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Our Vision

By 2016 Ubico Ltd will be considered by the public sector as the provider of choice for sustainable, value for money environmental services. Having expanded partnership working and developed mutually beneficial business relationships with external customers and suppliers, the company will have continued to increase turnover and deliver efficiency improvements. We will be delivering customer focused services that contribute to the well being of the communities we serve and we will be a good employer of safety conscious, committed and productive staff.

Introduction

This business plan is primarily focused on 2015/16 but also looks forward towards a 3-5 year horizon. It aims to build on work already completed to build a solid base from which the business can grow, deliver further service efficiencies and provide an improved quality of service. It sets the overall strategic direction of the company and shapes the organisational culture.

The priorities and key milestones arising from this plan are captured in Appendix A.
Our Company

Who we are

Ubico Ltd is a local authority company limited by shares. From 1 April 2015 the company became a public – public partnership between Cheltenham Borough Council, Cotswold District Council, Forest of Dean District Council, Tewkesbury Borough Council and West Oxfordshire District Council. The company has been trading for three years and operates as a not for profit enterprise.

The company and the commissioning authorities have entered into a shareholders agreement which details their relationship including a range of reserved matters that shall only be effective if approved by the authorities as shareholders.

The company is funded by payments from commissioning authorities and external contracts. Individual costs associated with the delivery of services to shareholders are borne by the individual shareholders and any year end deficit or under spend is recovered from or returned to the relevant shareholder. Costs which cannot be directly attributed to individual shareholders (e.g. corporate overheads) are allocated proportionate to turnover.

In 2014/15 the company employed 242 people; 29 management, supervisory and administrative staff and 213 operational frontline staff. Following the successful transfers of staff from West Oxfordshire, Forest of Dean and Tewkesbury Councils on 1 April 2015 this will increase to 348 people; 23 management, supervisory and administrative staff and 325 operational frontline staff. **This makes Ubico one of the top 50 employers in Gloucestershire.**

Support services are purchased from partner organisations such as GO Shared Services, One Legal, Audit Cotswold and Forest of Dean ICT. It is intended to continue with current
suppliers to maintain and strengthen the value cycle (see figure 3, page 12). The contracts for support services will be renewed for 2015/16 but it is important that Ubico are clear about the service levels and standards required to move the business forward and that suppliers can demonstrate competence and value for money.

**What we do**

The company was created to deliver a range of complementary and integrated environmental services, primarily to shareholders but also to a limited external market. The scope of services provided by the company to shareholders and external organisations in 2015/16 is represented in Figure 1 below. There is, however, potential to expand into other activities providing they compliment existing services, meet the needs of shareholders and are supported by a robust business case.

**Figure 1 – Services provided by Ubico Limited 2015/16**
Ubico has contracts with its shareholder councils until 31 March 2022, but with the potential to break in 2017 or to extend beyond 2022 for a further period of five years (subject to performance).

In 2015/16 the company will turnover £18,476 million. This places Ubico in the top 100 companies in Gloucestershire (source: Local World).

The company has been formed in such a way as to allow other local authorities to receive services and become shareholders at a later date, as has been demonstrated in the recent growth of the company. This is seen as a key element in delivering efficiency savings (via economies of scale) and in meeting the strategic aspirations of the Gloucestershire Waste Partnership (i.e. the aggregation of collection arrangements in Gloucestershire into a single contract).

Where we work

Ubico currently operates from five main locations; Swindon Road in Cheltenham, Broadway Lane in South Cerney, Thamesdown Recycling near Cricklade, Station Lane in Witney, and Swan Road in Lydney. We also operate a horticultural nursery (Arle Nursery) at Old Gloucester Road, Cheltenham and small sub depots at Chesterton Cemetery in Cirencester, Rose & Crown Passage in Cheltenham, Greystones in Chipping Norton and Hensington Road Depot in Woodstock. It is anticipated that most of our Cotswold operations will soon be consolidated at a single main depot and that this will provide opportunities to expand our activities and improve employee welfare facilities.

The geographical area of operation is primarily within Gloucestershire and West Oxfordshire but the company is not limited to those boundaries should market opportunities arise.

Shareholding of the company is not geographically restricted providing inclusion is supported by a robust business case and is approved by existing shareholders. A key consideration on the delivery of growth is the provision of a strategic depot infrastructure. This is covered in our core market strategy.
Our Performance in 2014/15

A full report on Ubico’s performance during 2014/15 will be prepared and presented to shareholders in October 2015. This section of the business plan provides headline summary of our performance during our third year of trading.

In December 2014 the Board of Directors approved business cases for the provision of services to three new authorities; Forest of Dean District Council, Tewkesbury Borough Council and West Oxfordshire District Council.

These authorities joined the Company as shareholders from 1 April 2015 and successful transfer of most of the agreed services was concluded on this date.

The business continues to perform well. A total of £117,000 efficiency savings was built into 2014/15 base budgets and will be delivered. In addition, an under spend of £500,000 is forecast for the year (4% of base budget) and, as Ubico is a not for profit enterprise, any actual under spend at year end will be returned to shareholders. Total efficiency savings in 2014/15 are therefore forecast to be £617,000, which means the company will have delivered efficiency savings in excess of £3.5 million in the first three years of operation, with £243,000 being held in reserve for further investment in the company and the services we provide.
Our Business Planning Process

The contracts with the shareholder councils and the shareholder agreement obligate Ubico to have an operational business plan and budget approved each year in respect of all the activities of the company.

Approval of the business plan is a reserved matter and shall only be effective if approved by a majority of the shareholders. Any amendment to the business plan is also subject to approval of the shareholders.

Sources of information and data that will feed into the business planning process include:

- Risk management register
- Audit reports
- Performance data
- Scrutiny reviews
- Benchmarking
- Legislative change
- Emerging good practice
- Changing commissioner priorities and outcomes
- Equality impact assessments

The business plan will also make reference to any relevant strategies and action plans of shareholder authorities and partner organisations including:

- Corporate strategies and business plans
- Development and asset management plans
- Green space strategies
- Gloucestershire joint municipal waste management strategy
- Gloucestershire joint waste committee business plan
- Carbon reduction and climate change mitigation strategies
- Medium term financial strategies

The contracts with shareholder councils also require that an annual service review be prepared in October of each year. The 2013/14 annual report was extremely positive and has been unanimously approved by shareholders. The 2014/15 annual report will be presented in October 2015 once the company’s accounts have been externally audited and in readiness to be submitted to Companies House in December 2015.
The annual written report will inform the business planning process and will include:

- Key business activities completed during the year
- Performance targets and outcomes
- A health and safety audit
- Action taken to reduce environmental impact
- How the service has contributed to the shareholder’s wider corporate objectives

The timetable for the annual business planning process is shown in Figure 2 below.

Figure 2 – Annual business planning timetable
The Local Government Finance Act 2012 introduced a radical change to the local government finance system. Under the new regime a significant proportion of a council’s funding comes direct from business rates and therefore has the potential to vary upwards or downwards. This is a key strand of the Government policy to localise financing of local authorities and brings the potential for some uncertainty in budget planning. Councils also receive a New Homes Bonus but the overall trend is of reduced central government funding. Ubico therefore need to retain organisational agility to respond to changing circumstances.

Overall core government funding for shareholders has been reduced with shareholder councils putting strategies in place to deliver the necessary savings. These include collaboration and shared services, service redesign, alternative ways of commissioning services, improved procurement, and better use of technology and business process improvement programmes (system thinking).

In order to meet the demands and challenges of public sector spending cuts it is essential that continuous improvement and value for money are at the core of Ubico’s business plan. Ubico also contribute to the ‘value cycle’ by recycling money within the local economy and with shareholder councils (see Figure 3 below). Payments to Ubico are recycled through support services, local suppliers, community groups and partner organisations which in turn support the strategic objectives and financial performance of the shareholder councils. It is Ubico’s policy to use local suppliers and partner organisations wherever possible providing quality standards and value for money can be achieved.
At the same time as councils are having to reduce spending, customer demands and expectations are increasing. More than ever, the public want to receive value for money services as well as quality service delivery. This can be very challenging for a service provider but Ubico has to focus on good customer service if it is to attract and retain shareholders, secure external business and achieve high levels of customer satisfaction. A strong customer service ethos is crucial for success and profitability and front line staff play a critical role in forging good customer relations. In recognition of this Ubico commenced a company wide ‘effective customer service’ programme in 2013. This ongoing programme has seen a significant reduction in the level of customer complaints and is an ongoing programme of work for the Company.

Five Gloucestershire local authorities, including four of the shareholders, have established a joint committee, the Gloucestershire Joint Waste Committee, to manage and monitor the delivery of an integrated and efficient waste collection and disposal service. The
committee provides an opportunity to work towards a harmonised single service design and ultimately an aggregated single collection contract for Gloucestershire. Ubico will play a leading role in delivering strategic and operational outcomes for the committee and other service commissioners. We are therefore committed to working closely with the Joint Waste Management Unit and all our service commissioners to influence demand for services, spread budgets further and meet strategic goals (e.g. landfill diversion targets).
Our Core Market Strategy

To achieve the strategic objective of aggregating collection arrangements into a single contract (which will encourage an improved market response benefiting from economies of scale) the shareholders rely on the Teckal Exemption. This means that, as a wholly local authority owned company, Ubico is not subject to E.U. procurement rules in the provision of services to shareholders. It is as if the services were provided in house. This is referred to as the Teckal Exemption after the EU legal case that established the principle.

Because of this, Ubico is limited in its external trading activities. However, the new EU Directive on Procurement, which is to be implemented in the UK by 2015, introduces some clarity to the existing Teckal tests including:

- the company must not pursue interests which are distinct from those of the controlling contracting authorities;
- no payments may be made to the company other than reimbursement or re-allocation of funds; and
- more than 80% of the company’s activities must be carried out with the controlling entities.

Consequently, the majority of turnover must come from shareholder core business and only around 20% of turnover should be attributed to external organisations and customers. Whilst this does represent the potential to increase external business the services provided to shareholder councils continue to represent the company’s core market.

Given that all local authorities have less money available to fund the wide range of services they provide and have to make difficult choices about what is affordable, Ubico’s market strategy must primarily reflect the current financial position of shareholders and potential shareholders. Taking advantage of opportunities to trade with external organisations is a secondary consideration and should only be done at a level of risk that is acceptable to shareholders.

In the current climate, offering a unique and attractive service for a premium price will not meet the needs of the core market (differentiation strategy). A low cost base which permits highly competitive prices (cost focus strategy) will meet the budget needs of current and potential shareholders and provide the company with a platform to bid for work from external organisations.
Low cost alone, however, is not sustainable. It is not likely to meet the needs and expectations of multiple shareholders and other customers where demands and priorities may differ. It is therefore necessary for the company to follow a hybrid strategy, driving down costs whilst simultaneously adding perceived value wherever conditions allow. The success of a hybrid strategy depends on the ability to both understand and deliver against shareholder and customer needs while also having a cost base that permits low prices. Networking with commissioning organisations and having a clear understanding of corporate, political and budgetary priorities is therefore of strategic importance.

Ubico can also add value to shareholders through risk management and mitigation as, by having control of the company, it is easier for shareholder authorities to instigate and manage change (e.g. service redesign and/or budget reductions).

The ability to develop and communicate innovative service redesign, customer service improvements, community initiatives and strategic options will also play a key role in adding value. Ubico must not be seen as an organisation focused only on cost effective operational service delivery. We must build a reputation for adding value by developing creative and pragmatic solutions that will benefit commissioners and by effectively managing change to deliver those solutions.

To deliver a low cost base it is necessary to exploit all sources of cost advantage and drive down cost at every opportunity. The commitment to drive down cost must exist in every part of the organisation and at every level, including support service providers (both internal and external).

The drive to reduce cost does not mean that Ubico will buy cheap or inferior goods and services or that we offer uncompetitive or unattractive remuneration and terms and conditions of service. What is required however is a detailed value analysis of each category of spend to eliminate waste and ensure the company and its shareholders receive value for money. This is carried out on a programmed basis and prioritised according to amount spent by classification (see Figure 4 on next page).
Corporate management and local operational management costs will continue to be kept as low as practicable to ensure the maximum possible investment is made in front line service delivery. It is essential, however, that adequate management resource is available to deliver growth, performance improvement, strategic options appraisal and commissioner networking. It is also essential that sufficient local management resource is available to monitor and control costs, maintain quality standards and to deliver effective health and safety management.

Direct staff must be motivated, productive and flexible and be able to work across contracts and services when necessary and practical. Ubico staff will be supplemented by seasonal staff, casual staff, agency staff and subcontractors where it is sensible and economic to do so. The company will also work in partnership with the local voluntary and community sector to deliver community led initiatives, support self help schemes and to deliver community priorities.

The relationship between corporate and local management, direct labour and supplementary resources is demonstrated in Figure 5 below.
A key part of driving down costs is growth to benefit from economies of scale. Growth will be achieved by:

- Increasing the number of shareholders in Ubico.
- Expanding the range of services provided to those shareholders.
- Increasing income from external contracts (subject to the 20% threshold).

The opportunity to increase the number of shareholders in Ubico is highlighted in Figure 6 below. Our aspiration for growth through increased shareholding is, however, very dependant on the development of a strategic depot infrastructure. Neither Stroud nor Forest of Dean has access to an operating depot (existing provision being owned or leased by their contractors). It is therefore essential that the company work with prospective shareholders, the Joint Waste Team and local authority asset managers to identify solutions.
Tewkesbury Borough Council, Forest of Dean District Council and West Oxfordshire District Council became shareholders on 1 April 2015 and Stroud District Council should become a shareholder in December 2015. In addition a constructive dialogue will be maintained with Gloucestershire County Council. During 2015/16 we will be reviewing governance arrangements to ensure they are fit for purpose for a multi shareholder partnership.
This table demonstrates the wide range of services provided by the company in April 2015 and those that may be delivered in the future, as follows:

- ✓ Core services
- ✓ Non core services with strategic operational fit
- ✓ Potential service expansion - core services
- ✓ Potential service expansion – Non core services with strategic operational fit
- □ Service not currently provided
Our People

Ubico has an HR strategy that sets out the guiding principles which underpin the way the company deals with all matters relating to our employees. We have developed effective systems for employee communication and consultation and have worked hard to protect the health, safety and well being of our employees. Following the expansion of the company on 1 April 2015 a programme of work will be undertaken to ensure that these values and mechanisms are rolled out to all new staff.

In 2014/15 we commenced a review of the company wide administrative function and the Fleet Services team to ensure they are both resilient and fit for purpose. This work will be concluded in 2015/16 and will reflect the changing needs of the company as a result of its growth. Our management and supervisory development programme will continue in 2015/16, including transport management and waste transfer training to support our future operations. Ubico also recognises the value of an effective Company Board and will support the ongoing development of the Board of Directors.
Following feedback from an organisational development workshop with Trades Unions and employee representatives in January 2014 we have improved communication mechanisms, commenced a project to review terms and conditions, undertaken an accommodation review, the recommendations from which will be considered in 2015/16 and reviewed and improved our induction and refresher training programme.

We are committed to reducing the use of temporary agency staff and as a result achieved a reduction in the number of agency staff hours used during 2014/15. This work is ongoing and options are also being explored to implement a company-wide ‘bank staff’ scheme. This would allow the company to have a bank of fully trained and competent Ubico employees on hand to cover short-term, temporary vacancies that arise in the normal course of the business.
**Our values**

As an organisation we have a set of core values that we follow when planning and delivering our services and which inform how we work with each other, partner organisations, service commissioners, suppliers and customers.

In developing our values we made reference to the values of the founder shareholders, in which there were many similarities. We also consulted staff and involved them in developing a simple and concise set of core values for the company.

Our values are:

- Pride in our company and everything we do.
- Respect for each other and the communities we serve.
- Fairness, honesty and integrity in everything we do.
- Continual improvement of our services to avoid waste, drive down costs, reduce our environmental impact and meet the needs of our shareholders and customers.
- Commitment to the safety and wellbeing of our staff, suppliers, partners and customers.

**Health, safety and wellbeing**

The management of health and safety is a high priority for Ubico. Apart from the wide range of generic hazards that our employees are exposed to – manual handling, working on or adjacent to the highway, working in constantly changing environmental circumstances – there are specific high risk services that demand a robust management response.

Waste and recycling is considered a relatively hazardous industry by the Health and Safety Executive (HSE). Much work has been done to improve the management of health and safety in our waste and recycling operations and the risks are being managed as far as is reasonably practical and 2014/15 saw a programme of work undertaken to improve health and safety across our grounds and fleet maintenance services. Analysis and assessment of health and safety practices across the new partner contracts will be a primary focus for 2015/16 to ensure that these services meet the required standards and are managed in line with Ubico’s H&S policies and procedures.
Having participated in a focus group with Wastes Industry Safety and Health Forum (WISH) in 2014 which considered the draft HSG Guidance ‘Litter Picking is Street Works’ Ubico offered feedback to the group and the revised document is anticipated during 2015/16. We will review our approach to litter collection on the highway in line with this guidance once it is issued.

Our approach to managing safely is in accordance with the HSE publication, Successful Health and Safety Management (HSG 65), and we aim to systematically manage health and safety and build a health and safety culture. This requires a clear strategy, strong leadership and employee engagement. This approach is described as Plan-Do-Check-Act and is represented in Figure 7 below.

**Figure 7 - Plan - Do - Check - Act for Health and Safety**

We will also ensure that we have effective ill health management in place including pro-active screening, the provision of advice and the use of the occupational health service to help employees return to work as quickly as possible after a period of absence.

To develop management competence and to demonstrate leadership and commitment we will ensure that as a minimum all managers will obtain the Institute of Safety and Health (IOSH) managing safely qualification and all supervisors will obtain the IOSH supervising safety qualification.
Ubico is actively involved in health and safety networking through the national Local Authority Waste Safety and Health Forum (LAWS) and locally through the Gloucestershire Waste Safety and Health Forum. These bodies allow us to influence existing and future health and safety guidance and share best practice for the waste industry.

We will prepare an annual health and safety plan for 2015/16 and set clear standards and targets. The plan will be agreed with the trades unions who will assist in monitoring its implementation. We will measure performance against both the plan and targets and will provide reports to the company’s health and safety committee, Board of Directors and service commissioners. Finally, we will commission an independent audit of our management of health and safety to inform the planning process and for inclusion in the annual report to shareholders.
Our Budget

Ubico is required to set an operational budget for each year to conform with the requirements of the Shareholders Agreement. This budget should reconcile with each authority’s requirements in setting their service commissioner budget through their annual corporate budget setting processes. This has been completed for 2015/16.

The company’s budget includes all direct operational budgets as controlled by the company and all indirect support cost budgets as per existing contractual and non-contractual arrangements. Any ad-hoc income streams as generated by the company must also be budgeted for and utilised to off-set the net cost of core services recharged back to the contracting authorities.

Operating revenue budget

<table>
<thead>
<tr>
<th>2015/16</th>
<th>Notes</th>
<th>CBC £(000’s)</th>
<th>CDC £(000’s)</th>
<th>Tewks £(000’s)</th>
<th>West £(000’s)</th>
<th>Forest £(000’s)</th>
<th>Stroud £(000’s)</th>
<th>3rd Party £(000’s)</th>
<th>Overall £(000’s)</th>
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<td>19</td>
<td>5</td>
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<td>19</td>
<td>5</td>
<td>11</td>
<td>930</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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</table>

Notes:

1. Income from contracting authorities and external organisations
2. Direct expenditure on services
3. Gross profit before administrative costs
Capital expenditure requirement

<table>
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<tr>
<th>2015/16</th>
<th>CBC £(000's)</th>
<th>CDC £(000's)</th>
<th>FoD £(000's)</th>
<th>TBC £(000's)</th>
<th>WODC £(000's)</th>
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Note – The capital requirements for the vehicle replacement programme are fully funded by the shareholder councils.

Five year medium term financial strategy

<table>
<thead>
<tr>
<th>Notes</th>
<th>2015/16 £(000's)</th>
<th>2016/17 £(000's)</th>
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<th>2018/19 £(000's)</th>
<th>2019/20 £(000's)</th>
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<tr>
<td>Inflation @ 2%</td>
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<td>22,432</td>
<td>23,831</td>
<td>24,308</td>
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Notes:

1. Annual cost inflation assumed at 2%
2. 2015/16 Growth relates to service contracts with new partner authorities, environmental work in Cotswold and the bulking contract in Cheltenham
## Monthly profit and loss account

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<th>May £k</th>
<th>Jun £k</th>
<th>Jul £k</th>
<th>Aug £k</th>
<th>Sep £k</th>
<th>Oct £k</th>
<th>Nov £k</th>
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<td>1,540</td>
<td>1,540</td>
<td>1,539</td>
<td>18,476</td>
</tr>
<tr>
<td>Cost of Sales</td>
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<td>65</td>
<td>128</td>
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<td><strong>Net Profit/(Loss)</strong></td>
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<td>(76)</td>
<td>(75)</td>
<td>50</td>
<td>52</td>
<td>(13)</td>
<td>51</td>
<td>35</td>
<td>63</td>
<td>(80)</td>
<td>(44)</td>
<td>19</td>
<td>18</td>
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**Notes:**

1. Budgeted monthly turnover for operations of Ubico and external contracts.
2. Direct operating costs to deliver the service based on profiled expenditure patterns.
3. Gross Profit on a monthly profiled basis
4. Administrative overheads of running the business
5. Monthly Net Profit/(Loss) based on profiled spend and Annual Profit of zero as per the Shareholder’s agreements.
Governance

Good corporate governance and the continuous professional development of the Board of Directors and the Senior Management Team is a key objective. Participation in the running of a successful corporate board is extremely demanding and requires continuous, high quality effort. Constraints on time and knowledge combine with the need to maintain mutual respect and openness between a cast of strong and able directors dealing with the different demands of executive and non-executive roles. We have developed and adopted competence standards and qualifying criteria for Non-Executive directors which follow the spirit of the UK Corporate Governance Code (2014). At all times the company will remain open, transparent and accountable.

We will 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. We are currently progressing with the appointment of a new executive director whose role will include responsibility for governance.

INSERT PHOTO HERE
Corporate Social Responsibility (CSR) is the concept whereby organisations voluntarily integrate social and environmental concerns into their everyday business operations and into their interaction with all stakeholders. Ubico Ltd is committed to adopting best practice in this area and intends that CSR will become embedded into its policies, plans and business practices to the benefit of staff, the wider community and the environment. CSR is embedded into 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 September 2013 the Board approved a Corporate Social Responsibility Policy for the company.

A key driver for Ubico is shareholder expectation. The Public Services (Social Value) Act 2012 places a duty on all public authorities to use procurement opportunities to gain social, economic and environmental benefits for their area. When money is spent on a public service there should, wherever possible, be additional gains for the community and society. These could be local employment opportunities, local sourcing of goods and services, apprenticeships, opportunities for life long learning and development, opportunities for disadvantaged groups and good employment standards and practices for employees. Ubico therefore has a responsibility to support shareholder authorities in discharging this duty and to have CSR incorporated in all we do. This includes having the flexibility to adapt to emerging social outcomes specific to individual shareholders.

Specific actions for 2015/16 include providing local employment and apprenticeship opportunities, adopting an annual local charity; supporting community groups and volunteers and continuing to support biodiversity initiatives; reducing energy use and using local suppliers for goods and services.