

**Report of: Parking Manager**

**Report to Director of Environments & Housing**

**Date: 21 July 2015**

**Subject: Procurement of contract for Domestic Pest Control**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### Summary of main issues

1. The current contract for domestic Pest Control services with Mitie expires on 31<sup>st</sup> December 2015.
2. Although the Council has the power to extend the arrangement for a further 17 months under the existing contract there are issues with the structure of this contract which make it advisable to establish new terms.
3. A review of the market shows that there is an existing ESPO (Eastern shires Purchasing Organisation) framework contract. ESPO is a public sector procurement organisation that has established a number of framework contracts for use by public bodies. ESPO framework contracts are already OJEU compliant so any companies listed can be used without repeating the OJEU process which is a considerable saving in time and resources. All companies likely to bid for the Leeds contract are included on the current ESPO arrangement. The use of ESPO is supported by procurement unit.
4. Therefore it is proposed to procure a new contract using the ESPO framework from 1<sup>st</sup> January 2016.

## **Recommendations**

5. The Director of Environment and Housing is requested to authorise the procurement of domestic pest control services through the ESPO framework from 1<sup>st</sup> January 2016.

## **1 Purpose of this report**

- 1.1 This report is to gain authorisation for the procurement of domestic pest control services via the ESPO framework from 1<sup>st</sup> January 2016.

## **2 Background information**

- 2.1 The Council provides domestic pest control services for various pests. The administration of the service is carried out internally but the actual pest control work itself is outsourced. The current provider is Mitie. The amount paid varies according to the amount of jobs undertaken. The minimum contract value is set at £210,000 although last year a discount was negotiated and the sum paid was £195,000. This is offset by income from the customer booking the treatment.
- 2.2 Although it is not statutory, the Council maintains a domestic pest control service for reasons of public health. The service is generally offered at a lower cost than private providers for this reason.
- 2.4 The Council currently has only 2 directly employed pest control operatives and they are fully employed on commercial contracts. There is no spare capacity to carry out domestic work.
- 2.4 A review of the costs of the service has been carried out as part of the business case for this procurement. For most pest control jobs there is a surplus generated because the amount charged to the customer by the Council is higher than the amount paid to the contractor.

## **3 Main issues**

- 3.1 There are a number of drawbacks with the structure of the current contract and these need to be addressed in the new arrangements. The contract is structured on the basis that the Council will pay the contractor for the jobs carried out. Each job is created as a result of a report of a pest control issue by a member of the public. The number of jobs is therefore not controllable by the Council. The numbers can fluctuate considerably from one year to the next with weather conditions being the main variable. As a general rule a prolonged period of warm weather means more pests, whereas colder weather (especially early frosts) leads to fewer pests. Variations of 40% in job numbers from one year to the next have been recorded.
- 3.2 Aside from the free work, it is intended that the new contract will be structured on a per job basis which will transfer financial risk from the Council to the contractor. As long as the price per job charged by the Council is higher than that charged by the contractor the Council will be protected from any overspend. Penalty clauses will be more closely defined and the relevant data controlled by the Council.
- 3.4 The ESPO contract does not commit the Council to a particular contract structure or place any restrictions on how it will operate. Effectively it provides a list of pre-approved suppliers that we can negotiate with. If the ESPO is not used we will need to undertake a full OJEU exercise due to the size of the contract.

#### **4 Consequences if the proposed action is not approved**

- 4.1 If a new arrangement is not made the Council will be out of contract for Pest Control services. If the service is longer offered this means that an estimated 4000 reports annually would not be dealt with.

#### **4. Advertising**

- 4.1 No advertising has been undertaken.

#### **5 Corporate Considerations**

##### **5.1 Consultation and Engagement**

- 5.1.1 The project is being carried out with the assistance of Procurement Unit.

##### **5.2 Equality and Diversity / Cohesion and Integration**

An equality impact assessment has been carried out and is attached. As Pest problems tend to be disproportionately found in low income areas this contract should contribute towards improving equality.

##### **5.3 Council Policies and City Priorities**

- 5.3.1 This contract supports the key Best Council outcome to “improve the quality of life for our residents, particularly for those that are vulnerable or in poverty”.
- 5.3.1 No further issues have been identified.

##### **5.4 Resources and Value for Money**

- 5.4.1 The estimated cost of the contract is £210,000 per year although this varies according to the number of jobs carried out and most of this is recovered from charges paid by customers.

##### **5.5 Legal Implications, Access to Information and Call In**

- 5.5.1 There are various legal requirements and responsibilities contained in the Contracts Procedure rules which will be managed through the involvement of procurement unit on the project team. The most complicated area is likely to be TUPE and pensions obligations as there are individuals with TUPE rights associated with this contract. There is an ex Council member of staff working on the contract who is in the West Yorkshire Pension Scheme, therefore the Council will need to pay for an actuarial assessment and ensure any new provider can meet the obligations under the Regulations to provide the same or comparable pension.

##### **5.6 Risk Management**

- 5.6.1 A risk register has been prepared. The main risk has been identified as delay in procurement but as the Council retains the right to extend the contract for a further 17 months this can be mitigated.

## **6 Conclusions**

- 6.1 The procurement of this contract represents best value for the Council and allows the service to continue to offer domestic pest control services.

## **7 Recommendation**

- 7.1 The Director of Environment and Housing is requested to authorise the procurement of domestic pest control services through the ESPO framework from 1<sup>st</sup> January 2016.