

Information/Discussion Paper

Overview and Scrutiny Committee – 1 July 2019

Ubico Annual Performance Report 2018/19

This note contains the information to keep Members informed of matters relating to the work of the Committee, but where no decisions from Members are needed

1. Why has this come to scrutiny?

- 1.1 Following the service change in October 2017, the new kerbside recycling service experienced significant difficulties completing rounds which were compounded by heavy snowfall over the Christmas/New Year period.
- 1.2 On 26th February 2018, at the request of the Overview and Scrutiny Committee, Ubico and the Joint Waste Team, who were managing the Ubico contract on behalf of Cheltenham Borough Council at the time, presented a report on the operational issues experienced and what was being done to remedy them.
- 1.3 Overview and Scrutiny Committee have asked to receive Ubico's end of year performance report.

2. A summary of performance

- 2.1 Ubico's full annual report for Cheltenham Borough Council for 2018/19 is attached to this briefing paper. The main points are set out below:
- 2.2 Compliance/Health and safety – there are no major concerns in this area and the work undertaken to achieve ISO45001 has resulted in significant improvements.
- 2.3 Waste and recycling – whilst the number of missed collections has been higher than we would like, particularly for refuse and garden waste, the overall performance in terms of collection accuracy is 99.91%, the target being 99%. This means that out of a total of 5,582,620 collections during the year only 5270 collections were missed.
- 2.4 Street cleansing – positive feedback has been received about the higher standards being achieved in the town centre and the car parks however the level of littering and fly tipping has remained fairly constant and absorbing resource which could be deployed elsewhere. The client team and Ubico are working with the Council's enforcement team to address problem areas.
- 2.5 Partnership contract sum – in 2018/19 there was a year-end overspend of £329,380 mainly due to: the unbudgeted cost of a third garden waste vehicle and crew for 9 months of the year (£54,629); shortage of fleet procurement resource and expertise within both Ubico and Publica resulting in vehicle hire costs of £121,951 within street cleansing; increased waste disposal costs for the household recycling centre and bulky waste collections combined with agency costs to backfill long term staff absence (£125,646); the additional cost of operating 2 extra recycling vehicles and crew plus a spare vehicle amounting to £161,318; and a small overspend in grounds maintenance of £7,507.

3. Summary of evidence/information – Ubico corporate update

- 3.1 **Health & Safety & Environmental Compliance**
- 3.2 Keeping Ubico workforce safe will always be the company's first priority and highest

risk.

- 3.3 In 2018 considerable work was undertaken to continue to harmonise health and safety and environmental compliance systems and processes. 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.
- 3.4 Ubico's core priority in 2018 was working towards achieving the International Standard for Health and Safety (ISO45001). Ubico achieved certification in April 2019 representing a significant milestone for the company. Achieving and embedding this ISO standard will be a core priority for 2019/20.
- 3.5 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.
- 3.6 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.
- 3.7 **Fleet Operations**
- 3.8 Fleet operations underwent considerable change in 2018 in order to meet the needs of the 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.
- 3.9 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 Fleet Management Software to provide a more robust system to underpin the maintenance and management of vehicles and improve performance reporting.
- 3.10 Ubico has successfully increased its number of qualified Transport Managers and is now in a far stronger position with regard to compliance with the requirements of the Operator Licence.
- 3.11 During 2019 Ubico 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.
- 3.12 **Technology**
- 3.13 Ubico continues to operate with an out-dated back office system to underpin operations. Webasp 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. 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

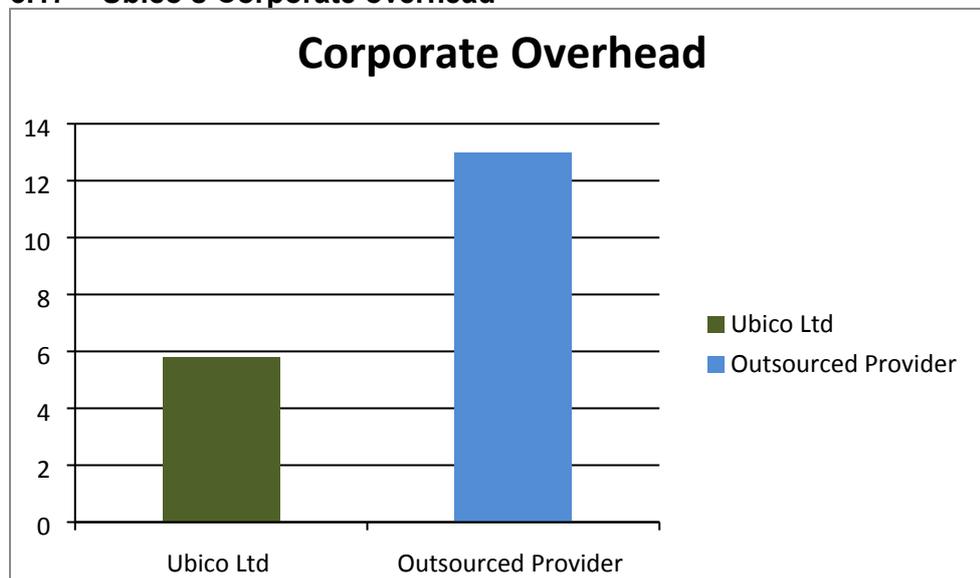
collection rounds and Ubico to be able to both report and respond to issues more easily, effectively and swiftly. However, it is a key priority for Ubico that the procurement of any system is undertaken in a coordinated and joined-up manner so that the company does not have an inefficient legacy of multiple different software systems.

3.14 Finance & Transparency

3.15 Ubico recruited a full time Financial Controller and technician to strengthen the function. This is in addition to maintaining the three FTE staff provided by Publica finance staff who work exclusively for Ubico. The finance team is now appropriately resourced for a company of Ubico's size and turnover. Historically, a lack of capacity within finance, with the company experiencing periods with only one full-time post to manage the company's finances, was insufficient to provide the service and detail necessary to partners.

3.16 In 2018 Ubico moved to providing monthly financial reporting, offering full line-by-line detail to partners if requested to ensure transparency and to provide an opportunity for appropriate scrutiny. 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.

3.17 Ubico's Corporate overhead



3.18 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% to provide for a range of back office services such as HR & IT, Payroll, Finance, Procurement and management. That said, Ubico will continue to strive to deliver efficiencies back to shareholders by exploring greater innovation, integration and partnership working to create savings

3.19 Performance Reporting

3.20 In 2018 Ubico redesigned its monthly performance reporting, in response to partners requesting more information from the company. Ubico's monthly reports now contain more measures and provide more information on the performance of the services we operate than ever before.

3.21 In 2019, Ubico will continue to refine and improve its reporting. Ideally, the company would like to streamline and harmonise reporting to make it more efficient, however, this is dependent on partners agreeing to a more standardised metrics and, at present, commissioners are retaining bespoke local measures.

3.22 Commercial

3.23 Vehicles & Assets

3.24 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.

3.25 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

3.26 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

3.27 Ubico will bring forward proposals in 2019/20 to offer a re-designed procurement and vehicle management process for shareholders.

3.28 Investment

3.29 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:

3.30 Hire Vehicles

3.31 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.

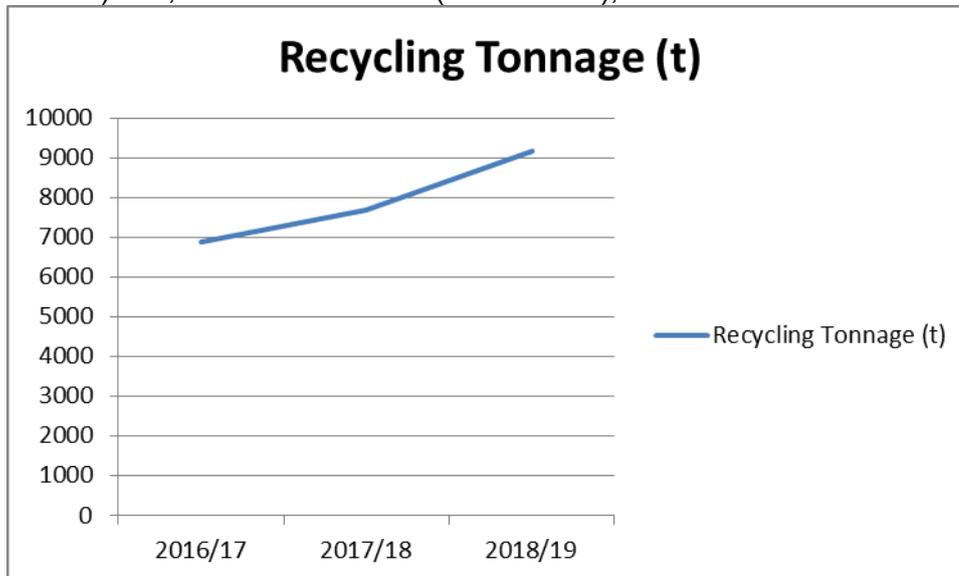
3.32 Commercial Waste

- 3.33** 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.
- 3.34** Ubico will bring forward a paper in the first quarter of 2019/20 that will explore the potential to deliver a more commercial and integrated commercial waste service. An initial stage in this development may be to invest in a pilot to develop an existing trade waste service operating from Cheltenham to enable the testing and development of the appropriate technology and equipment to deliver a more sophisticated and customer focussed service.
- 3.35 Fleet Maintenance**
- 3.36** 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 progressed in 2019.
- 3.37 Javelin Park EfW**
- 3.38** Javelin Park EfW is currently scheduled to begin operations in late June. In 2018 Ubico undertook a significant amount of work to support both CBC and Tewkesbury Borough Council high risks associated with direct deliver and to construct an operational plan for the transfer of waste locally before being transported to Javelin Park.
- 3.39 Future of Swindon Road Depot**
- 3.40** As stated above, reviewing depot provision remains a key area of activity for the company. It has been identified that future property growth will place added pressure on the Swindon Road depot, increasing congestion and vehicle movement on site. While the existing depot has served CBC well, the current depot will require investment if it to remain fit for purpose for the size of the operation as well and maintain the highest standards of health and safety and compliance.
- 3.41** Ubico is committed to supporting CBC in exploring alternative depot locations that will aim to:
- Accommodate future growth in operations
 - Increase efficiencies
 - Have in-built infrastructure to sustainable fleet options e.g. electric vehicles
 - Allow for commercial expansion
- 3.42** Deliver a more coherent and joined-up approach to collection and disposal of waste and recycling
- 3.43 Ubico Operational Update**
- 3.44 Food Waste Collections**
- 3.45** Food waste collections have consistently met both the contracted and stretch targets.
- 3.46 Residual Waste Collections**
- 3.47** Residual waste collections have had difficulties in achieving consistent completion due to heavy workloads.

- 3.48 Wednesdays are the identified pinch point often leading to tasks being carried over and affecting the following days.
- 3.49 Work is being carried out to assess resource required to consistently achieve completion with minimal disruption to residents.

3.50 Recycling Collections

- 3.51 Collected kerbside recycling weights have increased from 6,895tons in 2016/17 (old service) to 9,189tons in 2018/19 (new service), an increase of 30%.



- 3.52 An additional Romaquip vehicle borrowed from Cotswold District Council (CDC) and the spare vehicle were being used as front line vehicles at the start of the year to cope with the increased amount of recycling being presented at the kerbside
- 3.53 A lack of a spare vehicle meant when a Romaquip vehicle was off the road for servicing etc. recycling was unable to be collected separately leading to additional costs of sorting by an external contractor.
- 3.54 The purchase of the CDC vehicle and an additional Romaquip vehicle from the manufactures' later in the year minimised the amount of mixed recycling being collected though vehicle recalls have led to this practice being continued albeit at a reduced rate.
- 3.55 **Garden Waste Collections**
- 3.56 Garden waste collections were uncoupled from the other collections to keep the service as efficient as possible; this means that some residents have garden waste collected on a different day to their Residual, Recycling and Food waste collections.
- 3.57 This service sees obvious spikes in weights in the spring and later in the year due to weather conditions promoting plant growth, due to this a third vehicle is used to reduce the pressure on the two existing rounds, this was done in 2018/19 by absorbing costs into other services. 2018/19 will see a dedicated resource for this extra vehicle
- 3.58 Missed collections were high (and remain so this year) with spikes corresponding with the increased weights. Various options are being looked at to reduce the missed collections with the retention of existing staff a priority.

3.59 Bulking & Recycling Centre

3.60 Incoming weights to the recycling centre have remained fairly consistent for the last three years.

3.61 The new compactors required further work to ease access by members of public balanced with protective measures to keep moving parts out of reach.

3.62 A restructure of staffing in both sites now means a dedicated supervisor is responsible for both sites, improvements to working practices has generated compliments both from Ubico site users as well as external contractors.

3.63 The number of Technically Competent Persons in the management of Hazardous Waste was increased in the year to give increased resilience to the site.

3.64 Street Cleansing

3.65 The development of Cheltenham Town Centre has seen an increased in the requirements of CBC of the street cleansing team, this has so far been absorbed into the current service with a review expected to take place in the forthcoming year.

3.66 Cleaning up during and after events such as Cheltenham Jazz Festival, Half Marathon & Racing Festival was carried out with a minimum of disruption to residents and event goers.

3.67 The aging fleet caused this service a large increase in vehicle hire costs, to reduce these costs a mechanical sweeper was temporarily removed from the service with agreement from CBC, this was done with minimal disruption to residents but has led to a reduced frequency of sweeping in the borough.

3.68 Grounds Maintenance (GM)

3.69 All parks, verges and CBC owned land received the scheduled amount of grass cutting.

3.70 Cheltenham Borough Homes and Ubico worked together to review the standard of GM work provided and agreed a new service level, Ubico worked to this new level in 2018/19 prior to the agreement being formalised and continue to meet the higher KPI's.

3.71 The imminent closure of the Arle Road Nursery at the end of the year led to changes in the type of bedding plants used in the borough with a perennial plants being used rather than annual.

3.72 Accessing litterbins within parks caused operational difficulties as staff are having to manually carry full bags over unsuitable terrain, this is being reviewed as an ongoing project.

3.73 Health & Safety

3.74 All Risk Assessments and Safe Working Practices were reviewed as normal through the year with an additional activity register being produced to ensure all tasks are covered.

3.75 All staff received refresher training covering basic induction, bin lift operation, use of reversing assistants, manual handling along with task specific training to maintain their safety.

3.76 Drivers continue to receive the 7 hours of mandatory Driver CPC training each year.

Ubico designed its own waste collection specific course to be approved by JAUPT (the approving body). This course was presented by an external trainer and received very good feedback from the staff who had previously expressed concerns that standard issue courses were not relevant to the industry.

3.77 Driver Assessments to improve the standard of driving across the company were started this year; all drivers will be assessed on commencement of employment, at least once per year and after any vehicle accident. A reduction in vehicle incidents has already been seen but more data is required to be able to analyse the cause effectively.

3.78 Future Plans

3.79 Ubico will continue to work closely with CBC to identify areas of efficiency and income generation; costings have already been put forward for various projects and while Ubico will always suggest new ways of working it will always remain CBC's ultimate decision on which course to follow.

3.80 Current reviews and projects include Street Cleansing, Weekly Recycling, Residual Waste balancing, Garden Waste efficiency, vehicle procurement, household recycling centre efficiencies and preparing for the change in tipping location for residual waste.

4. Next Steps - possible next steps for the committee to consider eg potential witnesses, further report, site visit etc.

4.1 Overview and Scrutiny Committee may wish to consider requesting an annual performance report from Ubico in July each year going forward.

Appendices	Appendix 1 - Ubico annual report 2018/19 Appendix 2 - Ubico informal shareholders update (14 June 2019)
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Accountability	Councillor Chris Coleman, Cabinet Member Clean and Green Environment