



WEST OXFORDSHIRE  
DISTRICT COUNCIL

## WEST OXFORDSHIRE DISTRICT COUNCIL

Name and date of Committee	<b>EXECUTIVE – 8 MARCH 2023</b>
Subject	<b>UPDATE ON WASTE SERVICE REVIEW &amp; UBICO CONTRACT EXTENSION</b>
Wards affected	All
Accountable member	Cllr Lidia Arciszewska - Executive Member for Environment Email: lidia.arciszewska@westoxon.gov.uk
Accountable officer	Scott Williams, Business Manager – Contracts Email: scott.williams@publicagroup.uk
Summary/Purpose	To update the Executive on the waste service review and the Ubico contract for waste and recycling and associated collections and services, street cleansing and grounds maintenance services.
Annex	A) Environmental Services Innovation Programme (ESIP) Year 1 Case Study B) Litter Bin Placement and Renewal Programme Case Study C) Value For Money Assessment (CONFIDENTIAL)
Recommendation	That the Executive resolves to: <i>endorse the proposal contained in this report and recommends to Council that the current contract with Ubico is extended until 31 March 2026.</i>
Corporate priorities	The proposal in this report supports the following Council priorities: <ul style="list-style-type: none"><li>● Climate Action - Leading the way in protecting and enhancing the environment by taking action locally on climate change and biodiversity.</li><li>● Modern Council Services and Sustainable Finance - Delivering excellent modern services whilst ensuring the financial sustainability of the Council</li></ul>
Key Decision	No
Exempt	The main report and annex A and B are not exempt, however Annex C - Value For Money Assessment, is exempt as it contains commercially sensitive information.
Consultees/ Consultation	The following people have all been consulted on this report and the detail contained within: <ul style="list-style-type: none"><li>● Councillor Lidia Arciszewska</li></ul>

	<ul style="list-style-type: none"><li>• Senior Council and Public Officers</li></ul>
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## 1. BACKGROUND

- 1.1 West Oxfordshire District Council (WODC) along with Cotswold District Council (CDC), Forest of Dean District Council (FoDDC) and five other local authorities are shareholders in Ubico Limited, a Teckal company designed to deliver environmental services, offering better value for money and greater flexibility than commercial contractors.
- 1.2 The teckal model enables councils to commission services without the costs associated with a procurement process as it is treated as in-house provision allowing greater level of flexibility within the contract. Ubico delivers environmental services on behalf of the Councils at a price which reflects the actual cost of service provision but in doing so holds no assets, and so the depots it operates from (Station Lane and Downs Road in Witney), the vehicles it uses to perform the services and the waste and recycling containers which are provided to residents and businesses, are all owned by the councils. This ensures that the shareholders have full control over high value expenditure.
- 1.3 The WODC contract with Ubico delivers the following services:
- Domestic waste and recycling collections (refuse, recycling, food & garden waste)
  - Business waste and recycling collections (including charter markets)
  - Street cleansing
  - Grounds maintenance
  - Bulky waste collections
  - Pest control & dog warden service
  - Waste container deliveries
- 1.4 Ubico delivers an excellent level of service and performance is strong. Collection accuracy is extremely high at 99.9%, so the level of missed collections is low. There is a good relationship between officers in Publica and Ubico, which has been crucial in maintaining delivery of the front line service during the pandemic as well as delivering transformation and service improvements as part of the Environmental Services Innovation Programme (ESIP) over the last two years.

## 2. MAIN POINTS

- 2.1 The Council faces unprecedented financial pressures and the costs of delivering the waste and recycling service has risen year on year for the last few years with unavoidable pressures, mainly from additional salary and fuel costs, this year pushing the budget up by around £750k.
- 2.2 In February 2021, Executive and Council approved extending the Ubico contract by two years, from 1st April 2022 until 31st March 2024. The decision was based on the following benefits:
- It provides Ubico and WODC with certainty over the contract for two more years
  - Avoids cost in having to procure and set up a new contract
  - Builds in a period of time for Ubico to demonstrate support to the Council in identifying and delivering service improvements and efficiency measures to help address the financial pressures as part of the Environmental Services Innovation Programme (ESIP) which was launched in July 2021.

2.3 As shown at Annex A - The Environmental Services Innovation Programme Year 1 Case Study and Annex B – Litter Bin Placement and Renewal Programme Case Study, Ubico has made significant service improvements. In addition, Ubico has supported the Council and contributed towards increasing income and reducing costs associated with the services it provides, and the Council has directly benefited from over £400k as a result of the ESIP work. This demonstrates that Ubico is committed to identifying and implementing efficiency measures and service improvements as set out as part of the extension agreed in 2021.

2.4 The Council has two realistic options for future service delivery to consider:

- Option A: Outsourcing the contract to a private sector contractor
- Option B: Continuing to deliver the services through Ubico

2.5 These two options each provide advantages and disadvantages which are outlined in the table below:

Outsourcing the contract (Option A)	Delivering the services through Ubico (Option B)
<b>Advantages</b>	<b>Advantages</b>
<p>Clarity over contract value although contractors are likely to want to share inflationary risks with WODC and there is a significant risk of contract variations.</p> <p>Arguably considered to be more 'commercial' although there is strong evidence of Ubico becoming more commercial through the Environmental Services Innovation Programme ) – see Annex A</p>	<p>Transparency over contract/operating costs.</p> <p>Greater ability to provide social value for WODC .</p> <p>The contract is flexible.</p> <p>Ubico is delivering high performing services in partner authorities (Delivery of the ESIP Programme).</p> <p>WODC and Ubico have a well-established strategic and operational relationship.</p> <p>Ubico provides the opportunity to collaborate with other councils to support the councils delivery of their medium term financial strategies.</p> <p>WODC has more influence on service transformation, change, and improvement as an owner of Ubico.</p> <p>Flexibility to change service provision at any point, which is particularly beneficial over the next few years in light of the forthcoming Environment Act and outlined in Annex C.</p> <p>Ubico doesn't make a profit through the contract, any savings are delivered back to WODC to support the delivery of its MTFS and/or council priorities.</p> <p>No procurement costs.</p>

Disadvantages	Disadvantages
<p>Fixed long-term contract with limited flexibility and wouldn't support the Environmental Services Innovation Programme (ESIP).</p> <p>Less flexibility and ability to collaborate with other local authorities.</p> <p>Less influence on service transformation, change, and improvement.</p> <p>Less ability to adapt service to any changes in the waste make-up, as a result of the Environment Act.</p> <p>Contractor makes profit through the contract.</p> <p>Procurement or contract set up costs, transitional budget from Ubico (if another operator is selected) to new provider, and potential additional contract management revenue costs of £150,000 p.a. (TBC).</p>	<p>Arguably considered to be less 'commercial' although this is changing and there is evidence of this through the Environmental Services Innovation Programme.</p> <p>Ubico is a key strategic partner part owned by the council and expected to be commissioned to provide service rather than bid for contracts which it was not set up to do and this is the reason for the value for money assessment in Annex C</p> <p>WODC has to take any inflationary risks although external contractors are likely to want to share inflationary risks with WODC anyway, given the financial pressure brought about by the Coronavirus Pandemic and global utilities crisis.</p>

- 2.6 Based on the assessment of the two options (Outsourcing the contract (Option A) and delivering the services through Ubico (Option B), there appear to be clear advantages to Ubico continuing to deliver the service mix. The independent value for money assessment, contained at Annex C, agrees with this assessment and also provides more detailed assessment, market intelligence, and commentary about the waste sector.
- 2.7 There is a provision within the current Ubico contract to extend it but if nothing is decided before 31 March 2023, then the Council would automatically enter into the three year term extension period from 1<sup>st</sup> April 2024.
- 2.8 The services performed by Ubico are almost entirely part of the council's statutory responsibilities and therefore not providing them is not an option. The services that are not statutory are paid for services like green waste and business waste that generate circa £2.2M of income for the council annually.

### 3. WASTE SERVICE REVIEW

- 3.1 In January 2022, the Executive approved the commissioning of work to review the current waste collection service and model potential future options. Frith Resource Management were commissioned to undertake the review and have provided a comprehensive assessment report which has been shared with all councillors and considered by the Climate and Environment, and Finance and Management Scrutiny Committees. The report is now subject to detailed due diligence work by officers from Publica and Ubico.
- 3.2 The decision on the type of collection service does not affect the decision to award Ubico the contract extension and further reports on the waste service will come forwards later in 2023.

3.3 The Frith report outlines a number of options which could increase the levels of recycling, reduce the level of carbon the service produces, but potentially saves the cost that the council pays in processing costs. There is a cost of change associated with this as well as revenue implications and that is currently being worked through with Ubico including:

- The condition of the existing recycling fleet and the costs of new vehicles - Vehicle Strategy
- User research - Understanding the impact on residents
- Communications - Supporting the delivery of the desired outcomes
- Property costs - The depots at Station Lane and Downs Road
- Transitional Costs - Project management / Technology / Container / Service Design

3.4 Officers are now working with Ubico and anticipate that the review will be concluded later this year and then councillors will be able to consider the options and agree a roadmap.

#### 4. FINANCIAL IMPLICATIONS

4.1 The current Ubico contract for services is forecast to cost the Council £7,363,720 this year (2022-23), the table below provides a breakdown of this cost.

Area	Net cost (£)
Container Management	270,725
Refuse	1,439,396
Markets	62,019
Business Waste	437,890
Bulky Household Waste	140,559
Recycling	1,742,311
Food Waste	790,692
Green Waste	780,599
Grounds Maintenance	508,026
Environmental Cleansing	1,103,736
Dog Warden	75,513
Fairs	12,255
<b>Total</b>	<b>7,363,720</b>

4.2 A value for money and market assessment was commissioned from Tetra Tech to provide the council with assurance about the cost of the contract provided by Ubico compared to a private sector contractor. These types of assessment are commissioned by other local authorities before awarding contracts in the Ubico Partnership. This report provides a detailed assessment of the cost of Ubico providing the service compared with the private sector and this illustrates that Ubico's cost is lower than the calculated costs for a private sector contractor to deliver these services (page 6, para 5.4) The primary reasons for this are the contingency/risk and the profit margin costs which contractors would include in their contract price (which would be borne by the Authority regardless of whether this became a true contract cost or not) and the profit margin.

4.3 In addition, the Tetra Tech report provides intelligence and commentary about the waste sector and also recommends the council considers qualitative factors which should be considered alongside the pure cost of service operation, primarily in terms of risk and flexibility. Tetra Tech's assessment is that there are clear advantages to Ubico continuing to deliver the service for the council. The report states: "One of the key benefits of Ubico delivering the waste collection services on behalf of West Oxfordshire relative to a private contractor, is the degree of flexibility they can offer at the present time given the period of change in the waste sector and new Government legislation. Ubico can work in close partnership with West Oxfordshire District Council to respond to the changes as they are implemented, without having to vary a contract."

## 5. LEGAL IMPLICATIONS

5.1 The Council delivers domestic waste and recycling collections, business waste and recycling collections (includes markets), street cleansing, grounds maintenance, bulky waste collections, pest control & dog warden service and waste container deliveries which are provided by Ubico under the terms set out in a formal contract.

5.2 The proposed extension of the current contract ensures that there is the necessary provision in place to perform these statutory functions.

## 6. RISK ASSESSMENT

6.1 The Council does not have the option of simply stopping the majority of these functions, so needs to continue delivering them directly or through a third party.

6.2 The risks associated with the options available to the Council are set out in the Strengths and Weaknesses section of this report and in the Tetra Tech report in Annex C.

## 7. EQUALITIES IMPACT

None associated with this report.

## 8. CLIMATE CHANGE IMPLICATIONS

None associated with this report.

## 9. ALTERNATIVE OPTIONS

The Council could choose to tender the contract for some or all of the services provided by Ubico. However, there would be additional unbudgeted one-off costs of circa £250K to prepare the comprehensive service specifications and conduct the necessary procurement process. In addition, there would be an estimated additional revenue costs of circa £150k to provide contract management for a commercial provider which is in addition to the additional revenue costs and risks outlined in the Tetra Tech report in Annex C.

## **10. REASONS**

- 10.1 In order to maintain delivery of the domestic waste and recycling collections, business waste and recycling collections (includes charter markets), street cleansing, grounds maintenance, bulky waste collections, pest control & dog warden service and waste container deliveries and taking account of the planned service redesign. Officers believe, for the reasons outlined in this report and the Tetra Tech report at Annex C, that entering into a contract extension with Ubico until 31 March 2026 would be the best solution. This should also allow time for outside influences to play out and for Ubico to work with the council to conduct the necessary due diligence on the waste service review in 2023 as well as review grounds maintenance and street cleansing services. It will also allow for the delivery of further efficiencies under the Environmental Services Improvement Programme (ESIP) in support of the Council's Medium Term Financial Strategy.
- 10.2 Another benefit of awarding Ubico the extension is that it provides the company and its other shareholders with the security that the Council is committed to the partnership. This is particularly important if the Council wishes to pursue greater efficiency opportunities by working in closer partnership with all or some of the other partner authorities.

## **BACKGROUND PAPERS**

Cabinet meeting – Wednesday 19 January 2022, Waste & Recycling Future Service Modelling.

<https://meetings.westoxon.gov.uk/documents/g1897/Public%20reports%20pack%2019th-Jan-2022%2014.00%20Cabinet.pdf?T=10>