



Open Report on behalf of Andy Gutherson, Executive Director - Place

Report to:	Highways and Transport Scrutiny Committee
Date:	30 October 2023
Subject:	Transport Connect Limited (TCL) - Teckal Company Annual Update

Summary:

This report provides an update on the Council's wholly owned company, Transport Connect Ltd (TCL), since the previous report considered in October 2022.

The purpose of the report is to provide a summary of the strategic direction of the company; an update of how TCL provides a further option to the County Council to deliver its obligations for educational travel and public transport; and finally, to give assurance that the company complies with the requirements of a private limited company.

Actions Required:

Members of the Highway and Transport Scrutiny Committee are invited:

- (1) to consider and comment on this report; and
- (2) to agree any additional comments to be passed onto the Executive Councillor for Highways, Transport and IT for his consideration.

1. Background

1.1 A summary of the purpose of TCL

TCL was formally established in 2016. It is a "Teckal" Company, Limited by Guarantee with the County Council being the sole member. A "Teckal" Company restricts its ability to trade beyond the activities it delivers for the Council, to a maximum limit of 19.9% of its turnover and it enables the Council to award contracts directly to the company without having to tender in the open market and, therefore, not having to comply with the Public Contracts Regulations. Initially, TCL's activity for the Council was focused on providing educational travel, particularly to Special Education Needs (SEN) establishments through One School One Provider (OSOP) contracts but also other Educational Travel contracts and

CallConnect. The company now operates additional CallConnect contracts including some in the north of the County. More recently, there has been expansion into the maintenance provision of highway vehicles, primarily the gritters and the specialist vehicles used by the Lincolnshire Laboratory service.

1.1.2 Transport Services is intending to undertake a review of the supplier market for travel provision and, as part of this, the purpose of TCL will also be reviewed. The supplier market of more than 360 operators has naturally evolved since TCL was first established, and the Council needs to have greater understanding about market sufficiency issues in order to plan its network in the future and to ensure that TCL is delivering what the Council requires.

1.2 The Council's governance of TCL

The Council has in place a robust Members' Agreement which both parties adhere to and as part of this, the Board of Directors is chaired by a senior officer in the Council – Nicole Hilton, Assistant Director of Communities. There have been no changes to the board membership since the previous update report. However, the Head of Transport Services now attends all Board meetings in the role of lead commissioner for travel provision contracts, along with the owner representative.

1.2.1 The Council and TCL undertook an independent review of governance as a collaborative piece of work, and all recommendations have been implemented.

1.2.2 The Board of Directors has introduced a quarterly review of the company's risk register, which is updated when new risks are identified. The focus of the quarterly update is to identify the most significant risks using the same scoring matrix as the Council. Currently, the most significant risk for TCL is the continued driver shortages and their resilience to deliver services. TCL is participating successfully with the Boston College Driver Training School and is in the process of upskilling four of the existing TCL drivers through this training programme. Boston College currently has a programme of training HGV and PSV (bus) drivers which has benefitted a number of local bus operators, and which has been in partnership with the Council.

1.2.3 The Council has regular operational contract management and liaison meetings with TCL on all of the contracts it delivers, with commissioners from Transport Services, Highways and the Lincolnshire Laboratory service.

1.3 Financial Oversight and Performance in 2022/23

TCL initially had a loan from the County Council to purchase vehicles, which was fully paid off in 2021. TCL continues to have access to a revolving credit agreement from the County Council, which acts as an overdraft facility if the company requires cash flow support, the company is currently operating at a financially break- even point.

1.4 TCL has a lean management structure and has dedicated accountancy support from Wright Vigar and human resources support from HGBS. The Managing

Director continues to present standard, monthly accounting reports to the Board of Directors, including:

- Performance against budget
- Average Debtor Days
- Exceptional costs
- Average balance for TCL
- Profit and loss accounts
- Revenue and profit

1.5 The Place Finance Team reviews the monthly budgets and meets with the owner representative prior to each Board meeting to ensure oversight.

1.6 TCL's final accounts for 2022/23 show a small deficit of £276. The previous report to Scrutiny suggested that the year-end forecast was to be a modest surplus, but increased operating costs and the start-up costs of opening a new depot in Lincoln, primarily for the gritter vehicle maintenance, led to this position. This is compared to a surplus of £133,202 in 2021/22.

1.7 TCL faces the same cost pressures as other transport operators, including fuel prices, wage increases as a result of the national minimum wage and driver shortages continuing to put additional pressure on wage levels.

1.8 TCL Business Strategy for 2023/24

TCL is now in its eighth year. The trajectory, in recent years, has been one of growth for the reasons below:

- Maintenance provision of highway vehicles referenced above;
- Increase in the number of CallConnect contracts from 16 to 20; and
- Increase in the number of education travel provision contracts since the inception of the company.

1.9 As part of a regular review of services, the lead commissioner for travel provision contracts and the TCL Managing Director have agreed a rationalisation of educational travel contracts, which can now be met by the supplier market. This has resulted in 3 routes being tendered out to the full supplier market and has enabled TCL to manage its driver shortages more effectively.

1.10 Winter Maintenance and Lincolnshire Laboratory – maintenance of vehicles

Following the award to TCL of a short-term contract to maintain 34 gritter vehicles in the south of the county in 2021, a 6-year contract was then established for the maintenance of all 47 gritter vehicles plus Lincolnshire Laboratories' specialist vehicles. This decision led to the opening of a new TCL depot in Lincoln in 2023 which provided two depots dedicated to vehicle maintenance. The summer overhaul of the gritters in preparation for this winter season has been completed on time.

2. Conclusion

The focus on 2023/24 for TCL is one of stabilisation following recent growth, especially financial stability. This allows TCL to manage its operating costs and ensure it can meet its contractual obligations. Business planning for the following and subsequent years will begin this Autumn and will be informed by the market review that the Council intends to undertake.

3. Consultation

a) Risks and Impact Analysis

TCL has a strategic and operational risk register that is monitored regularly by the TCL Board. LCC as the owner also assess risks and opportunities to the Council on a regular basis.

4. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
TCL update report – 24 October 2022	Choose agenda document pack - Highways and Transport Scrutiny Committee 24 October 2022 (moderngov.co.uk)

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