

CABINET

20 DECEMBER 2016

PEST CONTROL: FUTURE DELIVERY MODEL

Portfolio Holder:	Councillor Adrian Gulvin, Resources
Report from:	Richard Hicks, Director of Regeneration, Culture, Environment and Transformation
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Summary

This report assesses a range of options for the future delivery of the council's pest control service. It recommends the transfer of the service to the council's joint venture company Medway Norse to enable the service to be, as a minimum, cost neutral, and to enable it to trade commercially.

1. Budget and Policy Framework

- 1.1 Cabinet agreed the establishment of the Medway Norse joint venture company at its meeting on 12 March 2013. As part of agreeing the establishment of the joint venture Cabinet agreed to the principle of adding further facilities management (FM) services subject to agreeing a business case for such additions. The scope of the Medway Norse Joint Venture has over time, with the agreement of Cabinet and Norse Commercial Services, extended well beyond FM to a range of other blue collar services including grounds maintenance, transport and waste facilities. The approval of transfer of relevant services to the joint venture remains a matter for Cabinet.

2. Background

- 2.1 Pest control was included in the first phase of digital transformation work as a demonstrator project. From a *digital* transformation perspective, it was selected on the basis that it had the potential to be the seed bed for us to develop a range of technical functionality to support channel shift – book and pay on line - that would be replicable and scalable for a range of other services. That has proved to be the case
- 2.2 It is important to remember, however, that we are not confining ourselves to *digital* transformation. Digital is both the context within which we and our customers increasingly operate and also a key enabler. But, the transformation programme is intended to deliver fundamental service redesign, not simply an

effective online experience.

- 2.3 Pest control is in part a statutory service - The council has a statutory duty to take practicable steps to keep the area free from rats and mice, to destroy rats and mice on land which they own or occupy, and to enforce the duties of owners/occupiers of other land where rats and mice are an issue.
- 2.4 The pest control service currently has responsibility for the first two aspects for both residential properties and commercial businesses, with enforcement on other land being dealt with by a separate environmental protection team. There is no statutory responsibility to provide the pest control service in house.
- 2.5 The pest control service is currently loss making as it is not achieving its income targets. Officers have undertaken a thorough review of the service. They have used the council's agreed transformation methodology which is based on extensive customer and user involvement to redesign the service. The service's management and the transformation team have assessed alternative models for delivering the service, in addition to a range of digital enhancements to support an improved customer experience and efficient delivery.
- 2.6 The manager of the pest control service also oversees the operation of the sign shop currently based within the existing depot site at Strood. This function will need to be relocated once the depot site is decommissioned in 17/18. It therefore makes sense to include within any transfer to Medway NORSE the sign shop function and the associated staff. Finer details will need to be worked through and TUPE for the staff involved will apply.

3. Options

- 3.1 The attached business case (appendix 1) considers a range of options for the future delivery of the pest control service.

4. Advice and analysis

- 4.1 The business case concludes that the transfer of the pest control service to the council's joint venture company, Medway Norse, is the preferred option. This provides sustainable delivery of the council's statutory responsibilities and a service for Medway's residents and businesses that meets their needs at prices still significantly below market rates.
- 4.2 A diversity impact assessment has been carried out and is attached at appendix 2.
- 4.3 The manager of the pest control service also oversees the operation of the sign shop currently based within the existing depot site at Strood. This function will need to be relocated once the depot site is decommissioned in 17/18. It therefore makes sense to include within any transfer to Medway NORSE the sign shop function and the associated staff. Finer details will need to be worked through and TUPE for the staff involved will apply.

5. Risk management

5.1 The following risks and mitigations have been identified:

Risk	Description	Action to avoid or mitigate risk	Risk rating
1.	Price increases will lead to an increase in untreated pest infestations.	We will monitor take-up carefully and ensure effective exchange of information between the pest control and environmental protection teams. We will ensure tenants of rented properties are aware that pest control can be a landlords responsibility, depending on tenancy conditions.	
2.	There will not be opportunities to trade the service.	As a LATCO Medway Norse is able to trade with public and private sector clients. There has been public sector interest already in the potential service, with further Kent contracts coming up for renewal in the next year. There is considerable potential to grow the service offered to business clients	

6. Financial implications

6.1 The current budgeted deficit is £56,120. The recommended proposal as set out in the report will achieve a cost neutral service. In addition to this, short and medium term expectations are that the service will develop further under the new model and generate surpluses that will be shared 50/50 as per agreed existing arrangements with Medway NORSE.

7. Legal implications

7.1 The Prevention of Damage by Pests Act 1949 requires the Council to enforce the duties of owners and occupiers to keep their land free from pests. The Council has specific duties under the Prevention of Damage by Pests Act 1949 namely to take steps to ensure that the area is kept reasonably free from rats and mice and in particular to:

- From time to time carry out inspections
- Destroy rats and mice on land the Council owns or occupies, and
- Enforce duties of owners and occupiers to keep other land free from rats and mice.

7.2 The Council does not have to undertake pest control itself and, if it chooses to do so, there is no requirement to offer this service free of charge.

- 7.3 Other powers and duties regarding public health pests are included in other environmental health legislation, such as the Food Safety Act, Public Health Acts, and the Housing Act.
- 7.4 Should the transfer of the pest control service to its joint venture company, Medway Norse be approved then it is likely that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (“TUPE”) will apply. Any transfer will be handled in accordance with the TUPE regulations and if appropriate the Council’s Organisational Change policy.
- 7.5 It is recognised that effective and regular communication and meaningful consultation with staff and trade unions is important, as well as providing support to employees leading up to and following any transfer.

8. Recommendation

- 8.1 It is recommended that Cabinet agree to the transfer of the pest control service to its joint venture company, Medway Norse, noting that this will be subject to staff consultation on the TUPE transfer.

9. Suggested reasons for decision(s)

- 9.1 The recommended option provides a way of delivering a cost neutral service for the council, whilst keeping prices below market rates. It gives the opportunity for trading the service to generate further income for the council.

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Appendices

1. Business case
2. Diversity impact assessment

Background papers

Report to Cabinet 12/3/13 Establishment of a Joint Venture Company for Facilities Management
<https://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=19309>

Pest Control – Future Service Delivery Model

Business Case

Version 1.6

Pest Control – Future Delivery Model Business Case

Purpose

Service Objectives

Background

Executive summary

The current pest control service

Transformation opportunities

Options Appraisal for future service delivery

- Option 1: cease the service
- Option 2: scale back current in house service to statutory provision only
- Option 3: retain in house as is
- Option 4 outsource
- Option 5 transfer the service to one of the council LATCOs – Medway Norse or Medway Commercial Group

Recommended option – the business case

Financial summary

Timescales

Risks, Constraints & Dependencies

Pest Control – Future Delivery Model Business Case

1. Purpose

The purpose of this document is:

- to assess the future options for delivery of the council's pest control service

2. Service objectives

The transformation programme is charged with:

- improving service delivery and outcomes for customers
- reducing costs.
- increasing income, where appropriate
- delivering culture change to support the transition to a digital and commercially minded council

These were the objectives set for the review of pest control.

3. Background

Pest control was included in the first phase of the digital transformation programme as a demonstrator project. From a *digital* transformation perspective, it was selected on the basis that it had the potential to be the seed bed for us to develop a range of technical functionality to support channel shift – book and pay on line - that would be replicable and scalable for a range of other services. That has proved to be the case.

It is important to remember, however, that we are not confining ourselves to *digital* transformation. Digital is both the context within which we and our customers increasingly operate and also a key enabler. But, the transformation programme is intended to deliver fundamental service redesign, not simply an effective online experience.

The discovery work with the pest control service revealed that the service is loss making and could benefit from more business like management and discipline. There are opportunities to cut costs and increase productivity through digital enhancements to service delivery and operation, as well as opportunities to increase income. The market for pest control services is strong in Medway and wider Kent so there are opportunities to develop a service that could trade to generate an income stream for the council. This business case assesses the options for delivering these opportunities.

4. Executive Summary

The service principally covers rats and mice, the service also occasionally extends to household pests such as wasps, fleas, bed bugs and even squirrels. Over recent years some authorities have contracted out the service. In addition, there are a handful of councils nationally which have stopped providing the service completely. Where this has happened environmental health enforcement work increases on rodent infestations. There is an expectation from residents and businesses that the council will provide, directly or indirectly, a pest control service.

Market analysis within Kent, suggests that Local authority pest control services have never pursued a 'one size fits all approach'. Whilst historically the vast majority have had dedicated pest control teams in-house, they have varied enormously in size and in the areas they prioritise and also the costs to which they charge the public.

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On the issue of other pests, the trend has been to charge, but the costs vary enormously, even between bordering local authorities where similar pest problems exist. Commercially minded Councils have proactively sought out work in commercial premises to cover subsidy given elsewhere, or to contribute to the overall running of the service.

Medway Council has prided itself in maintaining an in-house team that up until 2016, offered a free service for rats. The authority is currently undertaking efficiency and improvement reviews of a number of its statutory and non-statutory services, and whether these can be delivered more effectively through either Medway Norse, MCG or Outsourced provision. Pest Control, is one such area of operation.

We have modelled domestic income based on the introduction of prices currently charged at neighbouring boroughs Maidstone and Swale (see appendix 1) These values are still some of the lowest in Kent and in fact throughout the country. For financial modelling purposes, the figures make very conservative assumptions about conversion rates of current enquiries to chargeable work to reflect a potential impact due to increased charging. We do not in practice expect to see such a drop off in confirmed work. The introduction of charging for rats in 2016 did not impact on take-up of the service.

The conversion rates within Medway Council Pest Control for commercial work are very poor, with free scoping surveys currently being undertaken with little follow up contracts being closed at the point of visit. This is a costly and wasteful use of resources. Surveys will become chargeable and rebates given for the value of the survey at the point of commitment to contract, contracts will be either one off, or on a minimum of an annual basis.

The monitoring of incoming work is weak with data errors in categorisation. It is expected that rates of conversion can be increased by a minimum of 20% year on year for the first two years. A commercial pricing review will also be required, which may also provide additional income opportunities.

Projected financial model

Domestic residential and commercial sales

Year 1 (2017/18)

Current level of subsidy (15/16 out-turn)	£ 86,321
Less increased domestic sales 30% conversion	£ 68,259
Less increased commercial sales	£ 10,400
Overall potential subsidy required	£ 7,662

Year 2 (2018/19)

Current level of subsidy (15/16 out-turn)	£ 86,321
Less increased domestic sales 50% conversion	£113,765
Less increased commercial sales	£ 12,480
Overall potential profit, Year 2	£ 39,924

The projections above are based on 2015/2016 figures, N.B. it should be noted that the 16/17 quarter 3 monitoring indicates the projected out-turn for the level of subsidy is £60,558 due to the impact of introducing charging for rats. If this is sustained to year end the service would be in surplus from year 1 to approximately £18k

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5. Current Position

Statutory responsibilities

The council has a statutory duty to take practicable steps to keep the area free from rats and mice, to destroy rats and mice on land which they own or occupy, and to enforce the duties of owners/occupiers of other land where rats and mice are an issue.

The in house pest control service currently has responsibility for the first two aspects for both residential properties and commercial businesses, with enforcement on other land being dealt with by a separate environmental protection team. There is no statutory responsibility to provide the pest control service in house.

Range of pests removed

The council currently provides a control service for a very wide range of pests, but by far the biggest proportion is for rats. The figures below relate to 2015/16 but are best estimates and should be treated with some caution as not all visits are recorded on Confirm, the computer system used by the service. The range of pests has grown incrementally without active consideration of demand and cost implications and therefore the sustainability of the service

Pest	No. properties treated (Jobs)	Total number of visits made	% of total visits
Bumble Bees	9	37	0.4%
Fleas	88	136	1.5%
Mice	245	1040	11.6%
Wasps	342	476	5.3%
Rats	1686	7121	79.2%
Squirrels	5	25	0.3%
Bed Bugs	53	149	1.7%
Cockroaches	4	12	0.1%

Staffing and budgets

The total gross budgeted cost of the service in 16/17 is £226,044 (excluding recharges) with budgeted income for 16/17 at £169,924 giving a net expected deficit of £56,120. Out turn expenditure for 15/16 was £202,347 with achieved income of £116,026. The service was budgeted in 15/16 to be in a deficit position to the tune of £48,422 but actually came in with a deficit of £86,321. At round 2 financial monitoring the projected out-turn position for 2016/17 was an overspend of £2272 against budget, increasing to £4438 in round 3.

The staffing budget for 16/17 is £162,613 and covers 5 members of staff – an operations manager (range 6) who spends the majority of his time on pest control, a supervisor (range 4) and 3 senior pest control technicians (range 3)

Operational expenditure is budgeted at £63,300 which covers materials and 4 vehicles including fuel and other ancillary costs.

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Charging model and income

The service has a very complex charging model that does not cover the costs of the service for most pests. It did not achieve budgeted income during 2015/16, particularly in relation to commercial clients where there was a shortfall against target of £29,687. Charging is inconsistently applied with customers routinely receiving more than the publicised number of visits so income is being lost.

Pests in the home

PEST	Price (exc VAT)	Conditions	Income
Bumble Bees	£41.67	1 visit	£375.00
fleas	£45.83	1 visit	£4,033.33
Mice	£41.67	Up to 3 visits	£10,208.33
Wasps	£33.33	1 visit	£11,400.00
Rats	£0.00	Up to 3 visits	£0.00
Squirrels	£100.00	2 visits	£500.00
Bed Bugs	£195.83	2 visits	£10,379.17
Cockroaches	£191.67		£766.67
		Total	£37,662.50

Commercial work has a number of strands. With the exception of wasps, businesses book a free survey after which they receive a quote. The conversion rate is low – data is very poor in this area but estimates based on available data suggest between 10- 50%, so a significant proportion of surveys carried out in 15/16 did not lead to any chargeable work. Contracts are more lucrative but there are non-chargeable additional call outs being incurred over and above contract stipulations meaning income is not being maximised.

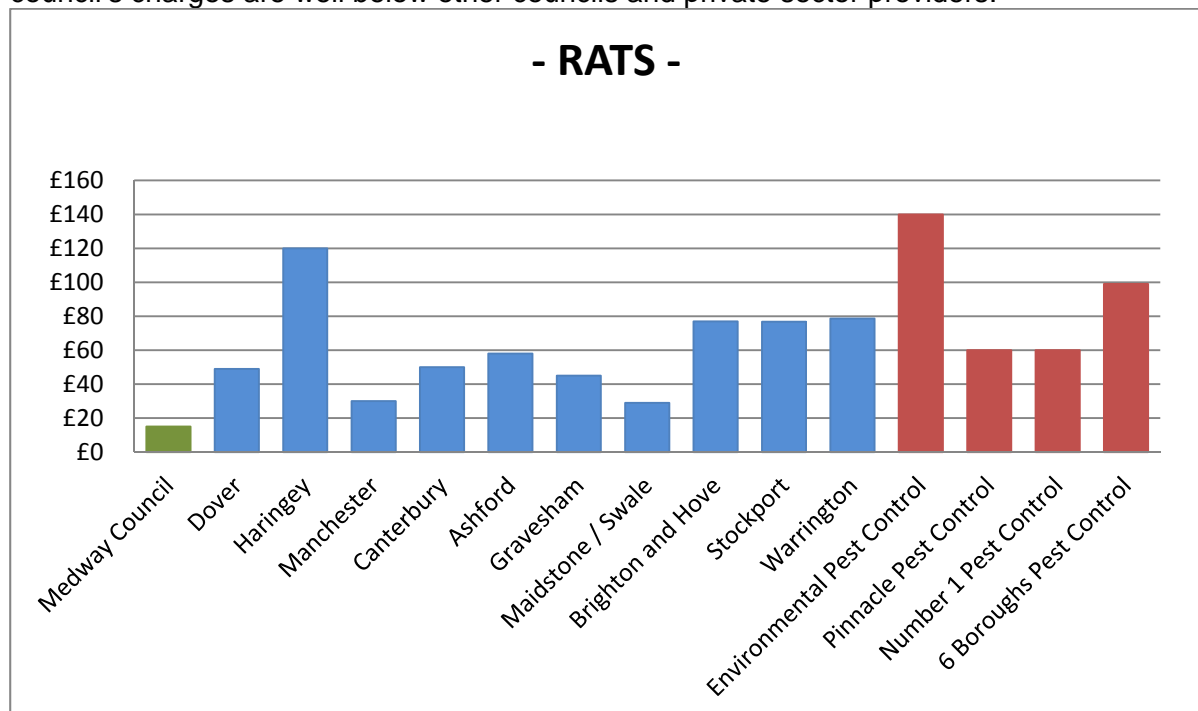
Pests in businesses

Type	Volume in 15/16	Income
Non contract income (council land and property)	77	22,000
Contracts (internal)		15,000
Internal Income		37,000
Non contract income external (inc Bed Bugs)		32,000
Pest prevention contracts		20,000
External Income		52,000

Page left intentionally blank Comparative pricing

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The council has historically made the decision to subsidise treatments for residents – in particular rats where a £15 charge (for 3 visits) was only introduced in April 2016. The council's charges are well below other councils and private sector providers.



Contact channel profile

The service is currently heavily biased to the more expensive channel of telephone contact – 65% of contact is by phone, 29% bookings made face to face in community hubs, 7% only online using existing e-forms. Call listening in the contact centre showed a lot of customers had started their journey online but gave up, so the current poor online experience is driving avoidable contact. Based on pest specific mosaic modelling data it is estimated 69% of customers have the capacity to access services online. This figure is likely to increase in the future. There were 8,549 pest calls to the contact centre between 1 Oct 16 to 20 Sept 16. This doesn't include business calls which come straight into the pest team.

There are low levels of online payment. Residential bookings can be paid for by card over the phone at the time of booking or by cash. Significant amounts of cash are still being collected with complex manual processing.

Transformation opportunities

Through the review work we have identified a range of improvement and cost reduction opportunities:

- Improve the online booking and payment offer to encourage customers to use this method of contact
- Expand the commercial reach of the service to more business clients in Medway and beyond
- Increase the productivity of technicians with technology for them to use in the field

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- Deliver a financially sustainable service by raise prices in line with comparator councils
- Reduce number of pests supported to support cost effective delivery model

These opportunities can be pursued irrespective of changes to future delivery models. The efficiency savings from digital improvements would benefit the council prior to the adoption of an alternative means of delivery.

The following section assesses the range of alternative delivery models that could be pursued to deliver the required change

Options for delivery models

OPTION	Opportunities				Risks
	Service improvement potential	Cost reduction potential	Income generation potential	Culture change potential	
Option 1: Cease the service	None	None – service currently has deficit budget	None	None	Not possible as there are statutory responsibilities in relation to rats and mice
Option 2: Shrink in house to stat minimum	Opportunities identified above could be delivered for rats and mice	Potential for reduction in staffing as less capacity required. Price increases would be required to reduce deficit budget position	Limits potential for business clients beyond rats. Limited ability to trade externally	None	Service is too small to be resilient so standards drop
Option 3: In house as is	Opportunities identified above could be delivered to improve the current service	Price increases would be required to reduce deficit budget position	Retaining the service in-house gives limited ability to trade beyond the current scope due to legal restrictions.	It is felt by the service leadership that it does not currently have the commercial skills to develop the service into a trading operation.	Significant improvement is needed in the operational management of the service

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Business Case**

OPTION	Opportunities				Risks
	Service improvement potential	Cost reduction potential	Income generation potential	Culture change potential	
Option 4: Outsource	Can be built into the spec but may attract additional cost	Costs likely to be less than current in house provision due to economies of scale. This would not be sufficient to remove the need for subsidy based on current pricing so price increases would be needed.	None	None	Limited risk
Option 5: Transfer to MCG	Opportunities identified above can be delivered	Price increases will be required to contribute to reduction in deficit budget. Ability to trade externally will make contribution to clearing deficit position	LATCO rules allow trading through teckel exemption up to 20% of turnover of the company. There are various live and upcoming opportunities for public sector business in Kent.	Development of council LATCOs is part of programme of culture change	Low risk. Limited ability to cross sell to existing client base as this 'blue collar' service is very different from MCG current portfolio. No existing operational management structure to slot service into maximise efficiencies

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Business Case**

OPTION	Opportunities				Risks
	Service improvement potential	Cost reduction potential	Income generation potential	Culture change potential	
Option 6: Transfer to Medway Norse	Opportunities identified above can be delivered	Price increases will be required to contribute to reduction in deficit budget. Ability to trade externally will make contribution to clearing deficit position. Existing operational management structure for blue collar similar services can be used to generate further efficiencies.	LATCO rules allow trading through teckel exemption up to 20% of turnover of the company. There are various live and upcoming opportunities for public sector business in Kent. Can cross sell as part of broader FM package	Development of council LATCOs is part of programme of culture change	Low risk

Assessing the options against the criteria of service improvement, cost reduction, income maximization and culture change, the preferred option is a transfer of the pest control service to the council's joint venture company Medway Norse. The business case for this recommended option is considered in more detail below.

The recommended option – business case

The level of accurate data available about the work and cost profile of the service makes thorough due diligence and the production of a business case impossible at this stage. Data within Confirm is incomplete and many jobs remain open so there is no accurate profile of the service's workload on which to develop a new model.

With those caveats on data quality, we have modelled the introduction of prices currently charged at neighbouring boroughs Maidstone and Swale (see appendix 1) with very conservative assumptions about conversion rates of current enquiries to chargeable work to reflect a potential impact due to increased charging.

This is shown in the tables below. For the purposes of this modelling we assume 30% conversion in year 1, 50% in year 2 and 65% in Year 3, taking the service to a break even in Year 2 and positive profit trading contribution position within Year 3, this amount also excludes proposed up front savings to also be made. The £ figures noted below are nett of VAT e.g. Rat gross fee is £29.00, actual income received = £24.17

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Business Case**

	Potential Income 30% Conversion			
	Call Out	Projected Revenue	Follow Up	Projected Revenue
Bedbugs	133	£ 11,172.00	0	£ -
Beetles, Moths, Black Ants, Cockroaches, Flies	336	£ 2,520.00	0	
Fleas	30	£ 383.94	0	£ -
Mice	265	£ 3,842.50	1060	£ 7,685.00
Rabbits / Squirrels	47	£ 822.50	0	£ -
Rats	942	£ 6,830.44	4506	£ 32,673.01
Wasps	233	£ 2,329.77	0	£ -
	1986	£ 27,901.15	5566	£ 40,358.01

Conversion rates at 30% give an additional £ 68,259 to the council in Year 1
Year 1 subsidy required at 30% conversion of existing jobs = £ 18,062

	Potential Income 50% Conversion			
	Call Out	Projected Revenue	Follow Up	Projected Revenue
Bedbugs	133	£ 18,620.00	0	£ -
Beetles, Moths, Black Ants, Cockroaches, Flies	336	£ 4,200.00	0	
Fleas	30	£ 639.90	0	£ -
Mice	265	£ 6,404.17	1060	£ 12,808.33
Rabbits / Squirrels	47	£ 1,370.83	0	£ -
Rats	942	£ 11,384.07	4506	£ 54,455.01
Wasps	233	£ 3,882.95	0	£ -
	1986	£ 46,501.92	5566	£ 67,263.34

Conversion rates at 50% give an additional £ 113,765 to the council in Year 2
Year 2 **NO** subsidy required at 50% conversion of existing jobs = £ 27,444 Potential profit contribution

The above assumptions are based on the domestic elements of the service provision, there are further opportunities to increase commercial revenue. Additional income should be increased by circa;

20% in Year 1 (£10,400)

And a further 20% in Year 2 (£12,480) Compounded figure

These are conservative estimates at this stage, given the reliability of data held on the current service.

Pest Control – Future Delivery Model Business Case

Financial summary

Projected financial model

Domestic residential and commercial sales

Year 1 (2017/18)

Current level of subsidy (15/16 out-turn)	£ 86,321
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Less increased commercial sales	£ 10,400
Overall potential subsidy required	£ 7,662

Year 2 (2018/19)

Current level of subsidy (15/16 out-turn)	£ 86,321
Less increased domestic sales 50% conversion	£113,765
Less increased commercial sales	£ 12,480
Overall potential profit, Year 2	£ 39,924

The projections below are based on 2015/2016 figures, N.B. it should be noted that the 16/17 quarter 3 monitoring indicates the projected out-turn for the level of subsidy is £60,558 due to the impact of introducing charging for rats. If this is sustained to year end the service would be in surplus from year 1 to approximately £18k

Risks, constraints and dependencies

The proposed business model assumes fees are set at the level charged by other North Kent authorities Maidstone and Swale.

There is a risk that use of the service will drop as a result of charging, with an impact on rat infestations. There will be regular dialogue and reporting of hot spots to environmental enforcement team to mitigate this risk.

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Business Case**

Maidstone and Swale charging Description	Charge (£) including vat	Comments
Hourly charge for treatments carried out on industrial and commercial properties	To be quoted	N/A
For treatments outside of normal office hours	To be quoted	N/A
Charge per visit for the treatment of wasps per nests carried out on domestic properties	58.50	Per visit charge
Additional wasp nests treatment	10.00	Additional nests treated on same visit
Rats and mice (per visit) with a minimum of 2 visits required – client on benefits and non-benefits	£ 29.00	
Charge per visit for the treatment of rat and mouse nests carried out on domestic premises	29.00 (58.00)	Per visit charge (minimum of two visits)
Minimum charge for the treatment of ants, insects carried out on domestic premises	30.00	Per visit charge
Minimum charge (including up to four rooms) for the treatment of fleas, and other household pests carried out on a domestic premises	70.00	Subsequent minimum charge will apply for further treatments after a period of 14 days has elapsed
For each additional room (up to four rooms additional)	10.00	As above
Bedbugs (up to 4 bedroom house). Anything larger will require a survey	280.00	Current cost is for Steam, Insecticide, Diatomaceous Earth treatment. Charge to vary depending on the practice used by the bidder. To be agreed with council on award of the contract.
Charge for rat treatments carried out on local authority parks and open spaces.	To be quoted	Per visit

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Business Case**

Woodworm, birds, deathwatch beetle, foxes, moles & squirrels	To be quoted	
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PROPOSED TUPE TIMETABLE

ACTION	DUE DATE	ACTIONED BY
Commence initial feasibility discussions	Ongoing	Both
Informally advise staff and TUs of outsourcing proposal and potential TUPE transfer	ASAP	Both
Draft paper / report proposing outsourcing options	Ongoing	Medway
Medway Cabinet	20 December	Medway
Provide employee data to NORSE regarding employees to be included in the proposed TUPE transfer	3 January	Medway
Issue measures letter to Medway	9 January	NORSE
Commence formal consultation with TUs and staff <i>if</i> any measures are to be taken by NORSE	17 January	Medway
Offer 1:1 meetings for staff (if required)	ongoing	Both
Prepare final Employee Liability Information to send to NORSE at least 28 days prior to transfer date	Latest 1 February	Medway
Any comments to be submitted before the end of the consultation period	13 February	Medway Employees
End of formal consultation period	12 noon 13 February	Medway

**Pest Control – Future Delivery Model
Business Case**

Meet to discuss consultation responses and prepare responses to staff and TUs	15 – 16 February	Medway

The following items are for indication only, and may not be necessary, depending on the outcome of the consultation process.

ACTION	DUE DATE	ACTIONED BY
Write to staff to confirm TUPE transfer date	20 February	Medway
Issue welcome letter	27 February	NORSE
Implementation date	1 March 2017	Both

NB . Please note dates referred to in this timetable should be used as a guide only and may be subject to change /updates.

End of document

Diversity impact assessment

Appendix 2

TITLE <i>Name/description of the issue being assessed</i>	Transferal of the Pest Control Service to Medway Norse and review of charging for the treatment of pests.
DATE <i>Date the DIA is completed</i>	06 December 2016
LEAD OFFICER <i>Name and title of person responsible for carrying out the DIA.</i>	Ruth Dulieu

1 Summary description of the proposed change

- *What is the change to policy/service/new project that is being proposed?*
- *How does it compare with the current situation?*

To transfer the pest control service to its joint venture company, Medway Norse, subject to staff consultation on TUPE transfer; to change the current pricing and payment structure. The most significant change is an increase for charging for rats from (inc VAT) £15 for up to 3 visits, to £29 per visit (min 2) and an increase for mice from £50 for up to 3 visits for £29 per visit (min 2) to bring charges in line with local councils Maidstone and Swale. This along with increases in commercial business is designed to move to the position where the council no longer subsidises the service.

A rationalisation of the range of pests supported to focus on those where there is most customer demand – rats, mice, wasps, fleas, insects, squirrels – no longer deal with birds of ad hoc requests which account for less than 0.5% of visits but are a drain on technicians' time

2 Summary of evidence used to support this assessment

- *Eg: Feedback from consultation, performance information, service user records etc.*
- *Eg: Comparison of service user profile with Medway Community Profile*

Data from the council's computer system Confirm has been used to carry out this assessment. There is a health warning to this as the data quality is poor and incomplete. This DIA is carried out based on the best information available. Other information used is comparative pricing analysis and mosaic population modelling analysis.

In 2016/17 the pricing structure changed with the introduction of a £15 per treatment for rats for up to a maximum of 3 visits.

Under the Prevention of Damage by Pest Act 1949, a local authority has the duty to:

- take practicable steps to keep their district free from rats and mice
- from time to time, carry out inspections as may be necessary to

Diversity impact assessment

achieve this

- destroy rats and mice on land which they are the occupier
- enforce the duties of owners/occupiers of other land

Local authorities have an obligation to carry out enforcement action against any property harbouring rats. It does not have an obligation to treat the pest itself or do so for free.

Current benchmarking pricing structure

Benchmarking the current costs per visit for rats against Kent Authorities shows that Dartford, Tonbridge and Malling and Tunbridge Wells do not currently charge. Medway has the lowest current costs of £5.00 per visit compared to the other nine Kent Authorities who do charge (Sevenoaks charges the highest at £115).

Benchmarking the current costs per visit for rats against Medway's Family of Authorities (determined to be similar in demographic terms by the Audit Commission) shows Bolton, Rochdale, St Helens and Stockton-on-Tees do not charge. Medway has the lowest current costs of £5.00 per visit compared to the other nine Family Authorities who do charge (Warrington charges the highest at £78.67). Thurrock do not have a pest control service and advise resident's to contact the pest control section of the yellow pages.

Benchmarking the current costs per visit for mice against Kent Authorities shows that Tonbridge and Malling and Tunbridge Wells do not charge. Medway currently charges £16.67 per visit which is similar to five other Kent Authorities who charge £14.50 to £16.33. It is cheaper than five other Kent authorities (Sevenoaks charges the highest at £115).

Benchmarking the current costs per visit for mice against Medway's Family Authorities shows Bolton, Rochdale, St Helens and Stockton-on-Tees do not charge. Medway currently charges £16.67 per visit which is the third lowest compared to the other nine Family Authorities who do charge (Warrington charges the highest at £78.67). Thurrock do not have a pest control service and advise resident's to contact the pest control section of the yellow pages.

Proposed benchmarking pricing structure

Benchmarking the proposed costs per visit for rats against Kent Authorities shows that Medway would move from the lowest costs of £5.00 per chargeable visit to £29.00 per visit the same as three other Kent Authorities. This comparison is based on the other Kent Authorities current costs as it is not known if there will be increases in these fees or charges for the 2017/18 financial year.

Benchmarking the proposed costs per visit for rats against Medway's Family Authorities shows that Medway would be at the midpoint of ten charging authorities at £29.00.

Diversity impact assessment

Benchmarking the proposed costs per visit for mice against Kent Authorities shows that Medway would move from charging £16.67 per chargeable visit to £29.00 per visit the same as three other Kent Authorities. This comparison is based on the other Kent Authorities current costs as it is not known if there will be increases in these fees or charges for the 2017/18 financial year.

Benchmarking the proposed costs per visit for mice against Medway's Family Authorities shows that Medway would be at the midpoint of ten charging authorities at £29.00.

It is proposed that these price increases are introduced to put the service on a sustainable footing irrespective of whether it transfers to Medway Norse, is outsourced or remains in house. The proposal to transfer the service to Medway Norse allows greater flexibility to provide the service for other public bodies and gives a greater commercial focus meaning that a growth in commercial income is a part of the strategy to make the service self-funding, which in turn helps to limit price increases to residential customers.

Who uses the service and what for? Is the charging increase likely to have a disproportionate or adverse impact on any particular part of the population?

Customer Profiling

In summary, the evidence that follows shows that the pest control service is used to a greater extent by more affluent residents in Medway than those on benefits. There are not significant gender or age differences. Residents on benefits made 21.3% of enquiries to the service in the first 6 months of 2016/17, with a high proportion of those likely to be renting from landlords.

Section 4 of the Prevention of Damage by Pest Act 1949 gives the Local Authority powers to take action against either an owner or occupier of a premise subject to infestation. Responsibility for pest control in rented accommodation will depend on the exact terms of the tenancy agreement.

The data held in our system does not enable us to identify where landlords are reporting issues on behalf of their tenants or vice versa. In terms of potential adverse impact of charging increases, depending on their tenancy, some renting tenants should not be bearing that charge.

Usage of the service overall has dropped since the introduction of a charge for rats. The drop has been higher for residents in receipt of benefits. The proportion of overall enquiries for rats is now 37% of all enquiries for both residents in receipt of benefits and those who are not.

Diversity impact assessment

Evidence:

Customer segmentation is a way of looking at a population and splitting them up into groups based on certain characteristics. Mosaic is the customer segmentation tool used within Medway Council. Mosaic is created by a third party provider, Experian, and profiles households into one of 15 groups and 66 types.

The fifteen groups are:-

Mosaic Group	Group description
A Country Living	Well-off owners in rural locations enjoying the benefits of country life
B Prestige Positions	Established families in large detached homes living upmarket lifestyles
C City Prosperity	High status city dwellers living in central locations and pursuing careers with high rewards
D Domestic Success	Thriving families who are busy bringing up children and following careers
E Suburban Stability	Mature suburban owners living settled lives in mid-range housing
F Senior Security	Elderly people with assets who are enjoying a comfortable retirement
G Rural Reality	Householders living in inexpensive homes in village communities
H Aspiring Homemakers	Younger households settling down in housing priced within their means
I Urban Cohesion	Residents of settled urban communities with a strong sense of identity
J Rental Hubs	Educated young people privately renting in urban neighbourhoods
K Modest Traditions	Mature homeowners of value homes enjoying stable lifestyles
L Transient Renters	Single people privately renting low cost homes for the short term
M Family Basics	Families with limited resources who have to budget to make ends meet
N Vintage Value	Elderly people reliant on support to meet financial or practical needs
O Municipal Challenge	Urban renters of social housing facing an array of challenges

The households that had received a pest control service were profiled using Mosaic. When profiling households who receive a Pest Control service there is a high index of households in Groups A, B, D, and F. This means that the proportion of Pest Control Services provided to these groups, in both the 2015 and 2016 periods, was higher than the equivalent proportion of households in those groups in Medway.

These groups are more likely to live in areas of lower deprivation, have higher than average incomes and are much more likely to own their home. Group F are more likely to be retired therefore their income will be relatively smaller. The demographic profile for these groups is more varied. Adults in Group B are more likely to be aged between 46 and 75. Whereas the age profiles in

Diversity impact assessment

Group A and F were older; in Group A residents were more likely to be aged 56 and over and in Group F aged 66 and older. Group D had a higher proportion of residents likely to be aged between 31 and 55. The only significant gender difference between the groups is in Group F where there are likely to be more females in a household than males, this is likely due to be the older age profile of households. Only households in Group F are more likely than average to have a health problem or disability that limits their day to day activity. Groups A and F are more likely to be British or Irish households, whereas Group B and D are more likely to be diverse households.

Households in receipt of benefits

When looking at all households in receipt of benefits (Housing Benefit or Council Tax Reduction) who have received a Pest Control Service there is a high index of households in Groups L, M, N and O. This means that the proportion of Pest Control Services provided to these groups, in both the 2015 and 2016 periods, was higher than the equivalent proportion of households in those groups in Medway.

These groups are more likely to live in areas of higher deprivation, have lower incomes and are much more likely to rent their home either privately or through the Council or a Housing Association.

The demographic profile for these groups is more varied. Adults in Groups L and M are more likely to be aged between 18 and 46. Whereas the age profiles in Group N and O were older; in Group N residents were more likely to be aged 61 and over and in Group O there was a higher proportion of residents likely to be aged between 36 and 65. The most significant gender difference between the groups was in Group N where there are likely to be more females in a household than males. This is due to the older age profile of Group N households. Both Group N and O are more likely than average to have a health problem or disability that limits their day to day activity. Group N are more likely to be British or Irish households, whereas Groups L, M and O are more likely to be diverse households

In the period April to September 2016 of all unique enquiries received by Medway Council Pest Control Services 297 of the 1395 were from households who were in receipt of Housing Benefit or Council Tax Reduction in the same period; this is 21.3% of enquiries. This has reduced from the same period in 2015 when 418 of the 1600 unique enquiries were from households who were in receipt of Housing Benefit or Council Tax Reduction; this is 26.1% of enquiries.

Only bookings and enquiries that fell in the comparison periods were included in the analysis. In the period from 1 April 2015 to 30 September 2015 there were 1,600 unique enquiries made to Medway Council Pest Control Services; these enquiries resulted in 4,405 bookings, an average of 2.8 bookings per enquiry. In the same period during 2016 there were 1,395 unique enquiries

Diversity impact assessment

made to Medway Council Pest Control Services; these enquiries resulted in 2,969 bookings, an average of 2.1 bookings per enquiry. This is a 12.8% decrease in the number of enquiries (down 205) and a 32.6% decrease in the number of bookings (down 1436).

Rats and mice remain by far the most significant source of enquiries but there were some significant changes in the types of enquiries overall between the two time periods. Flea enquiries were 2.5 times higher in 2016 than 2015 and wasp enquiries increased by 76%, whereas rat enquiries more than halved. The decrease in rat enquiries from households in receipt of benefits was 63.8%, with a lesser decrease at 45.9% for households not on benefits. Whilst the changes in flea and wasp enquiries might be explained by natural fluctuations in pests the significant change in rat enquiries is unlikely to be solely related to such natural variation. Particularly when the number of mice enquiries was static. It is therefore likely that the introduction of the £15 charge has led to a reduction in the number of enquiries.

The overall number of pest control enquiries for households in receipt of benefits has decreased by 29% this is in part because the overall numbers of enquiries are smaller and because of the significant reduction in the number of rat enquiries. However, when looking at rats, for both residents on benefits and not, the proportion of enquiries accounted for by rats is at the same level; 37.4% of all enquiries for households in receipt of benefits compared to 37.2% of enquiries for households not in receipt of benefits.

Enforcement action

A charge of £15.00 was introduced from 1 April 2016 for the treatment of rats. At this time a DIA was completed and an action agreed to review the number of enforcement enquiries and actions undertaken in 2016/17 to consider whether the introduction of a charge would increase the number of enforcement enquiries for both rats and mice.

On reviewing the data for the same time periods 1 April to 8 December for the past three years there has not been a significant increase in the number of enforcement enquiries.

2014/2015	215
2015/2016	217
2016/2017	228

Diversity impact assessment

3 What is the likely impact of the proposed change?

Is it likely to :

- Adversely impact on one or more of the protected characteristic groups?
- Advance equality of opportunity for one or more of the protected characteristic groups?
- Foster good relations between people who share a protected characteristic and those who don't?

(insert ✓ in one or more boxes)

Protected characteristic groups	Adverse impact	Advance equality	Foster good relations
Age			
Disability			
Gender reassignment			
Marriage/civil partnership			
Pregnancy/maternity			
Race			
Religion/belief			
Sex			
Sexual orientation			
Other (eg low income groups)	Low income / in receipt of benefits		

4 Summary of the likely impacts

- Who will be affected?
- How will they be affected?

Any Medway resident requiring the eradication of pests may be affected due to a charge being levied on the treatments.

Lower income families may find it more difficult to pay for treatment. The profile of users of the service shows that they are however more likely to be living in rented accommodation and therefore the responsibility for pest control in rented accommodation will depend on the exact terms of the tenancy agreement to eradicate pests.

Diversity impact assessment

5 What actions can be taken to mitigate likely adverse impacts, improve equality of opportunity or foster good relations?

- *Are there alternative providers?*
- *What alternative ways can the Council provide the service?*
- *Can demand for services be managed differently?*

- Information on to deal and manage pest to be provided on the Medway Councils website.
- Information to be placed in Medway Matters about pests and the responsibilities of owners and occupiers.
- Continued information sharing between the pest control service and environmental protection to monitor any potential increase in pests so early enforcement action can be taken.

6 Action plan

- *Actions to mitigate adverse impact, improve equality of opportunity or foster good relations and/or obtain new evidence*

Action	Lead	Deadline or review date
Produce information on website on how best to prevent infestations	AD Transformation	April 17
Continued information sharing between the pest control service and environmental protection to monitor any potential increase in pests so early enforcement action can be taken.	AD FLS	Ongoing
Information to be placed in Medway Matters about pests and the responsibilities of owners and occupiers.	AD Transformation	June 17
To complete a comparative year on year analysis of the number of pest control enforcement' enquiries and those that result in enforcement action being taken.	AD FLS	April 18

7 Recommendation

It is recommended to proceed with the change subject to the actions identified at section 6.

Diversity impact assessment

8 Authorisation

The authorising officer is consenting that:

- *the recommendation can be implemented*
- *sufficient evidence has been obtained and appropriate mitigation is planned*
- *the Action Plan will be incorporated into service plan and monitored*

Assistant Director

Ruth DuLieu

Date 12/12/16