



Ubico Limited

Governance Overview & Business Plan Update

Cotswold District Council Audit Committee

28 January 2021

1. Purpose

- 1.1. This report provides an overview of Ubico's governance, an update on changes to the Ubico Board and Board activity in 20/21, and details of the approval process for the 21/22 Ubico Business Plan.

2. Background

- 2.1. Ubico is a wholly owned council company (sometimes known as a teckal company), owned by seven shareholders: 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. As a council-owned (teckal) company, any of the shareholding authorities can 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

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- 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.

2.6. In 2017, an external Board Effectiveness Review was undertaken to provide recommendations as part of maintaining good corporate practice.

2.7. An action plan was implemented in 2018 to deliver the findings of the review, and focussed on making changes and improvements to:

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- 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. Consultation with Shareholders resulted in the design of a new board structure to fill skills gaps identified in the Effectiveness Review, with the redesigned board comprising three Executive Directors, three Non-Executive Directors from local authority shareholders, and three independently appointed Non-Executive Directors including an Independent Chair of the board.

3. Board Update and Key Activity

3.1. The new Board structure came into effect in February 2020, with an immediate focus on delivering further on the improvements suggested in the Board Effectiveness Review including:

- The formation of a Risk and Audit Committee and a Governance and Nominations Committee to offer greater opportunity to provide support to the Board in key governance areas. For example, better understanding of business risk, and ensuring the processes to mitigate risk are effective and there is compliance.
- The design of a process for annual performance reviews for all Non-Executive Directors. These reviews are due to commence from January 2021
- The adoption of a Shareholder Engagement Policy in order to help ensure that the correct processes and procedures are in place to reflect robust governance and engagement. This document has been shared with key stakeholders in our shareholder councils for their feedback.
- Convening three virtual 'Away Day' sessions to determine a proposal for a new Five Year Vision and supporting strategy for Ubico which was shared with, and supported by, the Shareholder Representatives at the Annual General Meeting.

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The final version of the new Five Year Vision will be recommended to Shareholders for formal approval along with the draft 2021/22 Business Plan.

- Requesting that the company resume the production of an annual report each year to accompany the annual statement of accounts, the last such report having been produced some five or six years ago. An annual report for 2019/20 has therefore been produced and has been endorsed by the Ubico Board. It was shared with our Shareholder Representatives at a formal meeting after our AGM in December, and will be published on our website in January 2021.

4. Shareholder engagement and agreement for the 2021/22 Business Plan

- 4.1. Ubico's Business Plan is a reserved matter for Shareholder approval, and, whilst unanimous agreement is always sought for each Business Plan, the Plan itself can be adopted with a majority of Shareholders in agreement.
- 4.2. The timetable for the 21/22 Business Plan process is set out in the table below. Member engagement on the draft Business Plan themes for 2021/22 is currently underway, via a presentation to Shareholder Representatives/Portfolio holders, Cabinet or Scrutiny, as determined by each authority.

Date	Activity
October 2020	Draft 21/22 Business Plan themes presented to Ubico's Board of Directors
December 2020 – February 2021	Opportunity for member engagement on 21/22 draft Business Plan themes via presentation to Shareholder Representatives/Portfolio holders, Cabinet or Scrutiny
February 2021	Presentation of draft written 21/22 Business Plan to Ubico's Board of Directors
February–March 2021	Presentation of draft written 21/22 Business Plan to Shareholder

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	Representatives for any further comments or feedback
March– April/May 2021	Shareholder resolution circulated for sign off for approval by Shareholder via delegated authority of the Shareholder or by Cabinet

- 4.3. At Cotswolds, the presentation was made to key officers including S151 and the Publica commissioning officers for their engagement and feedback early in the process, and next it will be presented to the portfolio holder.

Report author	Beth Boughton, Managing Director beth.boughton@ubico.co.uk 012472 387701
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