

# STROUD DISTRICT COUNCIL

## COUNCIL

THURSDAY, 16 FEBRUARY 2023

<b>Report Title</b>	<b>UBICO SHAREHOLDER DECISION</b>			
<b>Purpose of Report</b>	To resolve a decision on the variation of Forest of Dean District Council's contract with Ubico.			
<b>Decision(s)</b>	<b>The Council RESOLVES to authorise the Chief Executive in her role as Ubico Shareholder representative to approve the variation of the Ubico Partnership's contract with Forest of Dean District Council to add delivery of their Waste, Recycling and Street Cleaning services from 2024.</b>			
<b>Consultation and Feedback</b>	Group Leaders and Policy Committee Chairs.			
<b>Report Author</b>	Kathy O'Leary, Chief Executive Tel: 01453 754780 Email: <a href="mailto:kathy.oleary@stroud.gov.uk">kathy.oleary@stroud.gov.uk</a>			
<b>Options</b>	Council can choose not to authorise the Chief Executive to agree to vary the contract with Forest of Dean District Council. The decision to add the delivery of services to the contract is by a majority of the existing partners.			
<b>Background Papers</b>	None.			
<b>Appendices</b>	None.			
<b>Implications (further details at the end of the report)</b>	Financial	Legal	Equality	Environmental
	No	Yes	No	No

### 1. INTRODUCTION / BACKGROUND

- 1.1 Stroud District Council is a shareholder in Ubico, a teckal company wholly owned by local authorities, and the shareholder function for the Council is performed by the Chief Executive.
- 1.2 Ubico's five-year vision and business plan clearly articulates that Ubico seeks to do more for its partners and strengthen its core environmental services offering.
- 1.3 On 21 December 2022 Forest of Dean District Council (FODDC) agreed to seek to extend their contract for services with Ubico to include waste, recycling and street cleaning from August 2024 and for a term of 8 years.
- 1.4 As FODDC is already an established shareholder in the Ubico partnership, this additional service will require a variation to the existing contract. The value of the variation is estimated at £3.9 million per annum.
- 1.5 A key board decision is required in relation to the variation of Forest of Dean District Council's contract with the partnership and Council is asked to agree that the delivery of waste, recycling and street cleaning services be added to the contract.

## 2. MAIN POINTS

### Costs of operation

- 2.1 Ubico has estimated the annual revenue cost of delivering these additional services to FODDC as £3.9 million. The Ubico costs are for operational service delivery only and do not represent the net whole service cost. As is common practice in most Ubico contracts, FODDC will directly receive all income from the service (i.e., garden waste subscriptions, recycling credits and material sales) and will also be responsible for the cost of processing recycling materials.
- 2.2 FODDC has made adequate capital provision for the procurement of assets to deliver this contract. This includes the Council procuring and preparing a new depot site.
- 2.3 Ubico will work closely with FODDC to ensure the effective transfer of staff and services from the current contractor. FODDC will meet all mobilisation costs.

### Benefits

- 2.4 Strength from increased scale of operations: As of today, at the current size and maturity of the company, adding more services will support Ubico to achieve better economies of scale, and bring the additional resilience that comes from a greater scale of operation. With a larger structure comes a reduced risk of single point of failure, further opportunities for in-house resources and to bring resources in-house, a greater ability to collaborate by sharing innovation and developing thought leadership, whilst sharing the investment that goes hand in hand with it. Service resilience, governance and control will be improved, thereby reducing the risk of service failure and reputational damage. It protects Ubico from the threat of contract losses impacting the critical mass required to support its corporate structure.
- 2.5 Partnership working: Ubico is already actively pursuing cross-partner initiatives such as cross boundary optimisation, depot sharing, asset sharing, partners sharing the development of innovation (such as zero carbon fleet and digital working pilots) and creating scalable commercial offerings using Ubico to harmonise the offering across the geography of the partnership.
- 2.6 Teckal Headroom: Although Ubico does not currently lever any significant proportion of the 20% Teckal 'headroom' it is permitted to use for delivery of commercial activity, should this be an area that partners agree to develop in the future, the increased turnover brought about by delivering additional services for FODDC increases the value of the opportunities that could be sought.
- 2.7 Reputation: The expanded collaboration will enhance the reputation of Ubico and the partners involved as it can be held as an example to unlocking the wider benefits of collaboration to deliver value for money, sustainable local government critical services.

### Risks and mitigations

- 2.8 Financial Risk to Partners: Additional expenditure relating to the additional services delivered for FODDC could lead to financial exposure for a partner or partners. The mitigation is two-fold:
  - a) Funding for mobilisation and transformation have been budgeted with FODDC and corporate cost growth is prudently funded.
  - b) Service costs are ring fenced to each partner with any additional cost or underspends passing directly back to the partner directly contracted.

- 2.9 Capacity: Ubico is currently resourced to provide the currently contracted services, as per the annual business plan and Service Level Agreements (SLAs) with each partner. Any new or additional activity is funded through business cases, including mobilisations, as is the case with the mobilisation work required for FODDC. During this period Ubico will undertake active engagement with its partners to ensure they are cognisant of any emerging additional demand, and the resource requirements to deliver this, so that Ubico can stand up resources accordingly.
- 2.10 Mobilisation: There will be specific risks arising during on-boarding/implementation and also whilst the staff 'settle' after transfer. These are a direct result of this exceptional activity and are not expected to continue into business-as-usual operations. These risks will be identified and managed as part of the project management for implementation. As the contract covers activities Ubico already perform, there are no new risk themes to consider in the provision of the services.
- 2.11 Contract assets and resources: Fleet asset risk is mitigated through the careful planning of procurement activity and the ownership of the fleet by FODDC. The operation is dependent on FODDC for the provision of a new depot concurrent with the service mobilisation project. This risk is mitigated by early and ongoing engagement with Ubico teams on the depot project.
- 2.12 Reputation: There is a risk to reputation for the Ubico partnership and wider partnership if service delivery fails upon commencement. This will be mitigated by applying dedicated experienced operations management during the mobilisation period, prior to and during commencement of service delivery and through until at least a steady state performance is established.

### **3. CONCLUSION**

- 3.1 The main implications, benefits, risks and mitigations of the addition of further services to the FODDC contract with Ubico are set out above.
- 3.2 On this basis it is recommended that Council agree that the delivery of waste, recycling and street cleaning services be added to the contract between FODDC and Ubico.

### **4. IMPLICATIONS**

#### **4.1 Financial Implications**

The financial risks relating to the decision are set out in paragraph 2.8. With the mitigations in place there are no expected financial implications for this Council.

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#### **4.2 Legal Implications**

The Chief Executive, as the Ubico Shareholder representative, has the authority to sign the contract variation. It is good practice to seek Council's support for shareholder agreements before they are signed.

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#### **4.3 Equality Implications**

There are no changes to service delivery at SDC proposed within this decision.

#### **4.4 Environmental Implications**

There are no significant environmental implications related to this decision.