

Network Northamptonshire Total Transport Social Venture ‘Proposition and Outline Business Case’

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Social Venture
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Network Northamptonshire Total Transport

Social Venture

Executive summary

Our vision is to create a joint venture ‘social enterprise’ company which will commission and deliver transport services across Northamptonshire. It is proposed that the joint venture will be a consortium eventually comprising Northamptonshire County Council, the Universities of Northampton and Hertfordshire, Northamptonshire Healthcare NHS Foundation Trust and Northampton General Hospital NHS Trust. It is proposed that the social enterprise model will be that of a community interest company (CIC) limited by shares.

We estimate the market in transport services in Northamptonshire to be circa £60m per annum. Furthermore, changes in the law and related issues are likely to further develop the private market for those services that support people to maintain independent lives.

We see considerable financial benefits in the efficiencies to be gained by combining contracts and services currently commissioned and performed by the NHS, NCC third party providers, and local authorities. We also consider that by drawing on the combined resources of these partners, particularly the research capability of the University, there is scope to improve the quality of services provided. Combining management structures and eliminating duplication and wasted efforts, will lead to savings in revenue spend.

The new social venture will have the key task of gathering disparate data and analysing it using up-to-date management tools and techniques. This synergistic approach to data management and analysis will enable the social venture to commission the most appropriate and holistic transport solutions across the partnership.

Most importantly, we see the potential to create a new organisational culture for the CIC, and to provide market leading and improved transport services for customers, both publicly and privately funded.

1. Setting the Strategic Case: The national context

1.1 Public road passenger transport is fundamental to the sustainability and independence of communities because it provides people with access to public services, healthcare, employment, education and training. Inadequate transport provision can be a barrier to the well-being and prosperity of all. Local public sector organisations such as local authorities and clinical commissioning groups play a vital role in providing transport services to meet this need.

1.2 Recent DfT research shows that in the UK around £2 billion of public funding for transport services is currently provided each year by a number of agencies. For example:

- Local bus services support (£350m pa)– provided by the Department for Communities and Local Government (DCLG) for local authority support of socially necessary bus services.
- Home to school Transport (£1bn pa) – provided to local authorities by DCLG.
- Non-emergency patient transport (£150m pa) – provided by the NHS to individual local Clinical Commissioning Groups.

However, this funding is not in general co-ordinated, or integrated in the way it is used, to provide individual contracts at a local level, resulting in the likelihood of duplication and wastage of public funding.

1.3 In January 2015 the Government announced a new £4+ million Total Transport Pilot Fund to which local authorities in England could bid for resources to implement a cross-sector approach to the delivery of supported public road passenger transport services in their area. The purpose of the Fund was to integrate transport services currently commissioned by different central and local government agencies and provided by different operators. This would allow existing resources to be allocated and co-ordinated more efficiently, resulting in services to passengers that are more effective at meeting their needs.

1.4 This Government initiative matched closely with ‘proposals which had already been agreed by NCC Cabinet in December 2014 to develop an integrated transport model to deliver statutory and non-statutory transport services in Northamptonshire through a social enterprise model. The County Council, therefore, made a bid for the available funding, jointly with Buckinghamshire County Council, and the University of Northampton, and received £750,000 funding for the two-year period March 2015 to March 2017. This was the largest award made from the fund to any single project in the country.

2. The Bus Services Bill - 2017

2.1 The Bus Services Bill is currently going through the various stages of the Parliamentary processes and is due to report back to the House of Lords in October 2016. The Bill tries to unlock the significant potential that exists for the bus industry to achieve more for passengers than it does today.

2.2 Central Government's role is to provide local authorities and bus operators with the tools they need to improve local bus services and get more people on to buses. Therefore, the Bill will expand the range of tools available by introducing new powers and improving the approaches that are currently available

2.3 Better bus services can prove the key to unlocking economic growth, and we know that there is significant untapped growth potential in the UK's cities, regions and rural areas. The policies set out in the Bill are designed to make bus services more attractive and benefit passengers, helping to improve patronage. The powers in the Bill could, the Department of Transport believes, be used to achieve all of the outcomes listed below:

Better journeys

- New buses – potentially with WiFi and USB sockets, enabling people to work and study while travelling.
- Better bus networks – serving more or different locations, operating at night or weekends
- Faster journeys.
- Easier contactless payment.
- More tickets that work across operators and modes.
- A step change in information – knowing when a bus will arrive and how much it will cost.
- Services that are more accessible for passengers with disabilities.

Better places

- New and better links to job opportunities.
- Increased productivity
- Fewer car journeys in congested town centres.
- Fewer isolated communities.
- Low emission buses – improving air quality
- Thriving community transport services

Better value

- New and different types of fare discounts, for apprentices, job seekers and other groups.
- Better competition between operators.
- Fares that are easier to compare.
- Services provided by commercial

- Operators who remain free to innovate.
- More joined-up services – buying regular bus services, schools services and health transport together

2.4 Many successful transport partnerships already operate on a voluntary basis. Others have used the current powers to set up a “Quality Partnership Scheme” where local transport authorities invest in bus-related facilities (such as priority lanes, new bus stops or bus stations) and local bus operators improve the quality of their services in return, often providing new buses. Operators who do not participate cannot use the facilities provided by the authority.

2.5 Within the new Bill there will be legislation to allow the creation of new ‘Advanced Quality Partnerships’ which can be based on “measures” taken by the local authority – such as parking or traffic management policies – as well as, or instead of, facilities provided by the authority, such as bus lanes. The Bill also contains provisions for broadening the requirements that can be placed on operators under an Advanced Quality Partnership to include the marketing of the services themselves, and of the tickets and fares available to passengers

2.6 The success of any bus partnership arrangements depend on good working relationships between the local authority and bus operators. There needs to be consensus on what needs to be done and a degree of trust that everyone will deliver “their part of the bargain”. No legislation can achieve this on its own. But it can set a legal framework which gives authorities and operators the best possible opportunity to do so. The Bill will create Enhanced Partnerships and Advanced Quality Partnerships.

2.7 The Bill will also create a new type of partnership, called an ‘Enhanced Partnership’. The core principles of this new partnership are that:

- The bus market in the partnership area remains commercial.
- The partnership proposals can cover any geographical area within the boundaries of the relevant local transport authority (or authorities).
- The partnership proposals must receive majority support from the bus operators who would be affected by the proposals. If they do not, then the proposals cannot be taken forward.

2.8 The Bus Services Bill highlights that the local transport authority will need to work closely with bus operators. The authority will have the legal responsibility for the proposals – but the Government will expect arrangements to be developed jointly between authorities and operators. Otherwise it is unlikely that the authority will achieve the majority support from operators required. The partnership proposals can set standards that some or all local bus services must meet. These can include the timing or frequency of services, vehicle standards and ticketing products to be accepted. The partnership proposals cannot dictate the price of bus operators ‘own tickets or compel them to run services that they do not wish to operate

2.9 Throughout its work, the Network Northamptonshire Total Transport NNTT Governance Board has provided advice to the Department for Transport (DfT) on the drafting of the Bill. NNTT partners have had a number of meetings with senior DfT officers to ensure that any new legislation would complement the work of the project. It is now clear that the proposals in the Bill can help deliver many of the NNTT project outcomes, providing passengers with better journeys, better value and better places to live. Some of these proposals are already being developed as part of the pilot studies undertaken within the programme, whilst others, such as Enhanced Partnerships, could be models that will be taken forward either locally as part of the NNTT social enterprise model, or regionally, as part of the 'England's Economic Heartland Strategic Alliance' project. The NNTT Board is confident that its work reflects leading edge thinking and will be entirely consistent with the provisions of the Bus Bill when it becomes law in 2017.

3. Northamptonshire's Transportation Vision

3.1 Northamptonshire's Transportation Vision, as described in the current Northamptonshire Transportation Plan, published by the County Council in March 2012, is for 'Transport and Travel to contribute towards making Northamptonshire a great place to live and work, through creating tangible transport options to satisfy individual needs and to encourage more sustainable travel'

3.2 It goes on to say that 'the transport system will provide fast and efficient movement of people and goods, and will be accessible for all. Expanding networks and capacity of networks in Northamptonshire will be fully integrated into new developments and regeneration areas to support more sustainable communities.'

3.3 Economic growth and prosperity is a top priority for Northamptonshire and connectivity has a vital role to play in encouraging businesses to locate to the area, and getting people to work and services such as education and health, as well as to leisure activities and for shopping. Improved technology and local accessibility will reduce the need to travel, whilst supporting economic growth, within a low carbon environment and Northamptonshire will become an exemplar for the latest developments in information technology, fuel technology, and new forms of transport.

3.4 The Vision talks of the need for the Transportation Plan to be both aspirational and realistic at the same time. Current economic climates mean that transport is certainly in a more austere time than in the last 15 to 20 years and the plan needs to reflect that but at the same time still plan for future growth. The overall aim for this Transportation Plan is 'Fit for Purpose'. The aim 'fit for purpose' means creating a network that delivers exactly what Northamptonshire needs to be able to function plus what it needs to be able to grow, no more and no less.

3.5 The Plan also supports the delivery of the Northamptonshire Arc concept. It looks in more detail at the high level outcomes of the Arc and explores more deeply the main transport priorities for the County. Northamptonshire is changing. It is already the fastest growing area in England both in population numbers and traffic growth and this growth will bring challenges to the County. There are a wide variety of projects and plans across the

county being completed by a range of service areas and at present, there is no single strategy that includes all of the county's plans into one clear approach. Neither is there a way of expressing the county's priorities in a practical and spatial way. This means that work could be doubled up, or simply may conflict with other projects. The purpose of the Northamptonshire Arc is a document that ties together all of the projects across the county to ensure we are all moving forward together. In short, it is a broad supporting document for the whole of Northamptonshire. Finally, the plan highlights the need for the county council to work in partnership with all stakeholders and the wider community to deliver this transport vision and strategy.

3.6 Within this strategic context the NNTT work to date in developing the business case not only compliments the county's transport 'vision,' but also actively takes forward the commitment to work with key partners to help deliver some aspects within the 'Northamptonshire Arc' – particularly in relation to the smart corridor work. The NNTT Governance Board is therefore very confident that its work not only reflects leading edge thinking, but is entirely consistent with the Council's transportation vision and its 'Northamptonshire Arc' strategy.

4. The Council Plan

4.1 The current Council Plan describes a Next Generation Council beginning with a core group of Northamptonshire County Council staff (NCC Core Group), charged with assuring the delivery of outcomes for the residents of Northamptonshire through effective and efficient delivery of commissioning strategies that are informed by contemporary policies and under the direction of democratically elected members of the Council.

4.2 The NCC Group arrangement will be supported by a network of at least four delivery organisations [Social Enterprises] that are separate from, but remain intricately linked and accountable to the Council through appropriate governance arrangements. These organisations will operate as a group of interdependent organisations focused on key strategic outcomes for our communities. These organisations will be working at the frontline, and will create local arrangements to directly deploy available resources efficiently. They are businesses with the primary purpose of delivering public service outcomes.

4.3 The proposal to establish a Children's Mutual, Accountable Social Care Organisation, Place Shaping Company, Wellbeing CIC and other delivery bodies is outlined in the Council Plan 2015-16 to 2019-20. These new organisations proposed for the Next Generation Council may be wholly owned by Northamptonshire County Council or jointly with other bodies. The benefits that come from deploying joint capability and capacity with relevant partners is exciting, because it helps to quicken the pace and the efficiency of outcome delivery compared to 'going it alone'.

4.4 A key strategic goal of the Next Generation Council is that the proposed organisations are established primarily to deliver public service outcomes in the most effective and efficient manner and are able to borrow the best of public service and non-public service practices and business solutions and infuse these into their operations.

4.5 These organisations will succeed by building on the principles behind the Next Generation Council Proposal, which are to:

- Forge new partnerships to enhance delivery of outcomes for our residents;
- Eliminate (cost) duplication across public bodies in the county;
- Exploit our assets fully for the benefit of the local people;
- Encourage entrepreneurialism and trading for maximum social benefits; and
- Nurture and support new ways of working and models of service delivery that are innovative, future-focused, effective and efficient in today's context

4.6 The proposal to develop a social enterprise model for 'Total Transport' across the authority is therefore well placed as part of the overall 'Next Generation' Council model.

4.7 The NCC Council Plan 2016-2020 highlights the 'changing demographics of Northamptonshire, coupled with a change in the way people now expect to receive services and the most challenging financial climate for the public sector there has been for decades, means that nothing but radical transformation of public service provision will meet the increasing needs of the people of our great county.' Consequently the move to a Next Generation Council model is more critical than ever.

4.8 As part of the 'Place Directorate' the NNTT social enterprise model will be seeking to achieve efficiencies through improved processes, practices and procedures by rationalising a range of work currently undertaken across a number of partners and exploiting some NCC assets more effectively. The main focus for activity will be to strengthen existing Strategic Alliances and develop new ones in order to help deliver an increasing workload with reduced resources and funding.

5. Key stakeholders/partners in Northamptonshire

5.1 As noted above, extensive consultation with and involvement of a wide range of partner organisations is a key element of the project. Since its launch in June 2015, the project team has already engaged with:

- The three largest commercial bus operators and other transport providers e.g. voluntary and community car schemes, taxis, in-house vehicle fleets
- Buckinghamshire and Oxfordshire County Councils
- The 'England's Economic Heartland Strategic Alliance' project
- Large schools and Further Education establishments e.g. Moulton and Northampton Colleges

- Universities of Northampton and Hertfordshire
- NHS hospitals and Trusts e.g. Kettering General Hospital, Northampton General Hospital
- Northamptonshire Healthcare NHS Foundation Trust (NHFT)
- NHS Nene Clinical Commissioning Group (CCG)
- Campaign for Better Transport
- Chartered Institution of Highways and Transportation

5.2 The experiences of the Northamptonshire project are also being shared with other similar projects through regional and national forums for Total Transport Projects as well as the 'England's Economic Heartland Strategic Alliance' project.

6. The Case for Change

6.1 Existing arrangements

Current transport provision in Northamptonshire is procured in an ad-hoc, 'silo' fashion through a myriad of different sources (Fig.1) ranging from, but not limited to, public sector schools transport, NHS Non-emergency care, public transportation routes and private sector routes. Across the aforementioned stakeholder actors there are circa 85 million journeys per annum, across approx. 1,000 separate contracts. Within the current processes none of the various procurement operations are reviewing synergy, innovative multi-modal transportation strategies or making a case for holistic synergistic review. In addition, public transportation systems are designed on a route only basis, predominately on a 'what has gone before' mentality, with no view to opportunities that exist across the various stakeholders to foster greater uptake of use, review of a multi-modal approach to service provision or delivering an ability for innovative business models to take hold in Northamptonshire and beyond.

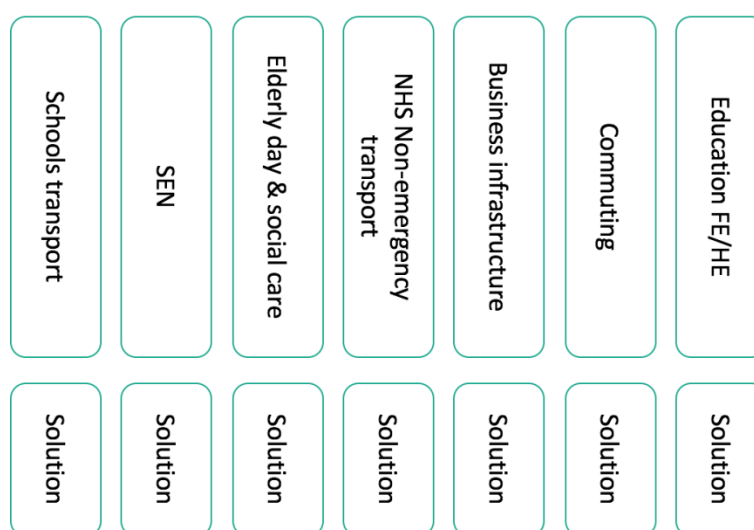


Fig.1 Silo approach to transport provision

6.2 Defining scope – transport and travel

The scope of a Social Enterprise Transport Commissioning Service (SE-TraCS) that comes under the auspices of driving societal benefit and stakeholder change, will serve to gather data from sources both public and private. This data will then form the basis of holistic procurement processes, permitting the correct transportation modes being sourced, taking in to account varying synergies to foster innovation and deliver new ‘all-inclusive’ business models to support the sustained development of the counties inhabitants.

6.3 The scope of existing transport services

The social enterprise transport commissioning structure [SE-TraCS] is not a process to eradicate current transportation services and infrastructure rather a process driven centralised function to compliment and develop existing networks. It is envisaged that the holistic nature of data collation will permit greater capacity utilisation of existing networks, whilst delivering the ability to create new and innovative business models. As a start to developing the synergistic approach to innovative transportation solution building, the ‘Network Northamptonshire’ project has the ability to analyse the needs of 85 million stakeholder journeys per year. This ‘one-view’ of data capture is a first for public sector transportation design and undoubtedly a more sustainable way to procure solutions that meet an ‘all-inclusive’ societal need and drive longevity across business communities that foster stable growth conditions that support regions commercial capabilities.

6.4 Social, environmental and economic issues not addressed by current transport services

At present the silo nature of transportation design and implementation has made engagement with the wider stakeholder base difficult. The SE-TraCS model will, through developing and using a holistic data process, be able to review the degree of fit between current and future economic and social issues, signposting how service provision could enhance a more inclusive socio-economic approach. Further, it will harness the ability to engage with a wider stakeholder group, securing experts in the area of behaviour change in a way that fosters environmental transformation through adoption of more aligned multi-modal transportation networks.

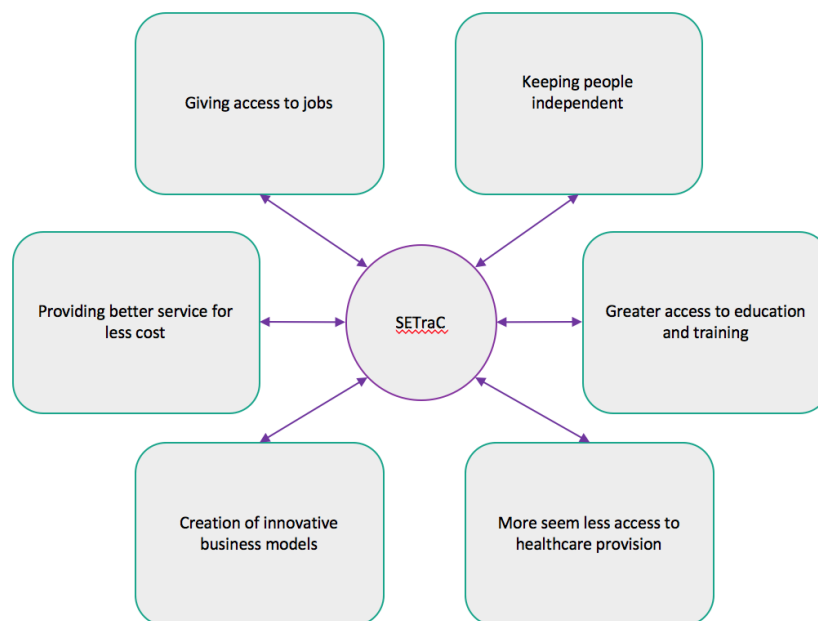


Fig.2 SETraC framework societal benefits

6.5 Design principles

The design principles of social enterprise transport commission models are centred in an unbiased manner around the various stakeholders (customer/user). By taking a data led approach, the centralised procurement function can evaluate cross-functional stakeholders whether these be but not limited to NHS healthcare, schools transportation, journey to work, social care ensuring that networks are fit for purpose, procured in a holistic manner (synergistic), meeting the needs of an all-inclusive society and delivering best value, as illustrated by Figure 2..

6.6 Main benefits criteria

There are two keys drivers to the centralised commissioning of transport:

“Lowest cost, best value and Innovative business models”

Lowest cost, best value is derived from the holistic approach to procuring centrally across various actors in the county. An example can be gleaned through the ‘Network Northamptonshire’ project desk top exercise on schools transportation (See Appendix 1), which identified how a more holistic approach to transportation procurement can significantly reduce the amount of contracts being served, bringing about greater value for all stakeholders. The ‘lowest cost, best value’ strategy is a key driver behind meeting the needs of a reduced carbon footprint, better health and wellbeing outcomes all through taking a more consolidated approach to transportations provision (Fig.3).

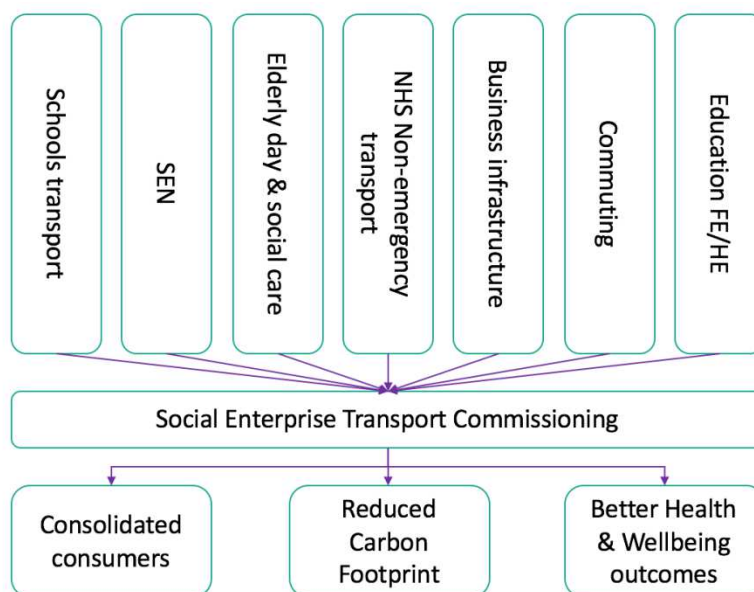


Fig.3 Multi-stakeholder Tri-benefit outcome

Creation of innovative business models are resultant of detailed review of existing networks and associated users. Never before have local authorities been able to approach the commercial market with almost ‘real-time’ datasets that cut across a multi-stakeholder base. It is this data that will help shape the development of business models that actually fit the needs of the cross-functional needs of the county, rather the perceived need of ‘modelling what we always had’.

6.7 Constraints, dependencies and risks.

The greatest constraint to a centralized procurement function to commission transport is availability of data; however, the ‘Network Northamptonshire’ project has sought to mitigate this risk by engaging with a wider stakeholder audience in Business, Health and Education to secure a review and understanding of the current data availabilities. It [NNTT] then mapped the risks and gaps associated with this and created a recommendation for the social enterprise to engage with an ICT Innovation partner to ensure best value and innovative approach is taken to data management.

7. Economic Appraisal

7.1 An undesirable feature of the current environment in which transport commissioning operates is that of a lack of data. While individual contracts are often commissioned based on accurate data, there is no coherent, comprehensive and overall data set or data management strategy and system.

7.2 The new social venture has the key task of gathering disparate data and analysing it using up-to-date management tools and techniques. This synergistic approach to data

management and analysis will enable the social venture to commission the most appropriate and holistic transport solutions, as described on in section 6.

7.3 The Economic Case

Our vision is to create a new intelligent (real-time data based) integrated commissioning entity to assist the Council to deliver the goals of the existing commissioners. This entity would be able to gather, analyse and use 'live' data from a variety of sources to develop an intelligent integrated commissioner and procurer of asset management. It will be capable of measuring and reporting social impact. It is anticipated that this new entity will be established as some form of social enterprise i.e. be a business with social as well as economic objectives.

7.4 The new social enterprise must meet a number of essential requirements:

- It must demonstrate to public sector organisations that statutory obligations are met.
- It must provide local authorities with ways of ensuring democratic accountability can be demonstrated, and the risk of challenge can be managed.
- It must be attractive for existing, and new, transport commissioning organisations to join. Some form of joint ownership will be required. Organisations should be able to join the venture on an on-going basis or to contract with it to deliver required transport outcomes.
- It must result in increased passenger journeys for less money; each commissioner must be assured that they are spending less and less money to deliver more and more passenger journeys.
- It must be able to work with transport providers of very different size, motivation, and culture by providing them with attractive contracts delivered in new, partnership-centred ways.
- It must be able to lead on the introduction and use of digital technology.
- It must have an income stream to enable the venture to be sustainable. Any profits may be reinvested in core transport solutions and allied social impact.
- It should be staffed by experts in transportation and logistics, able to take advantage of the skills and expertise of a wide range of resources and providers. These staff should have the responsibility and autonomy of being radical providers of transport solutions, of all types. These staff would not necessarily have to be recruited from existing commissioner organisations but could be drawn from a wider pool of experts
- It must draw on investment from other sources e.g. EU and other research programmes, individual entrepreneurs/investors, investment funds etc.
- It must develop a series of key Performance indicators that all transport providers could align themselves to if they were to be part of the social enterprise model for the County.
- It should not restrict competition, both to ensure compliance with appropriate legislation and to secure best value for money.

7.5 It is envisaged that the joint venture will initially be a consortium comprising of the County Council, the Universities of Northampton and Hertfordshire, the Northamptonshire Healthcare NHS Foundation Trust (NHFT) and the Northampton General Hospital Trust. We estimate the market in transport services across the consortium in Northamptonshire to be in the region of circa £60m per annum.

7.6 We see considerable financial benefits in the efficiencies to be gained by combining contracts and services currently commissioned and performed by the NHS, third party providers, and local authorities. We also consider that by drawing on the combined resources of the partners, particularly the research capability of both universities, there is scope to improve the quality of services provided. Combining management structures and eliminating duplication and wasted efforts, will lead to savings in revenue spend.

7.7 Most importantly, we see the potential to create a new organisational culture for the social enterprise, and to provide market leading transport services for customers, both publicly and privately funded.

8. Critical Success Factors

8.1 Our vision is to use the NNTT Project to create a social innovation model for the development of Integrated transport Provision in Northamptonshire and participating Authorities.' The key aims of the business will be to:

- Use our combined talents, resources and creativity to develop new and imaginative service offerings
- Develop a new organisational culture and ethos
- Improve the efficiency of existing local contracts, by combining them in one place
- Reduce the operating costs of all participating parties by combining and sharing resources and assets
- Use business intelligence and modelling tools to help us to identify and reach target customers and citizen groups
- Improve our engagement with customers and widening our potential private and commercial customer base by combining our effort

8.2 In conclusion, we see potential to:

- Consolidate existing local contracts for transport services by combining them under a single framework in the new social enterprise;
- Work with the partners of the social enterprise, in particular the Universities of Northampton and Hertfordshire, to review and improve the effectiveness of existing contracts and to improve the quality of services;
- Exploit the resources and assets of the partners, to mutual benefit while connecting with the wider delivery landscape consisting of public, commercial, voluntary sector and other providers;

- Integrate the services currently being provided separately by local authorities, third party providers and the NHS;
- Become a provider of transport services to both the private and public sector markets exploiting the potential of an estimated circa £60 million per annum local market for such services in the county.
- Share the benefit and outcomes of the NN TT programme across the 10 local authorities currently within the England's Economic Heartland Strategic Alliance'

9. Benefits and outcomes achieved to date

9.1 As discussed in the report to Cabinet on 6th June 2016, officers have been in discussions with a view to combining resources and exploring the potential to deploy these via a joint venture organisation in the form of a social enterprise. In summary, the parties to the joint venture could each contribute the following resources and assets to the joint venture, in principle:

Northamptonshire County Council

- Existing contract spending on transport services, and contracts for services designed to cater for the needs of all citizens (universal services)
- Staff, expertise and assets relating to transport service provision. This contribution need not be an asset transfer – these assets could be leased, and staff seconded, to the social enterprise by NCC, as and when required.

Northamptonshire Healthcare NHS Foundation Trust/Northampton General Hospital Trust

- Provision of specialist preventative services and subcontracting arrangements
- Staff, expertise and unique operational capabilities available from it as an NHS provider organisation

University of Northampton/University of Hertfordshire

- Research capability and related services
- Logistic and data analysis expertise
- Expert workforce and student attachment for learning, capacity building and innovation
- Existing mutual organisation providing transport services e.g. UNO bus company

Working capital and other forms of equity contribution from each partner will be based on the business model of the social enterprise.

10. The Commercial Case

10.1 Social ventures take many forms. Indeed, the largest social enterprise transport organisation in the UK, the HCT Group, has evolved (not always by choice) a complex structure with the following governance models:

- Registered charity and company limited by guarantee
- Community Interest Company
- Industrial and Provident Society
- Company limited by guarantee
- Company limited by share
- Third Party joint venture (this is not a formal legal structure for a business)

10.2 An analysis of the advantages and disadvantages of the various governance models that the SE-TraCS could adopt identifies that many of these models are inappropriate and will not meet the essential criteria listed in 7.4 (above):

Company limited by guarantee and Registered charity

The general principle is that charities should not, apart from some exceptions, get involved in trading activities. They must also have exclusively charitable objects. Clearly, the new organisation will be engaged in multi million pounds of trading activity, so this structure, as well as a Charitable Incorporated Organisation, is not suitable for the purpose of the initiative.

Industrial and Provident Society

These now take two forms; Community Benefit Societies and Cooperatives. The former can offer some opportunities for investment, but this is limited. These organisations are governed by rules and the cost of investment varies depending on the number of changes to the model rules. In light of the proposed participants, this may prove expensive. A Cooperative is not appropriate as it operates on a one person, one vote model and is not attractive to organisations seeking to be partners in a new venture. Given that the new social venture is likely to want to take on investment, the Industrial and Provident Society is not a viable model for the initiative.

Company limited by guarantee

Whilst this form of organisation can be flexible in terms of trading, this model does not contain a statutory asset lock, present in a CIC. Given that the social venture needs to be seen to be trading for the public good, an asset lock is a sensible thing to seek. A company limited by guarantee is not appropriate for the initiative.

Company limited by share –indistinguishable from a “normal” company, (and with the associated negative “privatisation” overtones). There would be a significant potential public relations risk if the initiative adopted this model and it is not thought to be suitable for the initiative.

Community Interest Company

Community Interest Companies can be limited by guarantee or by share. The CIC is designed for ventures that want to use their profits and assets for the public good. They are registered as

companies in the usual way and can either be companies limited by shares or guarantee. The main characteristic of a CIC is that it has a statutory 'lock' on its assets and profits which restricts distributions of profits or capital, except in limited and defined circumstances. In order to be registered, it must pass a 'community interest test' and deliver an annual report demonstrating how its activities have benefitted the community. The asset lock can be used to allay concerns that the NNTT project is 'privatizing' transport

10.3 Although there are a number of forms of social venture, given the essential requirements listed in 7.4 above, the most appropriate legal form for the venture to take would, based on legal advice, seem to be that of a Community Interest Company (CIC). 10.4 A CIC limited by shares enables participating organisations, both the founders and additional organisations, to limit their liabilities and contributions. Such a CIC could either be a Schedule 2 model, where dividends could only go to bodies that are classed as asset locked; or (more likely) a Schedule 3 model where non-asset locked bodies can have a restricted dividend.

10.5 As a result of the asset lock, the CIC lends itself to joint ventures undertaken for not for profit and social benefit, largely (but not exclusively) in the public sector. CICs are expected to make a profit, they are businesses and businesses are supposed to make profits. A CIC has to invest at least a proportion of its profits back into the business and furthering its social objectives.

10.6 Therefore, the most appropriate form of social venture would probably be a CIC limited by shares under Schedule 3. A company limited by shares adopting Schedule 3 Articles may pay dividends to shareholders who are not asset locked bodies, including private investors. Therefore, with this model of governance, the CIC can provide a profit share for members. The maximum total dividend in any one year is 35% of profits, this ensures that 65% of the CIC's profits are reinvested back into the company or used for the community (as specified in the CIC legislation). The profit share allocated as dividend would allow public sector shareholders to deliver additional social impact outside the transportation sector. Indeed, the dividend resulting from a shareholding in a CIC must be used for 'community benefit'. Thus the structure is particularly appropriate for local authorities, the NHS and universities..

10.7 This CIC would be owned by its shareholders, being the organisations that wished to gain the benefits of integrated, intelligent commissioning to deliver cost effective and radical transport solutions. The shareholders would appoint directors to the board of the CIC.

10.8 The shareholders/founding partners could choose a model 5 CIC (limited by shares, with a small membership) or a model 6 version (where the shareholders/founding partners will delegate the decision –making within the company to the directors, but still giving the shareholders/founding partners a significant role in relation to the overall governance of the company).

10.9 The exact model of social enterprise that is set up by the NNTT project by 31 March 2017 will, of course, have to be agreed by all participating founding partners. Therefore, it is possible that the business model launched may not be a CIC limited by shares. However, it is essential that the social enterprise is able to meet the essential requirements noted in paragraph 7.4 of the Economic Case.

A SWOT analysis of the CIC limited by shares under Schedule 3 is shown at appendix 2

10.10 Creating and governing the social venture

Given that the founding partners are not intending to TUPE staff to the proposed social enterprise, the key issue that will have to be agreed to set up the business will be its share ownership. This critical issue will have to be determined based on the following factors:

- The start-up capital invested into the business by the founding partners
- The provision of equipment and premises by the founding partners (if relevant)
- The staff seconded to the new business by the founding partners (if relevant)
- The value of back office support provided to the new business by the founding partners (if relevant)
- The value of contracts novated to the new business by the founding partners
- Whether the new business will have a transport operation of its own e.g. UNO bus
- How Intellectual Property developed by the new business will be shared
- How the risks, investment and income associated with commercial opportunities realised by the new business will be shared

10.11 The deadline for setting up the new business and having it operational is 31 March 2017. Therefore, the timetable for business development, registration and launch shown in table 1 will have to be adhered to. The margin for delay is +5 days for each deadline if the NNTT partnership is to achieve its objective.

Stage	Activity	Deadline
1	Confirm founding partners	14 Nov 2016
2	Founding partners agree: objectives and social objects of business; investment and resource commitment; location of business; staffing of business; contracts to be managed by business in April – June 2017; share ownership; directors; structure of business	28 Nov 2016
3	Company registration documentation completed and submitted	15 Dec 2016
4	Job descriptions and person specifications produced	15 Dec 2016
5	Business plan for April 2017 to March 2018 completed	31 Jan 2017
6	Staff seconded to business or recruited	31 Jan 2017
7	IT and business equipment procured, installed and operational	10 Feb 2017
8	Launch NNTT social enterprise	24 Mar 2017

Table 1: Timetable for development and launch of NNTT social enterprise

11. Commercial opportunities

There are five areas of commercial opportunity for the new business. These are summarized in table 2 below.

Opportunity	How realised
Effective, intelligent, integrated contract management leading to savings for partners and agreed profit for business	By developing the social enterprise transport commissioning structure [SE-TraCS] described in section 6 of this report
Operating a transport service for specific contracts to pilot new methods and systems	By inviting leading edge transport provider(s) to become innovative partners within the social enterprise and by effective exploitation of the UNO Bus asset
Developing and introducing new technology to improve the customer experience	By inviting leading edge IT/Technology provider(s) to become innovative partners within the social enterprise
Exploiting Intellectual Property Rights	From the information held within the CIC data sets
Social Venture can earn income in the form of commission from suppliers e.g. gym membership, outdoor clothing, healthy eating suppliers	From introducing ‘rewards’ provided by large suppliers to certain users on some services

Table 2: Commercial opportunities for the NNTT social enterprise.

11.1 Human resource implications

Given that is not intended to TUPE staff from the partner organisations to the new business, there are no HR implications for either organisation. Some staff might be seconded on a short-term basis from either or both organisations to carry out agreed tasks. If secondments are required, the HR departments in the respective organisation will be fully involved.

Given that the purpose of this paper is to give Cabinet the confidence to approve the establishment of a new social enterprise to operate as an intelligent, integrated procurement and contracting body, it is not relevant (or indeed possible at this stage) to define a detailed contracting strategy and implementation timetable.

Details concerning contract lengths, charging mechanisms, the approach to sub-contracting and other essential elements of public transport commissioning will all emerge as a result of the new social entities data analysis during the first six months of the 2017 – 18 year.

11.2 Engaging the community transport sector

While the new business is being set up, the NNTT project team will continue to communicate with the county’s community transport sector to ensure that they understand the rationale for, and role of, the new social enterprise. We do not expect to engage with

the community transport sector on a contractual basis for at least six months after launching the new business.

11.3 The commercial opportunities afforded by developing the CIC social enterprise model are considerable, both in terms of flexibility to reduce the operating costs of all participating parties, as well as developing a new organisational culture and ethos which will be a market leader for improving transport services for the residents of Northamptonshire.

12. The Financial Case

12.1 The philosophy and ambition for the SE is as follows:

- To be a community based social enterprise, delivering transport services, and wholly owned by the public sector
- To integrate the respective efforts of the NHS, Universities of Northampton/Hertfordshire and the County Council locally in commissioning/delivering transport services
- To re-invest profits into transport related programmes
- To combine resources, assets and expertise of three major public bodies
- To build on the respective brands of the Council, the NHS and the University, in particular to encourage citizens to take up and utilise all forms of sustainable transport services
- To market services to other local authorities and organisations as well as to individual customers

12.2 Modelling methodology

The methodological process the new social enterprise will deploy is a transparent 4 stage process consisting of:

1. Retrieve
2. Realise
3. Reveal
4. Review

12.2.1 Retrieve

The approach to modelling transportation solutions across Northamptonshire will begin with the creation of a data collation process. This would take the shape of retrieving near real-time as well as historic data from the selected 'but not limited to' process actors (i.e. School transport, HE, FE, Business and Healthcare).

12.2.2 Realise

Data retrieved will then be pooled in a ‘cloud-like’ manner by the Social enterprise team, permitting a ‘one view’ of multi-modal transportation requirements across the county. This approach will indicate an origin and destination need for users of transportation solutions in the county, sanctioning the creation of holistic solution provision.

12.2.3 Reveal

This holistic provision will come about through service operation being provided based on aggregate collaborative numbers, rather than silo approach to provision. Operators of multi-modal transportation solutions will be given (restricted) access to data that would foster solutions of transportation based on actual need, rather than perceived requirement.

The social enterprise would not dictate the mode of transport required, as this creates a blinkered approach to service provision with contracts drawn up on an ‘as needed’ and ‘because it always has’ basis. Rather the social enterprise will act as the conduit for collaborative data sharing to manage transportation contracts based on near real-time need and greater operator management and efficiency.

12.2.4 Review

In driving data based decision metrics, historic data will be built around modal shift, travel patterns, cost etc, that will enable greater operator management and forecasting of growth patterns to support the ever growing needs of the dynamic county. Furthermore, the creation of historic collaborative data sets will deliver the potential to look at cross county border solutions and the beginnings of networked multi-modal movements and greater identification of sustained development opportunities.

12.3 Financial information

The pre -trading phase based on the first 12 months from March 2017, will involve the setting up of a shell organisation. An initial list of initial set up costs for the pre-trading phase of the Social Enterprise is estimated to include:

Category	£k	Assumptions
Social Enterprise Director	75	based on 12 months interim basis assumptions include costs and travel , plus recruitment fee
Project Manager	60	
Procurement/contracting Capacity	70	Service Manager
Data Manager	60	
Administrative Support	40	1 x admin assistant, provision of office,

		computers etc. for 4 staff.
Marketing and Communication Strategy	20	
Tax advice	10	Initial advice based on high level scenarios provided.
Legal Fees	10	Estimated.
Other Costs	10	Includes interest
Total Initial Set up costs	355	

It should be noted that not of of the entire total figure is an actual ‘cash’ budgetary requirement.

In the short term these ‘set up ‘costs will be financed by a combination of funding from a number of sources. These will include:

- Total Transport fund - £130k
- Stakeholder ‘start up’ contributions of circa £30k per stakeholder - £150k
- In-kind contributions (admin support, ,Marketing, data management) - £75k

However in the longer term, based on the NNTT project work undertaken to date, we are predicting saving of at least 5% on the overall NCC transport budget within the first five year fully operational period.

It should be noted that these projected set up costs do not include back office support, IT Implementation and data cutting, analysis and interpretation costs which are to be agreed once full business case has been finalised.

Further financial implications for consideration within the full business case are;

- Term of the potential agreements from either NCC or other partners.
- Possible engagement of an Innovation partner and IT/Technology partner
- Agreements of back office providers and full costings including IT, Finance, HR, Payroll and Internal Audit and Financial Transactions.
- Confirmation of the structure of the company board.
- Fully consolidated income model – including additional services provided from Partners, as well as additional market opportunities to generate income.
- Contract novation schedule for first two years of the social venture
- Specialised tax advice incorporated into business case.
- Pension implications if staff need to be transferred into the new organisation.
- Insurance requirements and costs.
- Accounting treatment to be confirmed.

- External audit fees to be incorporated into the business case.
- Arrangements and costs in respect of the use of assets to deliver services.
- Outline Profit and Loss, Balance Sheet and Cash flow to be developed through the business case

It is intended that a further paper will be presented to Cabinet in January or February 2017 to provide a detailed update of the progress of the development of the social enterprise. This paper will include details of financial projections for the social enterprise.

13. The Management Case

13.1 Our vision is to create a joint venture 'social enterprise' company which will commission and deliver transport services across Northamptonshire. It is proposed that the joint venture will be a consortium eventually comprising the Northamptonshire County Council, Northampton University, Hertfordshire University, Northamptonshire Healthcare NHS Foundation Trust and Northampton General Hospital NHS Trust. It is proposed that the social enterprise model will be that of a community interest company (CIC) limited by shares

13.2 It is proposed that the project to set up the NNTT social enterprise company will be led by Tony Ciaburro.(NCC Director of PLACE Commissioning)

He would then direct a project team consisting of :

- John Sykes (NNTT Project Manager),
- Professor Simon Denny (University of Northampton)
- Liam Fassam (University of Northampton)
- NHS representatives (To be confirmed)

13.3 This team, along with the NNTT Board, would be charged with the responsibility of developing the full business case documentation (as shown in the timetable in section 10.10) for final NCC Cabinet approval in early 2017.

13.4 The project plan team will start by gathering more detailed data to enable new contracts to be devised, new technology introduced and relevant expertise sought in order to have the 'shell' CIC in place by the end of March 2017.

13.5 Benefits realisation

We see considerable financial benefits in the efficiencies to be gained by combining contracts and services currently commissioned and performed by the NHS, third party providers, and local authorities. We also consider that by drawing on the combined resources of the three partners, particularly the research capability of both universities, there is scope to improve the quality of services provided. Combining management structures and eliminating duplication and wasted efforts, will lead to savings in revenue spend. Most importantly, we see the potential to create a new organisational culture for

the social enterprise, and to provide market leading transport services for customers, both publicly and privately funded.

13.6 Risk management

The project carries a low level of risk. Should it fail to achieve its objective, setting up a new social enterprise by 31 March 2017, transport services in the county will continue as they are under the current arrangements. The deadline of 31 March 2017 has been self-imposed by the NNTT project partners as it marks the end of the DfT Total Transport project. The project partners are confident that the new social enterprise can be set up by the deadline.

13.7 Once the new entity is operating, it will take over responsibility for commissioning transport in a carefully phased way. Determined that it 'will walk before it runs', contracts will be novated once new methods of delivering travel solutions have been piloted to ensure they work. Each novated contract will have its own risk management plan that will be signed off by the relevant founding partner.

13.8 Post project evaluation

Following the launch of the NNTT social enterprise, a formal review of the project from November 2016 – March 2017 will be carried out. An evaluation report will be produced, highlighting lessons learned and examples of good practice. This report will be circulated within the project partners to inform future action. It is intended that the report is a valuable resource in the development of the Next Generation Council as well informing the wider 'England's Economic Heartland Strategic Alliance' group and national DfT 'Total Transport' executive.

14. Conclusions and Recommendations

14.1 As described in the sections above, we see considerable financial benefits in the efficiencies to be gained by combining contracts and services currently commissioned and performed by the county council, NHS, and third party providers. We also consider that by drawing on the combined resources of the core partners, particular the research capability of the University, there is scope to improve the quality of services provided. Combining management structures and eliminating duplication and wasted efforts, will lead to savings in revenue spend.

14.2 We would therefore recommend using the CIC social enterprise model as the most appropriate vehicle to take this project forward and realise the potential financial and social benefits highlighted in this report.

14.3 As highlighted in section 6 of this report, the greatest constraint to a centralized procurement function to commission transport is availability of data; however, the 'Network Northamptonshire' project has already sought to mitigate this risk by engaging with a wider stakeholder audience in Business, Health and Education to secure a review and understanding of the current data availabilities. It [NNTT] then mapped the risks and gaps associated with this and created a recommendation for the preferred CIC social enterprise model in order to take this work forward .

Appendices

Appendix 1 – Schools transport desk top exercise

Education



What is happening now?

Schools data – current data	
Spend	Contracts
£1,420,920	193 (1-3 day)
£12,765,480	675 (5 day)

What is working well?

9,274	Capacity
8,198	Transported
88%	

Synergistic view!

Current state of play, x2 schools		
Pax	Spend	Contracts
658	£508,365	20
Holistic synergistic procurement approach		
Pax	Spend	Contracts
658	£429,000	13

Applying the approach

60% of existing contracts needed in a synergistic approach

Current contracts are operating in isolation, with services being produced by school and on a route fill basis. By taking an approach that looks at schools that are co-located and reviewing those in need of transport by post code, rather than destination a significant reduction in transportation contracts can be reduced without having a net effect on schools.

Appendix 2 – SWOT analysis of CIC limited by shares under schedule 3

<p><u>Strengths</u></p> <ul style="list-style-type: none"> • Asset lock retains assets of business with public sector organisations • 65% of profit has to be reinvested in social objects of business. • 35% of profits may be shared between owners to further their social objects • Allows partners to leave business and new ones to join • Able to take on investment • Annual social impact report provides public demonstration of effectiveness • Owners appoint board 	<p><u>Weaknesses</u></p> <ul style="list-style-type: none"> • Multiple owners may have different agenda leading to confusion • Perception in some quarters that social enterprise is not a real business • Takes longer to set up than a 'normal' business (c 2 weeks instead of c 2 days)
<p><u>Opportunities</u></p> <ul style="list-style-type: none"> • A NNTT social enterprise would be a first of its kind, with significant turnover, the resulting high profile could be exploited by partners to their advantage • Social enterprises able to access some investment and other funding that 'normal' businesses cannot • NNTT partners could sell 'how to' consultancy services 	<p><u>Threats</u></p> <ul style="list-style-type: none"> • None specific to the CIC model