contract has been agreed, although this is not yet formally signed. This has the effect of reducing payments to the contractor if the number of requests reduces.

This is subject to review at the end of each quarter and a low threshold of £60,000 per annum (current contract price is £71,329, paid monthly). We have additionally expanded the service to offer pest control treatment for a wider range of pests and for commercial properties. Press releases and advertising flyers have been prepared.

The total annual cost for the service, including administration and 'on' costs, is £113,120. . Income for the first three months has averaged at around £2,100. With the contract adjustment applied, the service is likely to show a shortfall of approximately £77,000 for 2005/6. Any increase in requests for service, hence any income will reduce this figure, so this should be seen as a worse case scenario. A worse case scenario for the remainder of the contract would indicate a possible loss of £231,000.

The contractor has indicated that a figure of £50,000 (plus legal costs) would be required to effect a change to the contract. The contractor would take over the provision of the whole service, including administration and collection of charges, the contractor would keep the income raised and hence would become an appointed pest control contractor for the remainder of the contract period. The contractor has indicated that he would reduce the charges to the public (see Appendix I). The maximum loss to the Council for the remainder of the contract period would therefore be fixed.

#### **4. OTHER OPTIONS CONSIDERED AND ASSESSED**

- (1) The Council could increase charges for the service. The current charges have had a dramatic effect on take up of the service so the take up would potentially drop further.
- (2) We could continue to advertise and monitor the situation. With the evidence currently available, the income is not likely to rise significantly in the near future. Any income received will contribute towards the cost of the service, but it is unlikely that this will achieve the objective, which is to break even.
- (3) We could terminate the contract and not offer any service. We will still have to pay the contractor the full contract price.

#### **5. COMMENTS OF DIRECTOR OF FINANCE AND STRATEGIC RESOURCES**

The Council objective was for the Pest Control Service to break even on a full cost recovery base. This will not be achievable in the current financial year. It would be a sensible time to make a decision on the future viability of the service. This will need to include the other costs incurred as part of the service, not just the contract costs. These have been referred to in the Corporate Director of Performance Managers comments.

**6. COMMENTS OF CORPORATE MANAGER, DEMOCRATIC AND LEGAL SERVICES (MONITORING OFFICER)**

A variation of the contract will be by mutual agreement between the contractor and the Council.

**7. COMMENTS OF OTHER RELEVANT SERVICE MANAGER**

The Corporate Director of Performance Management advises that considerable effort has been undertaken to prepare this service for inclusion in the first stage of the Contact Centre. In addition, adjustments will need to be made if this service is cancelled as staffing calculations have included the staff needed to provide this service within the contact centre.

**8. CONCLUSIONS**

If the uptake of the service continues at current levels, then the option of a 'one off' payment will be the cheapest option over the remaining period of the contract. This will also effect a reduction in the cost of the service to the public.

**9. CONTACT OFFICER**

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## APPENDIX 1

<b>Pest Type</b>	<b>Current Charge</b>	<b>New Charge</b>
Rats (3 visits)	£38.78	£33
Mice (3 visits)	£50.53	£33
Domestic insect pests (eg ants, wasps, bed bugs)	£50.53	£47
Other pests	Free survey and quotation	Free survey and quotation

NB All fees include VAT