



2019/20 Business Plan

&

5 Year Vision

Foreword

In 2019 Ubico will be eight years old. In that time we have achieved success, grown quickly, faced the challenges of expansion and have built a company with a clear ambition to deliver greater efficiencies and surpluses back to our shareholders.

As an environmental services company operating across 1200 square miles of Gloucestershire and West Oxfordshire, our purpose to keep spaces and places clean and green for every resident, visitor, town, village and community. Undertaking this responsibility carries risk. Performance standards for the services Ubico delivers have to remain high – even the smallest percentage shift of 0.01% in service standards can result in a higher number of complaints. Equally, maintaining high standards for health and safety and compliance is of paramount importance.

This means Ubico's first priority will always be to deliver, safe, reliable, high quality and resilient services that our shareholders, clients and customers trust.

Local authority budgets and medium term financial forecasts remain uncertain and it is unlikely that the pressure on Local Government budgets will reduce in the medium term. Ubico must continue to work hard to demonstrate that we are providing value for money services and remain the provider of choice for our shareholders. We can achieve this through transparency, accuracy and a shared endeavour with our shareholder partners to strive to identify and invest in opportunities to deliver further savings or income. In 2019, Ubico will continue to improve our governance and processes so that we are able to maintain and build on our partnerships and provide improved management and financial information that meets the needs of our shareholders. Sharing accurate and meaningful information will allow commissioners to make informed decisions about the future of their services.

But Ubico has a wider ambition to make a bigger contribution to our shareholders and communities. Opportunities exist to deliver greater shareholder value and we can make a more meaningful impact to the local economy by offering good jobs and training to our workforce.

To consistently deliver high performance, we must maintain a dedicated and committed workforce with the right skills and behaviours. In 2018 Ubico employees designed and launched new corporate values with the intention to embed this further in 2019 through the development of a medium term people strategy that will support recruitment and retention,

enhance training and ensure that Ubico has an organisational culture that will deliver its long term goals.

To maximise shareholder value, Ubico must set a more ambitious five-year plan and begin a new phase in the development of the company, underpinned by exploring updated service contracts and business cases with our shareholders. A new longer term vision will seek to invest in opportunities that will both deliver operational savings for existing operational services but also offer commercial potential.

We will continue to use our operational knowledge and industry expertise to mitigate risks, deliver change and present commissioners with options that challenge the status quo on how we use our people, vehicles, assets and technology to be more effective and efficient.

In 2019 Ubico will pursue external commercial growth by realising the potential of the unique skill set we have available and offer opportunities for investment that will aim to deliver greater commercial income.

A handwritten signature in black ink, appearing to be 'G. Edmundson', with a long horizontal stroke extending to the right.

Gareth Edmundson
Managing Director

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Appendix A – 2019/20 Actions

Appendix B – 5 Year Vision Milestones

About Ubico

- Projected turnover in 2019/20 **£34m**

Services delivered:

- Waste & recycling collection
- Storage and processing of recyclable material
- Household recycling centres
- Street cleaning services
- Building and public convenience cleaning.
- Grounds maintenance
- Fleet maintenance
- Winter maintenance
- Consultancy, advisory and project management services

Our Shareholders



COTSWOLD
DISTRICT COUNCIL



Our vision

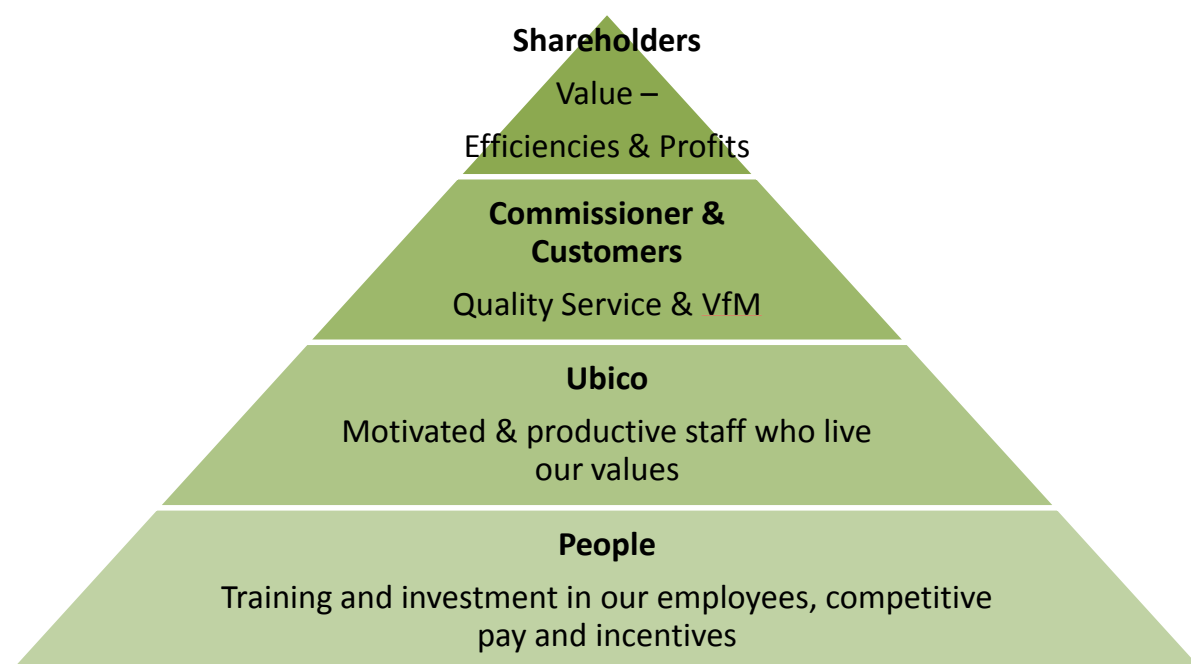
To deliver safe, high quality, and value for money services, adding value to our shareholders, customers and communities.

Our mission

To utilise our skills, knowledge, expertise and resources to drive innovation, integration, efficiency and commercial success and to make a lasting, positive contribution to our people and our environment.

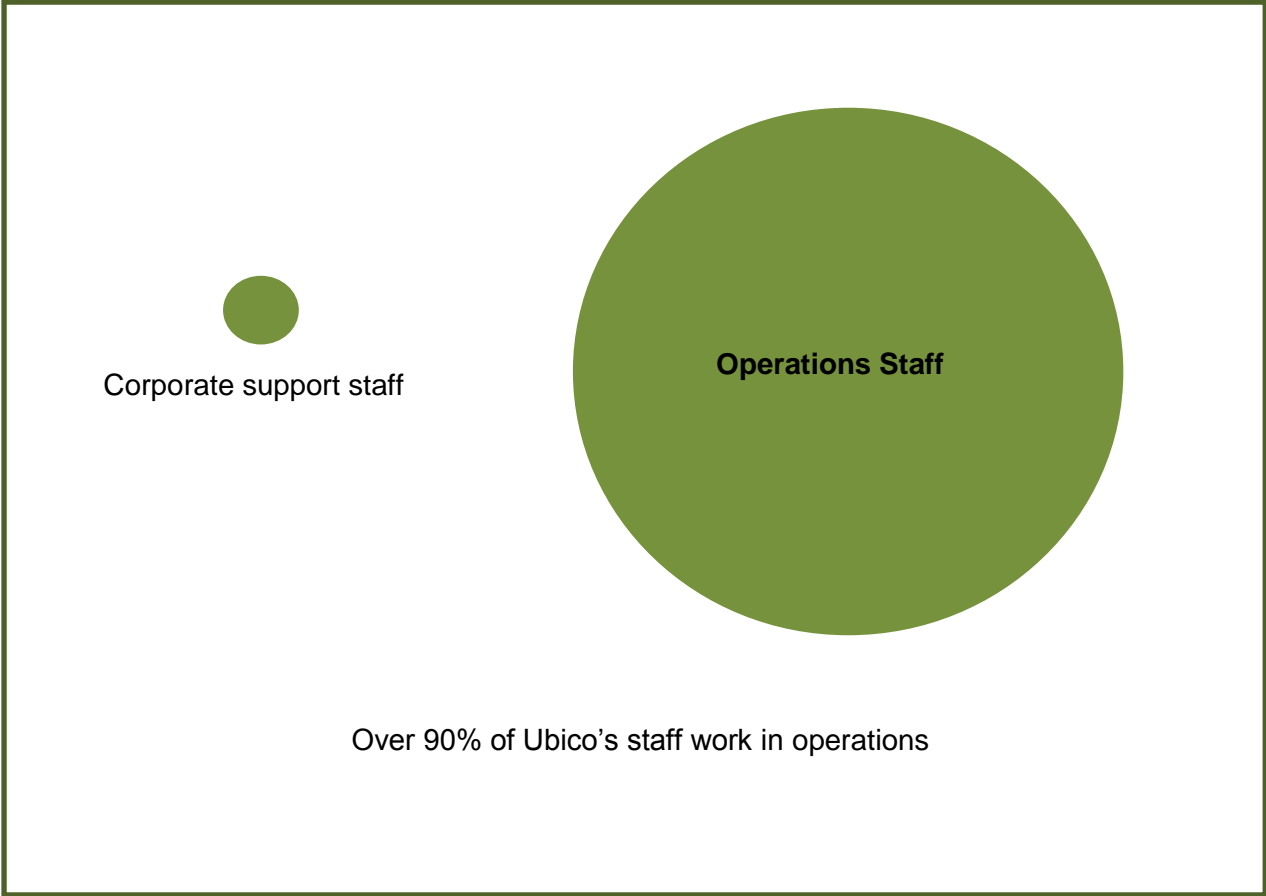
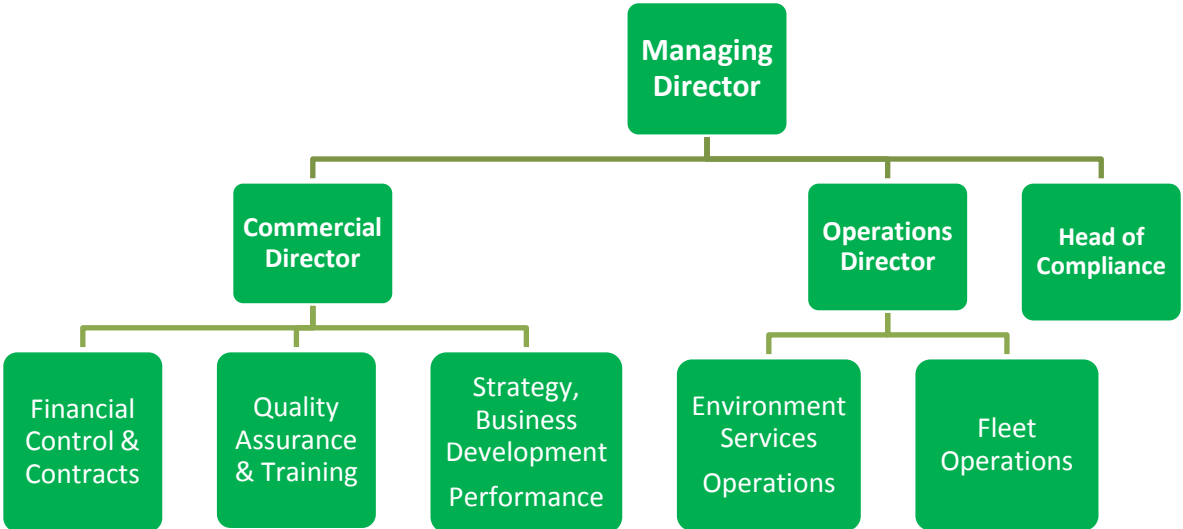


Headline Outcomes and Measures 2019-2024



Strategy Map		Headline Score Card	
Process: Operations Management Theme: Reliable, High Quality, Cost Efficient Service	Objectives	Measurements	Target
Shareholders	<ul style="list-style-type: none"> Delivering value - efficiencies and net profits 	<ul style="list-style-type: none"> % of Teckal headroom used Savings or returns on investment proposals 	<ul style="list-style-type: none"> >15% >5%
Commissioner & Customer	<ul style="list-style-type: none"> Efficiencies Value for Money Reliability Resilience Quality 	<ul style="list-style-type: none"> Contracts renewed & awarded Service KPIs - Missed Bins (per 100,000 collections) 	<ul style="list-style-type: none"> >80% <0.05 %
Ubico	<ul style="list-style-type: none"> Quality Service Innovation Safety & Compliance 	<ul style="list-style-type: none"> Service complaints & compliments H&S & Fleet KPIs 	<ul style="list-style-type: none"> Maintain & improve Fleet Audit Scores >85%
People	<ul style="list-style-type: none"> Training / Talent Positive Culture Employee Retention 	<ul style="list-style-type: none"> Employee Investment Vacancies filled first time Employee Resignations 	<ul style="list-style-type: none"> 80% of annual training budget >90% <10% attrition

Ubico Headline Structure



Ubico 2019 – 2024 Strategic Pillars

Ubico's 2019/20 business plan and our 5 year vision will be built around four key elements.

1. **People**

Our competitive advantage is delivered through our dedicated and committed employees that live our values. We will identify, retain and invest in talent to deliver a culture that achieves our company ambitions.

2. **Operations**

We will deliver safe and high quality services that strive for greater efficiencies and service improvements by harnessing innovation and opportunities for integration.

3. **Value for Money**

We will provide transparent and accurate management information that demonstrates and compares our high performance against clear and realistic measures. We will identify financial risks and work in partnership to resolve and meet future challenges.

4. **Commercial**

We will identify and capitalise on investment and commercial opportunities to deliver greater returns and efficiencies to our shareholders.

Our Values



deliver quality
be safe
do the right thing
care for our environment
work together

1. People

Our competitive advantage is delivered through our dedicated and committed employees that live our values. We will identify, retain and invest in talent to deliver a culture that achieves our company ambitions.

Ubico in 2019

In 2019, the majority of Ubico employees are retained on the company's Terms and Conditions. However, the West Oxfordshire Waste and Recycling staff continues to be retained on the terms and conditions at the point of TUPE in 2017. Furthermore, Ubico's breadth also creates geographical challenges in recruitment, retention and pay rates due to local market forces.

Ubico follows the National Joint Council (NJC) on pay awards and in 2018/19, made a 3% contribution to our Ubico pension scheme.

In early 2018, the company launched new Corporate Values and Ubico continues to invest in staff to increasingly embed the values, develop a positive organisational culture that represents Ubico's identity and ethos. The number of qualified Transport Managers and staff with a Certificate of Technical Competence (CoTC) related to environmental compliance at our permitted sites has significantly increased. Twelve staff have been trained as ROSPA Driving Assessors to support and improve new drivers in the organisation, to enable us to monitor driving standards across the company and to refresh and review training within our driver workforce.

Ubico continues to provide regular training across all core health and safety competencies (e.g. manual handling, reversing, bin lifts etc.) as well as offering Operator Licence and Institute of Occupational Safety and Health (IOSH) training to staff across the organisation and to our partners.

The operational demands of the work our staff undertake results in musculoskeletal factors being the biggest cause of absence.

Future Priorities

Ubico's growth and recruitment has provided a workforce from public and private sector backgrounds. While a diversity of experience and skills is to the company's benefit, Ubico still needs to develop a more consistent staff culture bound to our corporate values.

Embedding consistent Ubico behaviours which reinforce safety and working together to overcome operational, corporate or geographical challenges remains a key priority.

Upskilling and training staff, particularly those that may have moved to Ubico via TUPE transfer, to ensure that they can undertake their responsibilities effectively will remain a short and medium term focus. Improving training to support managers to tackle performance issues consistently will also increase Ubico's operational effectiveness.

While Ubico is increasingly benefitting from acquiring staff from more diverse private sector and corporate backgrounds, the company has identified that we must continue to develop the commercial awareness of our employees. This includes the procurement and contract management of our private sector suppliers as well as the entrepreneurial and technical competency to identify new opportunities and to develop viable business cases.

High employment has created challenges for recruitment and retention across Ubico partnerships. The challenge is greatest in West Oxfordshire where pay rates are highest within our operating region.

A challenging labour market has compounded Ubico's use of temporary agency staff, which is currently too high across our contracts. This needs to be reduced in order to reduce spend into the private sector. However, Ubico will always have a demand for temporary staff to cover sickness and holidays and should explore more creative solutions to drive efficiencies.

The national shortage of LGV drivers continues to be a risk to operational resilience and reliability. Ubico are utilising the Apprenticeship Levy to offer development opportunities to non-driving staff to gain their LGV licence to mitigate the national driver shortage. Nationally, competitive rates of pay are not only increasing cost pressures but also contributing to pockets of poor performance related to inexperienced drivers. Ubico expects that the development of internal staff to become LGV drivers, as well as the addition of the driver assessors will help to mitigate this issue.

The growth of Ubico, and resulting growth in the size of the workforce has placed greater demand on HR services and operational managers, and presents a challenge in terms of remaining efficient and effective in handling the volume and complexity of staffing issues. We intend to review our HR policies and procedures and make changes to processes to ensure they are streamlined and efficient, and we will also seek to introduce technology to improve governance.

Legislative changes to pension schemes will increase the overall contributions that employees are required to make to their pensions, should they choose to remain in their stakeholder pension scheme. Ubico believes the company pension should be part of an overall package that attracts staff and encourages them to remain with the company. To support this Ubico will match the level of contribution that its employees must make.

Finally, while Ubico has made significant progress to introduce improved nurse-led absence and Employee Assistance Programme (EAP) to support staff, the company can do more to take a more whole-system, preventative approach to maintaining staff welfare to reduce rates of absence.

To coordinate and deliver the necessary support and investment in our employees, Ubico will develop and present to Board a new People Strategy that will set clear outcomes and actions. We will work with our immediate HR service and wider partners to deliver against the actions within the strategy.

2019/20 Actions

- **Develop and implement a new People Strategy**
- **Implement a new company-wide code of conduct, gifts and hospitality & register of interests.**
- **Expand the use of our Apprenticeship Levy to train our own drivers**
- **Increase the Ubico contribution to the corporate pension scheme to 4% to be in line with legislative changes.**
- **Complete a review of Ubico Terms & Conditions for all staff.**
- **Embed and improve counter fraud resilience through implementing an action plan in partnership with our audit partners' anti-fraud team.**

Ubico by 2024

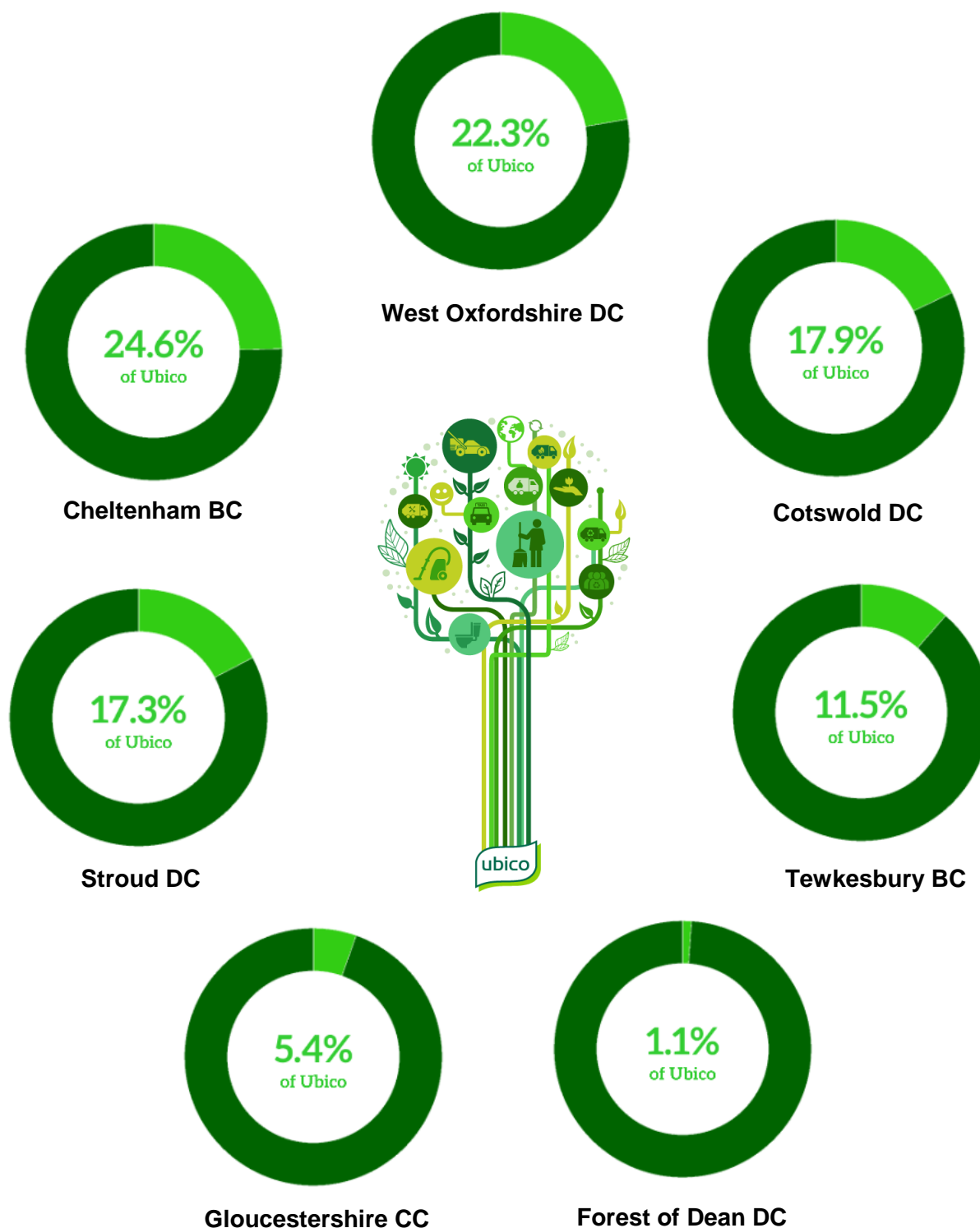
- **Our corporate values and behaviours will be consistent and embedded across the organisation and we will maintain a positive and supportive organisational culture.**
- **We will have a scalable senior management structure that is agile and adaptable to growth.**
- **We will have leaders at every level who have the skills to drive continuous improvement, safety, innovation and efficiency.**
- **We will offer opportunity to develop skills, qualifications and ensure internal staff can progress and that succession planning is part of our organisational culture.**
- **We will have a market leading, in-house training function that is used internally and externally with partners and third parties.**
- **We will provide our own temporary and agency staff to Ubico and third parties.**
- **Our terms and conditions will be competitive and meet the needs of the company.**
- **Our HR policies and processes will be streamlined, efficient and effective and will support managers to address staff performance.**
- **Ubico employees will be commercially aware, agile and adaptable to changes in legislation and the market.**

2. Operations

We will deliver safe and high quality services that strive for greater efficiencies and service improvements by harnessing innovation and opportunities for integration.

Ubico in 2019

Operational size by turnover:



Ubico continues to achieve consistent performance across our operating region.

Strengthened operational management introduced in 2017 has delivered results in rebuilding and strengthening relationships with commissioners and driving change and improvements to our compliance and performance.

All contracts retain up to date Emergency Business Continuity Plans and overall operational reliability is good. Pressures exist due to a lack of spare vehicles in Cheltenham recycling, an ageing recycling fleet in Cotswolds, and collection rounds reaching their operational capacity in pockets across contracts due to housing growth.

Work to support the mobilisation of the Energy from Waste Facility at Javelin Park is ongoing. This project has required significant staffing and resource demand but Ubico has responded well to the challenge and test of resilience.

Ubico Operational Priorities

Health & Safety & Environmental Compliance

Keeping our workforce safe will always be our first priority and highest risk.

In 2018 considerable work was undertaken to continue to harmonise our health and safety and environmental compliance systems and processes, to drive continuous improvement and to review roles, responsibilities and accountabilities, this latter work resulting in the creation of the post of Head of Compliance. In addition, Ubico enhanced its Health and Safety reporting to identify year on year trends and provide more meaningful data to managers providing a clearer picture on Ubico performance and enabling informed decision making and intervention.

Acquiring meaningful and accurate benchmarking data for the purposes of comparison, monitoring and improvement remains challenging.

Ubico's core priority in 2018 was working towards achieving the International Standard for Health and Safety (ISO45001). An external audit of Ubico's management systems was completed in December 2018, with a follow-up audit to confirm the certification of the standard due in April 2019.

Achieving and embedding this ISO standard will be a core priority for 2019/20. This gives an independent external check of our management systems.

Ubico also implemented a corporate restructure in 2018 to strengthen the company's compliance function. This has provided Ubico with more robust internal monitoring to check whether safe systems of work, training and risk assessments are being followed and executed appropriately. On-going enhancement of the company's compliance function will progress in 2019/20 as a means of driving a culture of health and safety and continued improvement.

Partnership working and investment has enabled Ubico to strengthen our environmental compliance by making key changes to operational depots. However, further investment is needed at some sites to ensure that Ubico can demonstrate the highest standards of compliance. This will be progressed in partnership with the relevant shareholders.

Fleet Operations

Fleet operations underwent considerable change in 2018 in order to meet the needs of our expanded company.

The fleet function, including the corporate and workshop staff, was moved under the Operations Division to enable stronger partnership working between fleet and operational services.

In addition, a series of improvements to process and systems were implemented following an external review from the Freight Transport Association (FTA).

Ubico is working to implement a Fleet Management System to provide a more robust system to underpin the maintenance and management of vehicles and improve performance reporting.

Ubico has successfully increased its number of qualified Transport Managers and we are now in a far stronger position with regard to compliance with the requirements of our Operator Licence. We will undertake a review of the Fleet Maintenance and Management function, including roles and responsibilities, to ensure greater resilience and compliance.

During 2019 we will undertake a restructure of the fleet operations to better meet the company's aims and aspirations and work with shareholders on investing in our workshops to provide improved brake testing capability, in line with regulatory changes, and to maintain and improve MOT pass rate performance.

Technology

Ubico continues to operate with an out-dated back office system to underpin operations.

Webaspx software is used to model and plan round changes, and cameras and trackers are used to monitor vehicles, however, day-to-day collections and maintenance remains a largely manual, paper-based process. Improvement is also required on both software and hardware systems to make them more effective, efficient and improve the management information provided to staff.

Almost all shareholders have expressed an interest in procuring systems that will deliver a more responsive and efficient operation. Ubico will work in partnership to undertake an end to end review of information transfer with a view to maximising the value of new technologies, which will likely incorporate of new technology. This will deliver benefits to both the councils and Ubico, allowing shareholders to get real time information on collection rounds and Ubico to be able to both report and respond to issues more easily, effectively and swiftly.

However, it is a key priority for Ubico that the procurement of any system is undertaken in a coordinated and joined-up manner so that the company does not have an inefficient legacy of multiple different software systems.

2019/20 Actions

- **Complete and embed ISO 45001 management system.**
- **Retain and renew certifications for CHAS & EXOR.**
- **Review core H&S training to identify and improve core training to operational staff.**
- **Embed and develop Ubico's compliance function to provide more robust internal monitoring of health & safety, fleet and environmental practice.**
- **Improve internal fleet processes to maintain high compliance standards.**
- **Complete investment in workshops to improve vehicle maintenance and MOT testing rates.**
- **Work with commissioner to jointly operate an in-cab technology to drive efficiencies.**
- **Implement a Fleet Management System to improve process governance and performance reporting.**

Priorities by Contract 2019/20

Cheltenham

A programme of procurement has been progressed which will reduce Cheltenham's reliance on hire vehicles in 2019/20, particularly within the grounds maintenance and street cleansing services. It is important that CBC maintain a suitable fleet replacement programme to keep cost down and, Ubico will continue to work in partnership with Cheltenham to ensure the success of this cyclical programme.

The Cheltenham contract is currently Ubico's largest operation. Many of the Ubico services across streets and grounds have seen organic growth without relative investment. Many street services in particular have absorbed cleansing responsibilities placing further pressures on costs and resources.

The Swindon Road depot will become increasingly congested in the medium term. It will require significant investment if it is to accommodate both Cheltenham and Tewkesbury's future fleet needs as the services grow to adapt to extensive housing developments. The transfer station and plant and workshop equipment will also need investment and replacement in the short to medium term.

Out of all Gloucestershire collection contracts, Cheltenham and Tewkesbury will be most impacted by the mobilisation of Javelin Park EfW. Ubico will continue to work in partnership with CBC, TBC and GCC to ensure a smooth transition of this change in operational service delivery, identifying efficiencies at any opportunity.

2019/20 Actions

- **Mobilise operation for the commissioning of Javelin Park EfW.**
- **Reset service priorities for street and grounds services in partnership with CBC.**
- **Explore options for alternative depot locations that meet future needs, offer a viable waste transfer facility and provide future commercial opportunities .**
- **Work in partnership with CBC to review environmental policies.**
- **Explore potential for greater service integration with Tewkesbury to deliver operational efficiencies and improvements on collection rounds, trade waste and streets and grounds services.**

West Oxfordshire

Significant improvements were made to the Downs Road depot throughout 2018 to provide improved welfare facilities and make essential health and safety and compliance improvements following the transfer of the lease from the previous operator.

Operational performance continued to improve in 2018 and now consistently out-performs the previous contractor. Take-up of the new recycling service has outstripped predictions. This has led to an increase in costs to meet with the demand for additional containers and bins to accommodate recycling volumes.

While some savings were delivered in 2018/19, a central priority will be to achieve and embed more structural operational savings and efficiencies in 19/20 in partnership with West Oxfordshire to complete service transformation.

2019/20 Actions

- **Confirm and implement agreed operational efficiencies with WODC.**
- **Work in partnership with WODC to promote recycling scheme and keep contamination to a minimum.**

Cotswold

In 2018 Ubico supported CDC to develop options for service change. Ageing vehicles and property growth will continue to present a series of operational and financial challenges to the service up to the point of service change planned for the autumn of 2019.

Street cleansing services have also faced pressure from property growth, which stretches service capacity.

A key priority for 2019/20 will be the implementation of service change, which will involve employees across corporate support and operational functions working together to finalise rounds, costs and prepare vehicles following delivery.

Continuous improvement of the Packers Lease depot will maintain high standards of compliance. Works have started on site to improve Health and Safety and Ubico will continue to work in partnership with CDC to drive further improvements to the depot.

2019/20 Actions

- **Prepare and deliver collection service change including the implementation of a new back office system**
- **Review and re-commission street services.**
- **Continue vehicle procurement to maintain fleet.**

Stroud

Strong partnership working with Stroud DC resulted in the purchase of vehicles to replace ageing fleet in 2018. This will assist in reducing costs of vehicle maintenance. Efficiency savings were delivered in the contract across grounds and cleaning services in 2018 to contribute towards wider Stroud DC savings targets.

Property growth continues to create service pressures and a key priority in August of 2019 will be the introduction of a new recycling round to ensure that the service can continue to complete scheduled collections on-time in the medium term.

Working in partnership with Stroud DC, Ubico will undertake a review of the current garden waste service. The aim is to identify and introduce efficiencies in the rounds and investigate the market for potential growth of the service in order to deliver financial reward.

Ubico will also continue to support Stroud to meet its medium term financial strategy priorities.

2019/20 Actions

- **Implement new recycling round to increase capacity.**
- **Complete service review with SDC to meet financial strategy.**
- **Complete vehicle procurement to ensure fleet is fit for purpose.**

Tewkesbury

Tewkesbury continues to improve performance on reducing missed collections, reaching very low levels of 0.06% in 2018/19.

However, service challenges were experienced in grounds maintenance early in the financial year. Late finishing winter maintenance combined with a strong growing season created operational challenges that reduced service quality and the team's ability to clear the backlog

of work. It will be a key priority to ensure that the grounds maintenance service has the right equipment and resources to deliver a service that meets the needs of the commissioner in 2019. Ubico is already working closely with Tewkesbury to assist with a wholesale review of the grounds maintenance service.

The street cleansing service has also been placed under increased pressure due to a growth in homes and Ubico will work with Tewkesbury to reset service priorities.

Tewkesbury will also be impacted by the mobilisation of Javelin Park and Ubico will be focussed on ensuring that direct delivery of some refuse is provided without any service disruption. Working in partnership with Cheltenham to identify a solution to a shared depot will be a key medium term priority.

2019/20 Actions

- **Implement and review changes to grounds maintenance.**
- **Implement changes to street services.**
- **Mobilise direct delivery to Javelin Park.**
- **Explore opportunities for integration of services with CBC.**

Gloucestershire CC

In 2018 Ubico successfully implemented a reduced opening hours pattern agreed by the commissioner and worked collaboratively to make site improvements at Pyke Quarry.

In 2019/20 Ubico will continue to work in partnership with the commissioner to deliver an efficient and effective service and to support their investment in the remaining sites. A key priority will be the replacement of ageing infrastructure that has created high costs of maintenance and repair. Ubico will also be proactively working to support service reviews and the introduction of further operational changes to meet medium term financial targets.

2019/20 Actions

- **Work in partnership on site investment and improvement plan.**
- **Implement service changes to meet medium term financial targets.**

Forest of Dean DC

Ubico continues to operate a small number of grounds maintenance, caretaking and building cleaning services for the Forest of Dean.

A key priority for 2019 will be to ensure that clarity is reached on specifications for services, and that the appropriate contract sum is available to complete works outlined.

2019/20 Actions

- **Ensure specification and contract sums are appropriate for the costs of the Ubico operation**

Ubico by 2024

- **Maintain the highest standards of health and safety, environmental and fleet compliance, always striving for improvement.**
- **Integrated collection rounds to deliver greater efficiencies for shareholders**
- **Greater sharing of vehicles and people to increase operational resilience and efficiency.**
- **Review of depot sites and assets to harness their potential.**
- **An integrated back office system that will provide real time information and deliver a positive, end to end customer experience that will improve service and improve efficiency.**
- **Work in partnership with Ubico shareholders to explore the potential for full integration of collection methods.**

3. Value for Money

We will provide transparent and accurate management information that demonstrates and compares our high performance against clear and realistic measurements. We will identify financial risks and work in partnership to resolve and meet future challenges.

Ubico in 2019

Partnership Sums

Contract	2019/20 Partnership sums £000
Cheltenham BC	£8,921,m
West Oxfordshire DC	£7,435m
Cotswolds DC	£6,081m
Stroud DC	£5,873m
Tewkesbury BC	£3,921m
Gloucestershire CC	£1,861m
Forest of Dean DC	£389k
Total	£34,481m

Developing partnership sums – cost assumptions.

Ubico implemented a new approach to agreeing partnership sums in 18/19. The company started discussions earlier with council partners to allow for more productive discussions on cost pressures, potential mitigations and to improve alignment with Council budget setting processes.

As part of the partnership sum setting process, Ubico has discussed a series of cost factors such as inflation, NJC pay awards, pensions, fuel prices, insurance premium taxes and the strength of local labour markets in order to agree 2019/20 partnership sums. Ubico's costs and associated partnership sums have seen increases since 2017/18 largely due to external inflationary factors and pay awards. As such the following assumptions were discussed and included with the proposed 2019/20 sums.

Diesel

Ubico uses large amounts of diesel to operate its vehicles and fuel economy for LGVs averages between 3-5MPG. All diesel is bought in US dollars and any economic uncertainty or a weak pound will compound potential cost increases. In 2018/19, the UK continued to experience both a weaker pound as well as increases in the price of fuel. An increase of 15% was discussed and agreed with all commissioners for 2019/20 increasing the price per litre to **£1.127** from £0.98p in 2018/19.

Temporary Staff

As an operational service, Ubico will continue to have a reliance on temporary staff to cover both sickness and holidays. Ubico builds in an assumption of 9 days' absence per person per year, plus holidays. While Ubico has set this budgetary assumption, the physical nature of the work undertaken results in sickness levels in some contracts being higher than this figure which can place a cost pressure on the service.

Pay & Pension

Ubico continues to be linked to the NJC awards for pay. In 2019/20 this represented a minimum of a 2% increase with some lower paid staff receiving a larger increase, for example, loaders received 2.7% increase. Due to changes in national legislation to pensions, requiring higher contributions, Ubico agreed with commissioners to increase Ubico's pension contribution by 1% to 4% in total. This will ensure that the company shares the burden of pension contribution equally with the employee.

Driver pay – local supplements

The national shortage of drivers has created cost pressures and difficulties in recruitment. To combat recruitment challenges driver supplements have been included within contract sums at the following rates.

West Oxfordshire - 15% (does not apply to employees transferred from Kier under TUPE as driver pay rates were already elevated compared to standard Ubico T&Cs).

Cheltenham and Tewkesbury – 7.5% This has seen a small increase at the Swindon Road Depot due to recruitment challenges

All remaining partnerships retain a 5% supplement.

Insurance

Insurance premiums have increased for the company for a range of factors. As cars have become more sophisticated, the costs of more minor repairs has increased. In addition, Ubico experienced elevated levels of incidents that resulted in higher claims. To respond to this Ubico has implemented a range of measures in partnership with our insurance provider to reduce accidents. This has included developing our own capacity to assess drivers. While it is positive that vehicle accidents have reduced since these measures have been implemented, an increase of 10% has been included into the vehicle insurance premium and an inflationary increase of 2.3% (CPI) for the rest of the premium (for example, employers and public liability).

Inflation

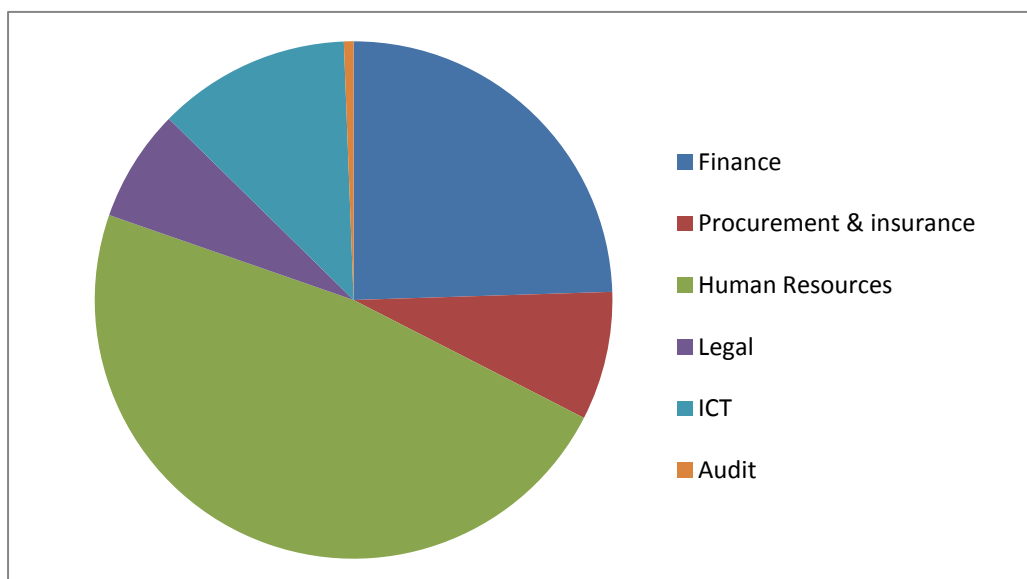
Business rates are linked to CPI and an increase has been included at 2.3%, while a wider rate of 2% inflation has been assumed on other materials and supplies to the company.

Total Corporate Overhead

Total Overhead



Detailed breakdown



Delivering Value for Money

Ubico has experienced cost increases in that last two years relating to external factors such as fuel prices and wage inflation. This is likely to continue in the short to medium term. In addition, in 2018/19 partnerships such as the West Oxfordshire Waste and Recycling service costs that were in excess of the service model developed prior to mobilisation. It is therefore vital that Ubico strives to build trust and confidence among commissioners and shareholders that the company is delivering value for money and remains the most affordable option for our partners.

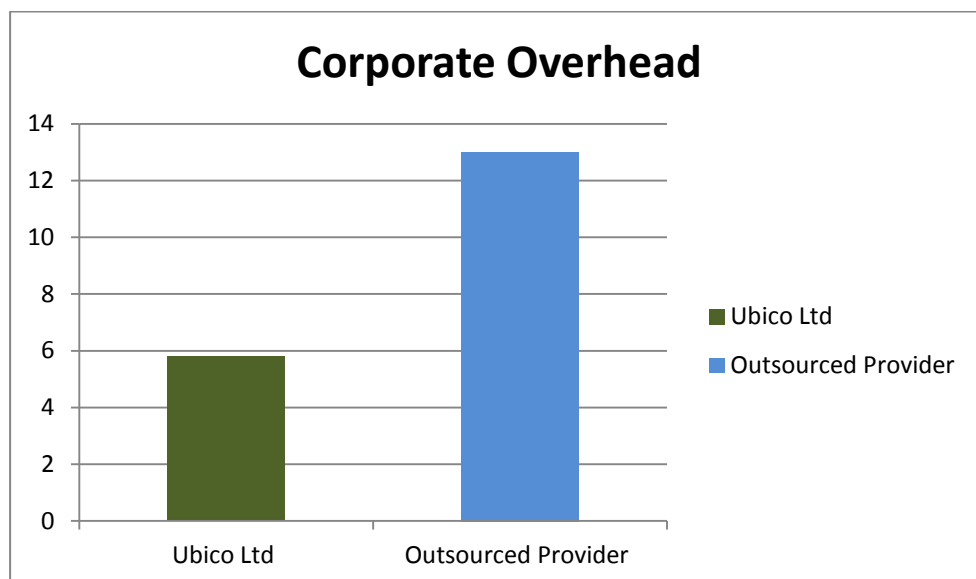
In 2019/20 Ubico will develop more consistent and tangible measures to benchmark our performance to ensure that the company remains the provider of choice.

Ubico has already made progress in this regard. In 2018/19, Ubico's Stroud Partnership was subject to an external assessment from a Specialist Environmental Services Consultant from the Association of Public Service Excellence (APSE) to review and test service productivity and costs to determine whether the company was providing Stroud District Council value for money.

The outcome of the detailed service review were very positive for the company with the review concluding that the service was in the top quartile for productivity when compared to Stroud District Council's benchmarking group and that overall and that Ubico was a providing value for money to the authority.

Ubico will continue to assess its delivery of value for money with further external assessments and work in greater collaboration with organisations such as APSE, to demonstrate services are efficient and provide greater certainty that potential savings identified can be delivered and implemented without detriment to the overall service.

Comparison of Ubico's Corporate overhead



Ubico still compares favourably when compared to traditional outsourced providers within the market. Outsourcing will result in a typical overhead of 9% and profit margin of 3-4% being added to the contract value. Ubico's corporate overhead remains at 5.8%,

That said, Ubico will continue to strive to deliver efficiencies back to shareholders by exploring greater innovation, integration and partnership working to create savings. The procurement of fleet, hired vehicles and our supply chain of parts and materials remains a key area to develop to ensure that shareholders take advantage of their collective buying power, and Ubico maximises efficiencies. Additionally, conversations will continue with commissioners in relation to rationalisation of depots, integration of services and transforming end to end customer interaction.

With the commitment of shareholders, further efficiencies can be delivered through greater integration of people, vehicles and assets. Ubico is dedicated to delivering services that meet the needs of commissioners, and it is important that Ubico continues to highlight the additional costs of retaining differences between services and, in particular, collection methods.

Ubico will continue to work in partnership with commissioners and the Joint Waste Team to make a strong case for greater integration in the medium term.

Transparency & Accuracy

Ubico made considerable progress to improve financial reporting and the production of management information to commissioners. The addition of in-house finance officers and the gradual transformation of the finance service has improved Ubico's ability to meet commissioner reporting needs, allowed joint review of financial risks and identification of savings and efficiencies. Ubico has moved to a monthly finance report which is provided in full detail where requested. Complete transparency has supported Ubico in demonstrating the genuine cost of service and has allowed for more informed dialogue.

Ubico also redesigned its partnership sum setting process for 2019/20, commencing dialogue and interaction with the commissioners much earlier than in previous years, and by being more proactive with both commissioners and finance officers on priorities for 2019/20.

Whilst this updated process has been well received, Ubico needs to continue to improve for 2020/21 by starting this dialogue earlier still and by aligning Ubico's reporting to Council decision making or consultation meeting schedules to support our finance partners.

A further key focus will be improving the accuracy of Ubico's financial reporting. This will be achieved by reviewing internal processes and through supporting supervisors and operations to improve financial management. Additional training will be provided to enable key operational staff to gain a better understanding of their spending, the phasing of their budgets, and to more accurately estimate committed and expected spending during the year. If more certainty is provided to commissioners then the collective ability of managing financial risks will improve.

Ubico will also begin discussions with shareholders regarding the renewal of Ubico contracts, both to provide certainty for the company but also to enable the delivery of further savings stemming from greater integration, investment or innovation or to deliver large projects such as depot relocation or rationalisation. These ambitions will ultimately be hampered if the long term security of the company is not secured.

It is also acknowledged that both Gloucestershire CC and the Forest of Dean are both small shareholders in terms of contract value and it should remain an ambition for Ubico to extend and grow the operational services delivered for both of these shareholders.

In 2018 Ubico expanded and improved its reporting of management and performance information across the company and back to commissioners. Monthly management reports are now produced for each contract that reports the following core sets of indicators:

- Operational performance
- Health & safety data
- Fleet Compliance
- Financial monitoring
- HR (sickness absence & vacancies)

In 2018 Ubico re-designed its Corporate Risk Register and the Board increased the scrutiny of the Executive to ensure that risks were actively being reviewed, mitigated and managed. The full corporate risk assessment is presented at each Board meeting and the risk registers are shared individually with both shareholders and commissioners to ensure that there is complete transparency on live risks and issues within the company.

2019/20 Actions

- **Implement an updated contract sum setting process for 2020/21 financial year.**
- **Embed the monthly production of management and performance information to meet corporate and commissioner needs.**
- **Complete and implement procurements (detailed in appendix 1).**
- **Provide training to Operations Managers on financial monitoring and forecasting.**
- **Provide training to managers on procurement and contract/client management.**
- **Explore shared procurement of vehicles with shareholders to streamline the process and maximise buying power.**

Ubico by 2024

- Maximised operational savings and efficiencies for shareholders.
- Deliver price certainty and assurance on Ubico's ability to deliver value for money.
- Be the provider of choice for operational services reducing shareholder need to undertake costly procurement.
- Deliver procurement of vehicles and equipment on shareholder's behalf.

4. Commercial

We will identify and capitalise on investment and commercial opportunities to deliver greater returns and efficiencies to our shareholders.

Ubico in 2019

Ubico started a new phase of development in 2018. Ubico restructured the corporate Business Development function to strengthen the company's commercial focus and ability to develop proposals for investment.

The company has successfully sold consultancy services to three local authorities and developed a strong portfolio of services that are rooted in Ubico's operational knowledge and experience. Consultancy and advisory services have been provided relating to:

- Operational management
- Teckal and local authority trading companies
- Commercial opportunities and culture

Ubico will look to strengthen its advisory and consulting offer by exploring potential partnerships that will build a more attractive and agile commercial offer to our clients.

The company also began to explore the potential for delivering greater surpluses and dividends from its fleet operations activities.

Ubico progresses with acquiring and developing its own hire fleet to reduce shareholder costs and reviewed the structures and operations of the workshops to drive greater

operational efficiencies and explore further potential in increasing the maintenance work undertaken for external customers.

The market for electric vehicles continues to develop and Ubico remains proactively engaged in the market and with shareholders. Ubico will develop its approach to green vehicles in two ways. Firstly by working with commissioners to use more electric vehicles in our operations and secondly to capitalise on the commercial opportunities that may be available from the maintenance and provision of electric and green vehicles.

Commercial waste is an ongoing area of interest to shareholders to exploit and Ubico has supported commissioners to explore the potential for sharing and investing in services to deliver a greater commercial return.

2019/20 Commercial Priorities

Vehicles & Assets

Ubico is not currently maximising the use of the vehicles or assets that it operates.

Retaining vehicle assets under shareholder ownership creates barriers to commercial success, leads to inefficiency and can expose shareholders to greater financial risk if vehicle costs remain in silos within each individual contract.

While some sharing of vehicles has taken place between shareholding authorities, the full potential of the vehicle assets that Ubico operates is yet to be realised. By Ubico managing assets more effectively it will increase the company's ability to deploy vehicles based on need and to use them more widely for commercial purposes.

Improved management or ownership of vehicles will help to:

- Smooth the costs of maintenance through a seven year fleet cycle across contracts
- Reduce the reliance and financial impact of hire vehicles
- Increase resilience
- Increase commercial use

Ubico's other key resources are its operational depots. Again, the commercial value of these sites has not yet been maximised and the company will increasingly explore the potential to:

- Share and integrate operations to release assets for commercial use

- Increase commercial activities from operational sites
- Work in partnership to identify new sites or locations that will reduce costs or increase commercial potential

Ubico will bring forward proposals to the Board in the first quarter of 2019/20 to offer a re-designed procurement and vehicle management process for shareholders.

Investment

Shareholders have invested significant amounts of capital to support operational service delivery – largely in vehicles and plant equipment that are used to meet agreed specifications.

However, investment for commercial return thus far in Ubico has been minimal. Ubico will present a number of investment opportunities to shareholders in the years ahead in the following areas:

Hire Vehicles

Ubico has already developed an initial pilot for hire vehicles and will offer further opportunities for investment in hire fleet for commercial return if the pilot proves to be a success. The model developed has demonstrated that by Ubico developing a pool of hire vehicles it is estimated will generate a return on investment averaging 12% across a 3 year period. The Board are clear that developing a diverse range of vehicles that can be used internally to reduce costs as well as offer potential income from third parties represents a viable opportunity for the company to further pursue in 2019/20.

Commercial Waste

Ubico will develop a range of options to develop a commercial waste offer to reflect shareholder appetite to generate additional income and realise greater commercial profit from this sector.

Ubico will bring forward a paper in the first quarter of 2019/20 that will explore the potential to establish a full commercial and integrated subsidiary that would enable the company to offer a trade waste service across the Ubico operating region. An initial stage in this development may be to invest in a pilot to develop an existing trade waste service operating from the Cheltenham, or West Oxfordshire partnerships to enable the testing and development of the appropriate technology and equipment to deliver a more sophisticated and customer focussed service.

Fleet Maintenance

As an extension of fleet capabilities Ubico will also look to the provision of other fleet services, such as vehicle washing, and supply of parts and tyres, to see if there is value in Ubico becoming more involved in these markets. Firstly to reduce internal costs to existing shareholders, but also to explore external commercial growth via third parties. In 2019 the Fleet department will be restructured and consolidated under the Head of Fleet Operations to enable and expedite the development of the fleet service and its commercial potential. Business cases have already been developed for investment and will be put progressed in 2019.

Material recovery and disposal

Ubico's existing core focus is on the collection of material and not in disposal or onward sale. If Shareholders are exploring alternative depot locations, Ubico should look to potential opportunities to explore whether material recovery and sale offers commercial growth to the company and increased value to shareholders. The mobilisation of Javelin Park and the necessity for the Cheltenham and Tewkesbury partnerships to rely on waste transfer provides Ubico with the opportunity to offer a long term solution and to replace the existing waste transfer contract. If Ubico is able to develop and operate a waste transfer facility then this will also broaden the potential for a more resilient and successful commercial waste service.

Temporary Staff

An area of costs that Ubico should aim to reduce through commercial opportunity is the provision of temporary staff. Ubico incurs costs for agency fees for temporary staff that it has to employ to maintain services.

As with fleet hire, Ubico will explore investing in the creation of a staffing agency in order to reduce internal costs and also test whether there is a market for provision and supply of agency staff to third parties.

In the medium and long term, Ubico should provide a flexible and agile corporate structure that will allow us to work in partnership with shareholders to provide opportunities to diversify their commercial investments.

Marketing and Sales

Ubico increased its market presence at key conferences in 2018 and will continue to raise its market profile in 2019/20. Ubico has gained interest from other local authorities who are exploring commercial opportunities and trading companies. Developing Ubico's brand will provide an avenue to win further work for our consultancy and advisory services.

Ubico has not yet harnessed the commercial potential of the services that it currently provides. Ubico will work with partners to conduct robust business analysis on existing services and then test and explore the potential to sell more services to existing and new customers.

Upselling is a well-used business practice and Ubico will explore upselling potential in the following areas:

- Garden Waste & grounds maintenance services
- Fleet services

However, the ability to deliver greater commercial income may be dependent on shareholder appetite for risk and a willingness to invest in appropriate technology or capacity to win and manage external contracts and clients.

Finally, Ubico continues to bid for third party work primarily centred on grounds maintenance. However, Ubico's commercial capabilities are limited by the capacity of existing staff and our skill to successfully price and write competitive bids.

The Strategy and Business Development function will drive analysis of our existing operational functions and look to create an improved bid framework as well as introduce training to staff on commercial bidding for contracts and work.

Investment will also be required from shareholders if there is a desire to expedite Ubico's capacity to bid for and compete for contracts.

Future Diversification and Expansion

The consolidation of Ubico's governance, systems and processes from 2016-2019 has placed the company in a much stronger and scalable position for potential future expansion and diversification. However, growth must be justified and not accepted if the benefits and value to shareholders are not viable.

At present Ubico has a strong regional presence but delivering efficiencies are limited by current operational and geographical barriers. If greater integration of services was achieved, combined with the geographic inclusion of Gloucester City, then few barriers would remain to maximising shareholder value and operational efficiency. Therefore a strong case can be made to explore a partnership with Gloucester City when they approach the future review of their environmental contracts. A similar argument could also be made for the inclusion of other neighbouring authorities, but this may prompt a review of the existing governance of the company to ensure that it remains fit for purpose.

Expansion could also be delivered by Ubico providing management services and support to other independent Teckal companies; however, this must be achieved and provided in a way that does not reduce the resilience gained from Ubico's recent consolidation. Overall it is vital that any future commercial expansion be tested against its potential to add value to our shareholders, our employees and the communities we serve.

2019/20 Actions

- **Develop and test commercial opportunities in expanding fleet hire operation.**
- **Develop and market our consultancy and advisory business.**
- **Explore investment in green and electric vehicles including maintenance and charging infrastructure.**
- **Explore and develop proposals for Ubico management and ownership of fleet vehicles.**
- **Explore and test potential shareholder value in Ubico developing a temporary staffing subsidiary.**
- **Test and deliver investment proposals to develop a dedicated appropriate customer management, sales and marketing function**
- **Improve the commercial training of key staff.**
- **Explore the potential for key business acquisitions to expedite commercial returns.**
- **Explore and test a framework for medium term expansion and diversification.**

Ubico by 2024

- **Maximised shareholder value from harnessing the potential for greater integration across the Ubico operating region through capitalising on geography and shared use of people, vehicles and assets.**
- **Utilise shared infrastructure to deliver refuse to Javelin Park efficiently.**
- **Will deliver greater profits from expanded commercial fleet, grounds, and collection services.**
- **Will have a dedicated sales team that manages customers and wins new business.**
- **Will have established commercial subsidiaries that are providing a range of services across fleet services and supply of temporary staff.**
- **Maximises use of depots by investing in the disposal and recovery of materials.**

Corporate and social responsibility

Ubico Ltd is committed to adopting best practice in this area and continues to ensure that Corporate Social Responsibility (CSR) is embedded into our policies, plans and business practices to the benefit of staff, the wider community and the environment. CSR is at the heart of our vision and corporate values.

The Board of Directors, managers and employees at all levels will have regard to the social and environmental impacts of the company's business. In 2018/19, we will:

- continue to use procurement opportunities to gain social, economic and environmental benefits for the communities we serve;
- locally source goods and services wherever economical and practical;
- provide local employment opportunities with good employment standards and practices;
- provide apprenticeship opportunities;
- provide opportunities for learning and development and support disadvantaged groups;
- support community initiatives and events;
- work in partnership with the voluntary and community sector; and
- encourage voluntary participation in national and local initiatives.

Ubico employees have made a commitment to select local charities to support. Ubico has a long established partnership with the National Star College and uses their facilities and services for many company events and for printing of company materials. In 2019, the company will choose further local charities to work in partnership with based on their needs and how we can make the most positive impact.

We recognise that our business operations have an impact on the environment through emissions to land, air and water, the consumption of resources and the generation of waste. We are committed to minimising any adverse impacts on the environment and preventing pollution associated with our activities through continual improvement to our operational methods and working practices. We will comply with environmental regulations and other external requirements in order to minimise our environmental impact. We have achieved ISO 14001 certification for our environmental management system in the Cheltenham, Gossington and Packer's Leaze depots and will seek to achieve the same for our other depots.

Governance

Good corporate governance and the continued professional development of the Board of Directors and the Senior Management Team is a key objective. To safeguard the future of the company we must ensure appropriate competency standards and qualifying criteria are applied to all Directors and follow the spirit of the UK Corporate Governance Code. At all times the company will remain open, transparent and accountable.

We regularly review our policies, procedures and governance arrangements to ensure they are fit for purpose, represent good practice and meet all relevant legislative and regulatory requirements. The Managing Director, Commercial Director, Operations Director, Business Administration Manager and Legal Advisor will continue to meet regularly to monitor and review to ensure that our governance arrangements are fit for purpose for a company of Ubico's size.

An internal audit plan is completed annually. In 2018, ARA was commissioned to provide audit services and will be Ubico's provider in 2019/20. A full audit plan is agreed by the Board and all audit findings are sent to Directors to review and scrutinise.

External audit of the company's accounts is determined by Shareholders at the Annual General Meeting.

Board Effectiveness Review

In 2017, a Board Effectiveness Review was commissioned from an external company to provide recommendations as part of maintaining good corporate governance. The effectiveness review was based on interviews with Ubico Directors and Shareholders and a review of all Board papers and governance documents.

Findings of the review were completed in December 2017 and implemented throughout 2018 culminating in a change in the shareholder agreement which allowed for a change in composition of the Board.

A key focus of 2019/20 will be to induct the new, independent Directors and allow the new reconstituted Ubico Board to work together.