



Agenda Item 8
Appendix A.

Ubico Limited

**Cotswold District Council
Governance Overview & Business Plan**

1. Purpose

- 1.1. This report provides an overview of Ubico's existing Governance and a proposal for review that aims to update and improve the process to agree the Ubico Business Plan 2020/21.

2. Background

- 2.1. After successfully launching Ubico with two shareholders (Cotswold DC and Cheltenham BC) and creating a proven operating model, the company expanded quickly between 2014 and 2016 adding a further five shareholders to the current total of seven equal shareholders. These are:

- Cheltenham Borough Council
- Cotswold District Council
- Forest of Dean District Council
- Gloucestershire County Council
- Stroud District Council
- Tewkesbury Borough Council
- West Oxfordshire District Council

- 2.2. Ubico is a teckal company. This allows any of the shareholding authorities to passport work to the company without going through a public procurement process. This is advantageous as it saves the time and costs of complicated and lengthy procurement processes. In addition, further benefits of being a Ubico shareholder are as follows:

- All services are delivered at cost as if it was an in house service
- Terms and conditions can be agreed that are appropriate in the market and are not bound by Local Government T&Cs

- Greater flexibility to change, re-design and amend services without having to go through costly contract negotiations with an out-sourced provider
- Service costs are ring-fenced to each shareholder (apart from a central corporate charge to pay for things like, HR, Finance, IT, and management) preventing any cross-subsidisation across service partnerships
- Any savings or surpluses within the partnership are returned back to the shareholder, however, each shareholder holds the financial risk if costs exceed those forecast, as would be the case in an in-house service
- Any commercial profits from activities for external parties are returned to shareholders on a proportional basis to size of the partnership contract

2.3. To retain Ubico's teckal exemption status the company must satisfy certain tests. These are:

- At least 80% of the company's turnover has to be with shareholding authorities
- The shareholders must control the company as if it were an in-house department of the authorities
- No private capital can be invested in the company

2.4. Ubico's shareholder agreement has a number of key provisions to ensure that shareholders exercise control of the company. These include:

- The right to appoint Non-Executive Directors (who are not elected members)
- The appointment of Executive Directors, including setting their remuneration
- Agreement of the annual Business Plan
- Agreeing Annual Accounts and the appointment of external auditors
- Agreeing partnership sums for the delivery of services and investment in the company (via local democratic processes)

2.5. Any changes to the shareholders agreement have to be agreed unanimously by all shareholders.

Board Effectiveness Review

- 2.6. In 2017, a Board Effectiveness Review was completed by an external company to provide recommendations as part of maintaining good corporate practice. The review formed part of Ubico's ongoing consolidation to ensure that process, systems and governance were appropriate for an expanded company. The effectiveness review was based on interviews with Ubico Directors and Shareholders and a review of all Board papers and governance documents. The review also included an assessment of skills of the existing Board Members.
- 2.7. Findings of the review were completed in 2018 and an action plan was implemented that focussed on making changes and improvements to:
- Board composition
 - Managing risk and audit
 - Performance and financial information
 - Reviewing induction and training of Directors
 - Meeting frequency and engagement with shareholders
- 2.8. Throughout 2018, Ubico implemented considerable internal changes to improve reporting of risks and audit reports to the Board, increased the frequency of Board meetings and re-designed management information and financial information to commissioners and shareholders.
- 2.9. In 2018, consultation and engagement was also undertaken with Shareholders to devise a new Board Structure that would fill identified skills gaps on the Board. Previously the Ubico Board had been comprised of two Executive Directors and seven Non-Executive Directors (NEDs) that were all employed by their respective shareholding council or by Publica.
- 2.10. Shareholders unanimously agreed to amend the shareholder's agreement to allow for the shared appointment of three independent NEDs one of which would act as an independent Chair of the Board. In addition, due to the size of the organisation, it was acknowledged that the company should formally amend the post of Head of Operations to be a Director of Operations. An appointment process is currently underway to recruit the independent NEDs. When this is completed the final Board composition will be as follows:

- 3 x Executive Directors
- 3 x NEDs from Local Authority Shareholders
- 3 x Independent NEDs with one post being the position of independent chair.

3. Shareholder Agreement of the 2020/21 Business Plan

3.1. At present all Shareholding Councils agree the Business Plan in a variety of ways, depending on their respective democratic processes. There are also differences in who undertakes the role of Shareholder Representative in each council. In two of Ubico shareholders, the role is undertaken by Council Chief Executive, in the remaining five this role is undertaken by an elected member. In Cotswold District Council, the Shareholder Representative is the Leader of the Council.

3.2. In some Shareholding Councils the Business Plan has been agreed directly by the Shareholder as part of their delegated authority whilst in others more engagement or scrutiny has taken place via Executive or a Scrutiny Committee. Up to now the general process for the Business Planning process has been as follows:

Timescale	Business Plan Process
September	Informal Shareholder Engagement on Business Plan Themes
December	Draft Business Plan Presented to Ubico Board for approval.
January	Final draft amends to Business Plan
February – March	Individual meetings with Shareholders to discuss the Business Plan to make any final amendments
March-April	Shareholder resolution circulated to Members for Approval.

3.3. While unanimous agreement is always sought for each Business Plan, the Plan itself can be adopted with a majority of Shareholders in agreement.

3.4. Through dialogue with shareholders regarding the process of agreeing the 2019/20 Business Plan, some shareholders expressed a willingness to improve

transparency and the opportunity for members to engage with the Business Planning process.

- 3.5. To meet this requirement Ubico is proposing an updated process for the agreement of the 2020/21 Business Plan. This proposal will have to be tailored to each shareholding authority but as an outline structure the following process could be adopted:

Timescale	2020/21 Business Plan Process
September 2019	Initial Member Engagement on Draft Business Plan Themes
November 2019	Draft Business Plan Presented to Ubico Board for approval.
December 2019 – February	Draft Business Plan opportunity for further member engagement via Cabinet or Scrutiny
February – April 2020	Shareholder resolution circulated for sign off for approval by Shareholder via delegated authority of the Shareholder or by Cabinet

4. Wider Member Engagement with Ubico

- 4.1. Ubico has for some time made its Board Papers and any other key company documents available to Shareholders Portfolio Holders and other senior officers at shareholding councils. CDC's Section 151 Officer has only recently been added to the circulation list for Board Papers since June. Going forward, Ubico will make Board Papers available to key statutory officers including the Head of Paid Service/Chief Executive, S151 Officer and Monitoring Officer at partner Councils.
- 4.2. Historically, informal shareholder meetings and the AGM had only invited shareholder representatives and Portfolio Holders and other senior officers. However, Ubico recently reviewed and expanded invitations to key corporate events and opened these to all members across the seven partnerships. In 2018, an engagement event was held following the AGM which invited all members and, more recently, Ubico held a shareholder event that was also well attended by

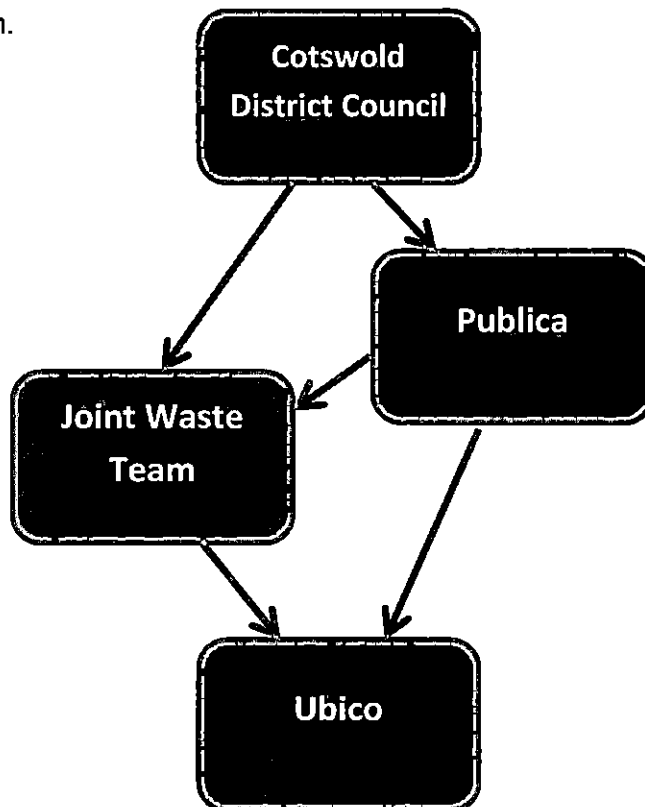
members from across all seven shareholders. Ubico will continue to offer an open invite to all members for future meetings. The Managing Director of Ubico has also attended joint meetings with Publica at CDC which have included members of the Executive, Leader of the Opposition and Chair of Scrutiny to provide an update and answer questions.

Scrutiny & Cabinet Meetings

- 4.3. Senior Ubico Officers also attend Scrutiny or Executive meetings on a regular basis. The most common request from Scrutiny Committees across the partnership is for an annual report to be presented that gives an overview of the local operational service and a wider corporate update to allow members to ask questions and engage with the company.

5. Client and Commissioner Relationship and Cotswold Service Change Project

- 5.1. Day to day client and commissioning of Ubico is provided by Publica and the Joint Waste Team.



Environment Service Partnership Boards (ESPBs)

- 5.2. Within each operational partnership Ubico offers quarterly Partnership Meetings which are attended by the relevant Portfolio Holder and Senior Officers from Ubico and partner Councils (or Publica). This gives the opportunity to review performance, financial reporting and discuss relevant strategic issues. These strategic meetings are in addition to the regular operational meetings between commissioners/clients and local operational managers that typically take place on a monthly basis.

Gloucestershire Finance Officers Meeting

- 5.3. To improve direct engagement with Finance Officers, towards the end of 2018, Ubico's Finance Director started to attend meetings with all of Gloucestershire Councils' Section 151/Finance Officers in order to discuss any relevant issues or discuss current and future risks.

Financial Reporting, Budget Setting and Investment Opportunities

- 5.4. As part of Ubico's consolidation, significant improvements have been made to Ubico's financial reporting. The Company now provides a full and detailed monthly financial report to each partnership council in full line-by-line detail if required. Finance officers also have the option to attend Ubico's budget monitoring meetings to offer complete transparency.
- 5.5. Ubico has also worked to re-design its budget setting processes in partnership with shareholding councils and this will be improved further in 2019 for the financial year 2020/21. The budget setting process will begin after the first financial Quarter in July / August 2019 and allow partners to fully engage in the budget setting process to identify risks, discuss any growth or savings and ensure that the commissioner can make informed decisions on the future of the service in time for formal Budget setting in January / February 2020.
- 5.6. Finally, any opportunities for investment in Ubico operations on an invest-to-save basis or through a commercial opportunity are presented to Board and then passed to each shareholding council for review and decision.

Cotswold District Council Waste & Recycling Project

5.7. To oversee the planned Cotswold service re-design currently scheduled for late 2019, a Project governance structure was established by the Joint Waste Team when the project was established in the Summer of 2018.

5.8. The Project Included a Project Board Chaired by the Head of the Joint Waste Team and attended by the Cabinet Member for Environment and other Senior and relevant officers. The core roles and responsibilities were defined as follows:

Role	Roleholder	Summary of Responsibilities
Project Sponsor	<i>Head of Service Joint Waste Team</i>	Overall accountability for the project.
Cabinet Member – Environment	<i>Cabinet Member Environment - CDC</i>	Represents the project at Cabinet and leads Cabinet decision-making. CDC representative on the Joint Waste Committee.
Senior User	<i>Group Manager – Council Advisory Services - Publica</i>	Ensures that the requirements of the service are clearly stated.
Project Manager – Phase I Project Co-ordinator - Phase II	<i>Contracts Manager, Collection & Street Scene - East – Joint Waste Team</i>	Day-to-day management of the project – Phase I, including management of plans, timescales, risks and issues and project documentation; liaises with project board, project team and all stakeholders as appropriate. Represents the project at CDC Board Level and Overview & Scrutiny. Manages planning and completion of Project Board meetings including liaison with project board, project team and all stakeholders as appropriate to facilitate this.
Senior Supplier	<i>Senior Operations Manager - Ubico</i>	Responsible for day-to-day operational delivery of the waste management service. Arranges for purchase orders to be raised and approved. Overall responsibility for overseeing benefit delivery and the Phase II project implementation.
Project Manager – Phase II (implementation)	<i>Business Analyst and Project Manager – Ubico</i>	Day-to-day management of the project – Phase II, including management of plans, timescales, risks and issues and project documentation; liaises with project board, project team

		and all stakeholders as appropriate.
Team Manager	<i>Operations Manager – Ubico</i>	Responsible for the management and delivery of the projects work streams under Phase II.

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Background information	