

**Cheltenham Borough Council
Cabinet – 13 January 2015**

Ubico Expansion of Partnership - Approval of business cases

Accountable member	Steve Jordan, Leader of the council
Accountable officer	Mark Sheldon, Director Resources
Ward(s) affected	None
Key Decision	No
Executive summary	<p>In April 2012 Cotswold District Council (CDC) and Cheltenham Borough Council (CBC) created a local authority 'Teckal' company to deliver services to both councils.</p> <p>The subsequent cost efficiencies and service improvements delivered by the company have attracted significant interest at local and national level.</p> <p>A number of local authorities have been particularly interested in the success of Ubico and the structure and governance arrangements of the company. Locally this includes Tewkesbury Borough council (TBC), Stroud District Council, Forest of Dean District Council and West Oxfordshire District Council.</p> <p>In October 2012 a detailed business case was prepared for the inclusion of TBC as a shareholder in Ubico Ltd. The business case presented a robust financial and strategic case for TBC to join the partnership. TBC have since developed their own business case for joining Ubico and that, along with the revised governance arrangements for an extended partnership, was approved by TBC Council on 30th September 2014.</p> <p>This report seeks formal approval to extend the Ubico partnership to other partners based on the attached business case.</p>
Recommendations	<p>That Cabinet:</p> <ol style="list-style-type: none">1. Approves the business case for Tewkesbury Borough Council, West Oxfordshire District Council, Forest of Dean District Council and Stroud District Council as appended to this report.2. Agrees to issue a £1 share in Ubico Ltd to each of the above mentioned councils on the date each council enters into a contract with Ubico Ltd for the delivery of services to their council, such date not to be before 31 March 2015.

<p>Financial implications</p>	<p>Ubico is currently delivering £261,700 annually to the council.</p> <p>The financial implications of extending the partnership are detailed in each business case at appended (exempt) to this report and summarised in section 2.</p> <p>Contact officer: Mark Sheldon, Mark.sheldon@cheltenham.gov.uk 01242 264123</p>
<p>Legal implications</p>	<p>The current Shareholder Agreement includes a reserved matter which requires the consent of the shareholders to permit the registration of any additional shareholder.</p> <p>In September 2014 both Cotswold District Council and this authority, as the current shareholders, agreed to amend the existing Articles of Association and Shareholder Agreement to permit the issue of additional shares to new partners who met the following terms:</p> <p>Payment to the shareholders as a contribution towards set up costs including professional time spent on setting up the company and associated risks taken by them.</p> <p>Upon receipt of at least 6 months prior written notice (unless otherwise agreed by the Shareholders) to the shareholders and Ubico, a share will be issued if:</p> <ul style="list-style-type: none"> • A convincing Business Case setting out the benefits to the shareholders is submitted to and approved by the shareholders; • There is no detrimental or negative impact to any shareholder as a consequence of the new joiner becoming a shareholder (to be evidence based); and • The New Joiner enters into a contract for services with Ubico upon the issue of a share in the company. <p>This report sets out the business cases for each new partner council in accordance with the above mentioned terms and seeks the permission of the authority to issue a £1 share when the relevant contract for services has been entered into between Ubico Ltd and the new partner council.</p> <p>Contact officer: Shirin wotherspoon, Shirin Wotherspoon @tewkesbury.gov.uk, 01684 272017</p>
<p>HR implications (including learning and organisational development)</p>	<p>The business case assumes a further sharing of Ubico overheads over a wider partner base but also provides opportunities to share knowledge and experience and build service / organisation resilience.</p> <p>As the Ubico business expands, the Ubico MD in consultation with GOSS HR will be responsible for assessing and determining what additional HR support may be required to support the business.</p> <p>Contact officer: Julie McCarthy , Julie.mccarthy @cheltenham.gov.uk, 01242 264355</p>

Key risks	See Appendix 1
Corporate and community plan Implications	The recommendations support further joint working arrangements which aim to increase household recycling, reduce landfill and deliver savings to support the MTFS funding gap.
Environmental and climate change implications	None specifically arising from this report.
Property/Asset Implications	<p>TBC currently occupy part of the Swindon road depot site. The proposal provides the opportunity to rationalise space leading to operational efficiencies, in addition enable longer term lease arrangements for the site, sharing the cost of the depot across a wider number of partner councils. The depot is almost at capacity and the provision of facilities in other Districts will be vital if the benefits and savings of an enlarged Ubico are to be delivered.</p> <p>Contact officer: David Roberts@cheltenham.gov.uk, David.roberts@cheltenham.gov.uk 01242 264151</p>

1. Background

- 1.1** In 2010 the Gloucestershire Waste Partnership and the Gloucestershire Joint Improvement Board agreed a joint vision “By working together the Gloucestershire authorities will deliver more efficient waste services”. A report commissioned from Eunomia Consulting estimates savings of £1.7 m – £3.2m per annum from the joint delivery of waste services in a county wide context drawing on evidence of the success of other joint working arrangements (e.g. Somerset, Dorset etc).
- 1.2** The business case for joint working anticipated savings arising from rationalising depots, joint service management and delivery, increased purchasing power, fleet efficiencies and increased productivity through serving a larger geographical area. The report went on to say that where authorities work towards savings in isolation opportunities will be missed and a wider, more efficient, partnership may be harder to achieve in the long term.
- 1.3** A key factor in creating Ubico as an arm’s length local authority company was to facilitate a fully inclusive partnership through the aggregation of collection contracts and environmental services which would maximise efficiency savings.
- 1.4** The creation of Ubico by CBC and CDC was the first but important step in delivering this joint vision. The initial idea was to expand Ubico to take on more partners in order to ensure that further efficiencies could be delivered.

2. Business case for expansion

- 2.1** In October 2012 a detailed business case was prepared for the inclusion of TBC as a shareholder in Ubico Ltd. The business case presented a robust financial and strategic case for TBC to join the partnership. TBC have since developed their own business case for joining Ubico and that, along with the revised governance arrangements for an extended partnership, was approved by TBC full council on 30th September 2014.
- 2.2** The business cases appended (exempt) to the report detail the further benefit of increasing the number of partner councils.
- 2.3** In summary, the financial benefits are outlined below

		2015/16	2016/17	2017/18	2018/19	2019/20	Total
		£s	£s	£s	£s	£s	£s
Recovery of set up costs	TBC WODC FODDC)) 68,000)	0	0	0	0	68,000
	SDC	0	22,667	0	0	0	22,667
Operational savings		40,825	40,825	40,825	40,825	40,825	204,125
Overhead savings	TBC WODC FODDC)) 60,000)	60,000	60,000	60,000	60,000	300,000
	SDC	0	29,000	29,000	29,000	29,000	116,000
Total in Year		168,825	152,492	129,825	129,825	129,825	
Cumulative over 5 year period							710,792

NB: Savings for Stroud DC are with effect from 2016/17

- 2.4 Annual savings will increase to £129,825 once all partners are on board and the council will recover £90,667 of its share of Ubico set up costs.
- 2.5 The inclusion of further partners, including specifically TBC in the partnership, will also benefit existing shareholders as it will generate increased business for shared service support partnerships (GOSS, Audit Cotswold, One Legal and Shared ICT).

3. Reasons for recommendations

- 3.1 Expanding the partnership to include TBC and other councils will support the delivery of the partnership vision.

4. Alternative options considered

- 4.1 The potential for the partnership to remain as originally created was considered but this would not generate the additional benefits of joint working.

5. Consultation and feedback

- 5.1 Ubico Board have been consulted and have approved the expansion of the partnership at a meeting on 10th December 2014.

6. Performance management – monitoring and review

- 6.1 Ubico performance will be monitored via the Ubico Board of Directors, Overview and Scrutiny committee and the Joint Waste committee.

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Appendices	1. Risk Assessment A Business case – Tewkesbury BC B Business case – West Oxford DC C Business case – Forest of Dean DC D Business case – Stroud DC
Background information	None

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
	If the Cabinet do not support the proposal to expand Ubico then the partnership may not deliver the savings target in the budget strategy and the wider aspiration for future savings.	Pat Pratley	22/12/14	3	3	9	Reduce	Cabinet to support the recommendation	31/3/15	Mark Sheldon	
	If the Cabinet do not support the proposal then the partnership may not deliver the wider vision for increased recycling / reduced landfill.	Pat Pratley	22/12/14	3	3	9	Reduce	Cabinet to support the recommendation	31/3/16	Scott Williams	
Explanatory notes											
<p>Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)</p> <p>Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)</p> <p>Control - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											