

WEST OXFORDSHIRE DISTRICT COUNCIL
FINANCE AND MANAGEMENT OVERVIEW AND SCRUTINY COMMITTEE
WEDNESDAY 1 FEBRUARY 2017

UBICO – DEPOT SERVICES 2015/16

REPORT OF GO SHARED SERVICE HEAD OF FINANCE

(Contact: Paul Stuart: - Tel (01993) 861171)

The report is submitted for information only

1. PURPOSE

To advise members of the performance of Ubico in providing Depot Services in 2015/16 for West Oxfordshire District Council.

2. RECOMMENDATION

That the information contained in the report be noted.

3. BACKGROUND

- 3.1. At its meeting held on 14 January 2015 the Cabinet approved the commissioning of the Council's Depot Services to Ubico Ltd and for the Council to become an equal shareholder in the company. The new service was put in place with effect from 1 April 2015 and the approved business case stated West Oxfordshire District Council should make a net saving of £61,000.
- 3.2. The bottom line performance of the Depot Services for 2015/16 showed an underspend / saving of £78,893. Consequently, it was requested to set up an earmarked reserve of £75,000 for future development of Ubico services. This was approved and subsequently some of this funding was utilised to fund the Bartec Waste and Recycling software capital scheme, £28,400, required as part of the setup of the forthcoming Waste Services in 2017/18.

4. FINANCIAL IMPLICATIONS

- 4.1. The approved business case for the new Ubico service was a mixture of reduced operating costs and increased income generation, offset by additional running costs for Ubico; a total of £61,600. A more detailed breakdown of the Business Case is shown in Appendix A (i). Consequently, the Council was looking to achieve net revenue saving of £61,600 by transferring its Depot Services to Ubico Ltd.
- 4.2. The total contract sum for all the Depot Services from 1 April 2015 totalled £2,217,100. This compares to the removal from the Council's base budget of £2,176,700. Therefore, the financial adjustment was showing a net increase in revenue budget of £40,400.

However, the contract sum includes allowance for rental payments to use the depot and assets (such as vehicle and plant), which are paid back to the Council as income, although it should be noted an element of these payments are classed as capital. This can be summarised as follows:

	£	Revenue £	Capital £
Total Ubico Contract	2,217,100		
Less :			
Operational Budget Removed	(2,176,700)		
Revenue Cost		40,400	
Income Back to the Council:			
Depot Rental		(75,800)	
Asset Charge Interest		(5,500)	
Asset Charge Capital			(142,900)
Net Cost / (Saving)		(40,900)	(142,900)

The above budgeted revenue saving did not incorporate any additional income from service activity as assumed in the Business Case.

4.3 The 2015/16 outturn for Depot Services is shown in the table below.

Specific costs highlighting Contract costs and Income separately are in Appendix A (ii) and (iii). The figures in the table below incorporate the Contract Sum and Income but will also encompass any further costs that were charged to the service.

Service Bottom Line	Budget £	Actual £	Variance Cost / (Saving) £
Street / Environ Cleansing	863,200	775,195	(88,005)
Trade Waste	17,300	27,962	10,662
Grounds Maintenance	327,179	353,764	26,585
Pest Control / Dog Warden	130,121	101,986	(28,135)
Total	1,337,900	1,258,907	(78,993)

Grounds Maintenance – The bottom line loss was mainly attributable to costs relating to the previous financial year that were not accrued in 2014/15 and consequently became a direct charge to West Oxfordshire District Council.

4.4 The overall financial performance of the Depot Services can be summarised as follows:

	Revenue £	Capital £
Revenue Cost	40,400	
Bottom Line Saving	(78,993)	
Income Back to the Council:		
Depot Rental / Service Charge	(95,837)	
Asset Charge Interest	(5,713)	
Asset Charge Capital		(140,731)
Net Cost / (Saving)	(140,143)	(140,731)

The above table shows there was a revenue saving to the Council of over £140,000 compared to the target of £61,600. In addition, the Council receive an annual capital receipt for the use of transferred assets to Ubico.

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 Date: 23rd January 2017
Background Papers

(i) Business Case Breakdown

	Cost / (Saving) £
Reduced Operating Costs	(65,900)
Trade Waste Income	(26,400)
Grounds Income	(25,000)
Total Saving	(117,300)
Less:	
Additional Ubico Costs	55,700
Net Saving	(61,600)

(ii) Contract Sum

The Contract Sum – As agreed between WODC and Ubico in setting up the service.

Contract Sum	Budget £	Actual £	Variance Cost / (Saving) £
Street / Environ Cleansing	865,400	853,121	(12,279)
Trade Waste	583,900	661,121	77,513
Grounds Maintenance	500,700	501,873	1,173
Pest Control / Dog Warden	267,100	193,223	(73,877)
Total	2,217,100	2,209,630	(7,470)

Trade Waste - The overspend of £77,513 related to increased tipping charges by OCC. This increase in costs and contract variation was reported to Cabinet as part of the quarterly budget monitoring and was incorporated into the 2016/17 budget as a growth item. However it should be noted this position was offset by an increase in income activity of over £56,000 which exceeded the Business Case forecast of £26,400.

Pest Control / Dog Warden – The running costs of this service were significantly reduced. However this was offset by reduced income achieved by the service, although it was still an overall saving and reduction in service costs.

(iii) Income

Income generation was highlighted within the Business Case as a means to achieving savings

Income	Budget £	Actual £	Variance Cost / (Saving) £
Street / Environ Cleansing	(61,600)	(136,714)	(75,114)
Trade Waste	(619,400)	(675,536)	(56,136)
Grounds Maintenance	(201,721)	(237,536)	(35,474)
Pest Control / Dog Warden	(166,779)	(118,593)	48,186
Total	(1,049,500)	(1,168,038)	(118,538)

Street Cleaning / Environ Cleansing – Rechargeable works achieved over budget as well as Grounds Maintenance. These exceeded Business Case forecasts although with regards Grounds Maintenance there were some direct expenditure costs incurred by West Oxfordshire to deliver the additional income.