

 <p><b>COTSWOLD</b> DISTRICT COUNCIL</p>	<p><b>COTSWOLD DISTRICT COUNCIL</b></p>
<p>Name and date of Committee</p>	<p><b>CABINET - 7 JUNE 2021</b></p>
<p>Report Number</p>	<p><b>AGENDA ITEM 7</b></p>
<p>Subject</p>	<p><b>UBICO BUSINESS CASE FOR EXPANSION AND EXTENSION OF THE PARTNERSHIP TO GLOUCESTER CITY COUNCIL</b></p>
<p>Wards affected</p>	<p>ALL</p>
<p>Accountable member</p>	<p>Cllr Andrew Doherty, Cabinet Member for Environment, Waste and Recycling Email: <a href="mailto:Andrew.Doherty@cotswold.gov.uk">Andrew.Doherty@cotswold.gov.uk</a></p>
<p>Accountable officer</p>	<p>Scott Williams, Business Manager – Contracts</p>
<p>Summary/Purpose</p>	<p>To present Members with a proposal for Gloucester City Council becoming an equal shareholder in Ubico Limited and to present the findings of a due diligence appraisal of the business case.</p>
<p>Annexes</p>	<p>None</p>
<p>Recommendation/s</p>	<p>It is recommended that Cabinet: <i>Endorse the proposal contained within this report and recommends that the Leader (As the Ubico Shareholder Representative) formally supports Gloucester City Council joining Ubico Limited, as an equal shareholder, subject to any comments it wishes to make.</i></p>
<p>Corporate priorities</p>	<p>The proposal in this report supports the Council priority: Respond to the challenges presented by the Climate Change Emergency.</p>
<p>Key Decision</p>	<p>NO</p>
<p>Exempt</p>	<p>NO</p>
<p>Consultees/ Consultation</p>	<p>The following people have all been consulted on this report and the detail contained within: Councillor Andrew Doherty and Senior Council and Publica and Ubico officers.</p>

## **I. BACKGROUND**

- 1.1 Cotswold District Council (CDC), West Oxfordshire District Council (WODC) along with Forest of Dean District Council (FoDDC), and four other partners in Gloucestershire are shareholders in Ubico Limited, a teckal company designed to deliver environmental services, offering better value for money than commercial contracts.
- 1.2 The teckal model enables councils to commission services without the costs associated with an EU procurement process. Ubico delivers environmental services on behalf of the Council at a cost price. Ubico holds no assets, the depot it operates from, the vehicles it uses to perform the services, and the waste and recycling containers that are provided to residents are all owned by the authority. This ensures that the shareholders have full control over high value expenditure.
- 1.3 Ubico has submitted a tender bid to Gloucester City Council (GCi) for its environmental services contract, which has been successful and would mean that GCi would join the partnership and become an equal shareholder in the company.
- 1.4 Publica, a teckal company also owned by CDC, provides business support services to Ubico in the form of finance, ICT, procurement and human resources.

## **2. BUSINESS CASE APPRAISAL**

- 2.1 The purpose of the appraisal was to review the confidential extended partnership business case, which has been provided to the existing shareholders, in order to provide assurance to the Leader of the Council.
- 2.2 Cheltenham Borough Council (CBC), and the other Ubico shareholders are performing their own reviews and are therefore not included or referenced in this appraisal. Stroud District Council and Forest of Dean District Council have already agreed to GCi joining the partnership.
- 2.3 The business case has been evaluated on the following criteria:
  - 1) That the business case provides benefits;
  - 2) That there is no financial detriment to this Council;
  - 3) That there is no detriment to the Council's short, medium or long-term transformation plans with Ubico as part of the Environmental Services Innovation Programme (ESIP).
- 2.4 In order to effectively review the business case, senior officers from Waste, Finance, HR, ICT, Legal, and South West Audit Partnership (SWAP) have been involved in the appraisal.
- 2.5 The appraisal has taken the form of an assessment of three key areas of risk:
  - Risk to the councils Environmental Services Innovation Programme (ESIP)
  - Risk concerning the business support costs to Publica of integrating GCi into Ubico Limited and the partnership
  - Risks concerning the ongoing business support costs to Publica of GCi becoming a member of the partnership

### **3. ENVIRONMENTAL SERVICES INNOVATION PROGRAMME (ESIP)**

- 3.1 Ubico has confirmed that the GCi mobilisation and integration would be run as a separate project with resources separate to business as usual and other innovation based projects (which are in their business plan and funded in business as usual or incremental investment by partners). They have been recruiting project resources and have appointed a senior manager as the project sponsor and are recruiting to back-fill this post, which provides evidence that the project will not affect either operational delivery or programmes they are committed too.
- 3.2 Ubico are working on other initiatives concurrently and whilst they accept that they will have to be realistic about managing commitments around a GCi service commencement date (1 April 2022), much of the resource that will be focussed on that project day to day, will be funded and dedicated to the mobilisation in isolation. Ubico is working on the critical path for the mobilisation in order to raise any resource conflicts early on and resolve them with stakeholders.
- 3.3 A dedicated ESIP team has been established to deliver the projects, which includes Publica and Ubico staff. The Publica transformation fund has been used to ensure Ubico posts are backfilled so that there is no detriment to operational service delivery. In addition, robust programme governance is in place to ensure risks and issues are managed. Ubico has appointed a manager as a Senior Supplier for ESIP to work alongside a Publica Business Manager who will also act as the ESIP Senior Supplier. This relationship will be critical to ensuring the delivery of the programme and ESIP will be sponsored by a Group Manager and monitored by the Publica - Service Improvement Group (SIG) that is chaired by an Executive Director. Monthly meetings take place with shareholder Cabinet Members and this will provide the opportunity to monitor and track the programme.
- 3.4 Following approval of ESIP by the shareholder councils in April, the programme is currently in the mobilisation phase. A Programme Initiation Document (PID) is being developed, which contains a long list of potential projects and benefits that will form the programme plan. This process has been discussed with the shareholder Cabinet Members and senior council officers and a project plan will be presented to them by the 4th June.

### **4. COSTS OF INTEGRATION AND RESOURCING TO PUBLICA**

- 4.1 The Business Support Services Group Manager, ICT and HR Business Managers have been working closely with the Finance Director of Ubico and project lead to identify the additional support costs associated with GCi joining the partnership in April 2022.
- 4.2 Ubico is working with GCi to determine the final mobilisation plan. It will be adequate to provide mobilisation resources: dedicated operational involvement, consultative/legal advice, procurement, finance analysis and project/program management. They expect all of these areas to be resourced internally or within the partnership and they have engaged with functional leads at Publica regarding IT, HR and Finance resources.
- 4.3 The resource requirements from an ICT and Finance Teams perspective is relatively small and there are adequate resources as long as timescales are worked through in partnership as part of the planning process.

- 4.4 There will need to be additional resourcing in HR to support the mobilisation to ensure that the due diligence is completed for the TUPE process, as well as ensuring that the transfer to Ubico of the staff is managed effectively.

## **5. ADDITIONAL ONGOING COSTS TO PUBLICA**

- 5.1 A proposal outlining the additional HR resources required to support day-to-day activities has been presented along with options in regards to ICT and assurance has been given that the budget has been calculated to meet these costs and others that will be generated by the increased volumes of work in areas such as accounts payable / receivable.

## **6. CONCLUSIONS AND FURTHER ASSURANCE REQUIRED**

- 6.1 As a result of the Publica functional leads engaging with the Executive team at Ubico throughout the process, both sides are confident that the resources required to support mobilisation and the ongoing day to day support activities if GCi joins the partnership have been identified and the budget will be in place to cover all the associated costs.

## **7. FINANCIAL FINDINGS/IMPLICATIONS**

- 7.1 There would be a financial benefit to the Council in GCi joining the Ubico partnership through an estimated reduction of £33,000 per annum in corporate overhead costs. The Council, as a founding authority, who met the costs of the initial company set up, can also expect to receive a one off payment of £27,000 from the joining fee paid by GCi to Ubico.
- 7.2 A costing exercise designed to establish the impact of GCi joining the partnership on the Business Support Services in Publica including a full evaluation of transactional resources required has started. Assurance will need to be obtained that additional expenditure relating to the addition of the Gloucester City Contract does not result in increased contract costs for this Council, as outlined in the business plan, this should be mitigated through the ring fencing of contract costs or savings which are passed directly back to the partner contracted.
- 7.3 Further future savings could be achieved through productivity from cross partner initiatives such as depot sharing, asset sharing, partners sharing the development of innovation (such as zero carbon fleet and digital working pilots) and creating scalable commercial offerings. Savings could also be achieved through shared procurement/maintenance.

## **8. LEGAL FINDINGS/IMPLICATIONS**

- 8.1 Legal Agreements will need to be reviewed and agreed including a new Shareholder's Agreement, Deed of Adherence and a Contract and Terms of Engagement with regard to the Contract activities.

## **9. ICT FINDINGS/IMPLICATIONS**

- 9.1 The system integration for GCi is easier than that of previous new Ubico partners, as there are no existing systems that have to be integrated.

9.2 Whilst a suitable project timeline will need to be agreed, the Publica ICT team are sighted and there is the necessary budget factored in to support for the integration.

9.3 There are no major risks, issues or concerns related to this business case from an I.C.T. perspective.

## **10. HUMAN RESOURCES FINDINGS/IMPLICATIONS**

10.1 There are always risks associated with TUPE transfer but that will be covered off in the due diligence plan which the Publica HR team are accustomed to producing, having supported Ubico in previous similar such contract/staff integrations.

10.2 There are no major risks, issues or concerns related to this business case from a Human Resource perspective.

## **11. AUDIT FINDINGS/IMPLICATIONS**

11.1 There are no major risks, issues or concerns related to this business case that have been highlighted from an Audit perspective.

## **12. ENVIRONMENTAL SERVICES FINDINGS/IMPLICATIONS**

12.1 Whilst there is not a significant financial benefit to the existing shareholders in GCi joining the Ubico partnership, it is clear that this would strengthen the business case/s for larger scale initiatives such as cross boundary working and sharing of resources.

12.2 In addition to the reputational risk to the company if the service delivery failed in GCi, there is also a reputational risk to the existing shareholders if a large proportion of the management team had to be drafted in to resolve, because it would potentially weaken the management capacity overseeing the existing front line services/contracts and so if there were a localised problem, then it may not be rectified suitably or in a timely manner, causing reputational damage locally.

12.3 In response to this Ubico has confirmed that because there would be a separate team formed to manage the GCi integration, this would ensure that the front line services for the existing partners retain effective management oversight and control.

## **13. EQUALITIES IMPACT**

13.1 None associated with this report.

## **14. CLIMATE CHANGE IMPLICATIONS**

14.1 None associated with this report.

## **15. ALTERNATIVE OPTIONS**

15.1 The Council can choose to oppose GCi joining the Ubico Partnership as an equal shareholder however, the final decision will be made based on the majority.

**16. CONCLUSION**

16.1 The conclusion of the due diligence review is that Ubico has provided sufficient assurance to the Council to enable the Cabinet to recommend that the Leader approves the admission of GCi to Ubico as a shareholder.

**17. BACKGROUND PAPERS**

17.1 None.

(END)