

Greater Manchester Combined Authority

Date: 25 November 2022

Subject: Greater Manchester Franchising Scheme for Buses: Procurement Update

Report of: Eamonn Boylan, Chief Executive Officer, TfGM and GMCA

PURPOSE OF REPORT

To provide an update, and make a number of recommendations in relation to the procurement process for the Greater Manchester Franchising Scheme for Buses 2021 (the Scheme), in particular to note and agree the process to procure service providers to operate the Bolton Large Bus Franchise and the Wigan Large Bus Franchise.

RECOMMENDATIONS:

GMCA is requested to:

1. Note and agree the outcome of the process to procure a preferred service provider to operate the Bolton Large Local Service Contract and the Wigan Large Local Service Contract in Sub-Area A of the Scheme.
2. Note the proposed key contractual arrangements of the Bolton Large Local Service Contract and the Wigan Large Local Service Contract.
3. In relation to the Local Service Contracts required for the implementation and operation of Sub-Areas B and C of the Scheme:
 - a) Agree to commence the procurement process.
 - b) Agree to delegate to TfGM the authority to undertake and manage the procurement process on behalf of the GMCA subject to the following condition –

- i. TfGM will recommend a preferred bidder in relation to each Local Service Contract; in relation to large Local Service Contracts the decision to award will be taken by the GMCA and in relation to small Local Service Contracts and contracts for schools the decision to award will be taken in accordance with the contract award delegations as set out in the GMCA Constitution.
4. Agree that in relation to Sub Area A TfGM will manage the implementation and operation of the Scheme and the Local Service Contracts awarded in relation to Sub-Area A following their award on behalf of the GMCA subject to the following conditions:
 - a) TfGM will manage the above contracts in accordance with the provisions of an agreed Protocol with the GMCA.
 - b) That authority to agree the final terms of the above Protocol and any other associated necessary legal agreements on behalf of the GMCA be delegated to the Monitoring Officer.
 - c) That authority to complete and execute the Protocol and any other necessary legal agreements be delegated to the Monitoring Officer.
5. To authorise TfGM to enter into the agreements referred to in section 4 of this report for the purposes of establishing and implementing the Residual Value Mechanism on behalf of the GMCA.

CONTACT OFFICERS:

Eamonn Boylan, Chief Executive GMCA & TfGM:

eamonn.boylan@greatermanchester.ca.gov.uk

Steve Wilson, GMCA Treasurer:

steve.wilson@greatermanchester-ca.gov.uk





Liz Treacy, GMCA Solicitor:

liz.treacy@greatermanchesterca.gov.uk

Steve Warrener, Managing Director and Finance and Corporate Services Director:

steve.warrener@tfgm.com

Equalities Impact, Carbon and Sustainability Assessment:

Impacts Questionnaire			
Impact Indicator	Result	Justification/Mitigation	
Equality and Inclusion	G		
Health	G		
Resilience and Adaptation	G		
Housing	G		
Economy	G		
Mobility and Connectivity	G		
Carbon, Nature and Environment	G		
Consumption and Production			
Contribution to achieving the GM Carbon Neutral 2038 target			
Further Assessment(s):	Equalities Impact Assessment and Carbon Assessment		
 Positive impacts overall, whether long or short term.	 Mix of positive and negative impacts. Trade-offs to consider.	 Mostly negative , with at least one positive aspect. Trade-offs to consider.	 Negative impacts overall.

Risk Management:

Risks associated are being captured and managed as part of the overall Bus Franchising programme.

Legal Considerations:

Legal considerations are set out in the report.

Financial Revenue Consequences:

The financial consequences relating to this report are included in the background papers set out below

Financial Capital Consequences:

The financial consequences relating to this report are included in the background papers set out below

Number of attachments:

Appendices

[Appendix 1: The Greater Manchester Franchising Scheme for Buses 2021 Bus reform decision March 2021 - Greater Manchester Combined Authority](#)

Comments/recommendations from Overview & Scrutiny Committee:

Overview and Scrutiny Committee meets on 23rd November and comments will be reported to the GMCA on 25th November

Background Papers:

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report.

Report to GMCA dated 28 May 2021.

Report to GMCA titled Bus Reform: Consultation and the GMCA Response dated 23 March 2021

Decision of the Mayor 25th March 2021

Report to GMCA titled Budget Paper C - GMCA Transport Revenue Budget 2021/22 dated 12 February 2021

Tracking/ Process [All sections to be completed]

Does this report relate to a major strategic decision, as set out in the GMCA Constitution

Yes

Exemption from call in:

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

No

GM Transport Committee

N/A

Overview and Scrutiny Committee

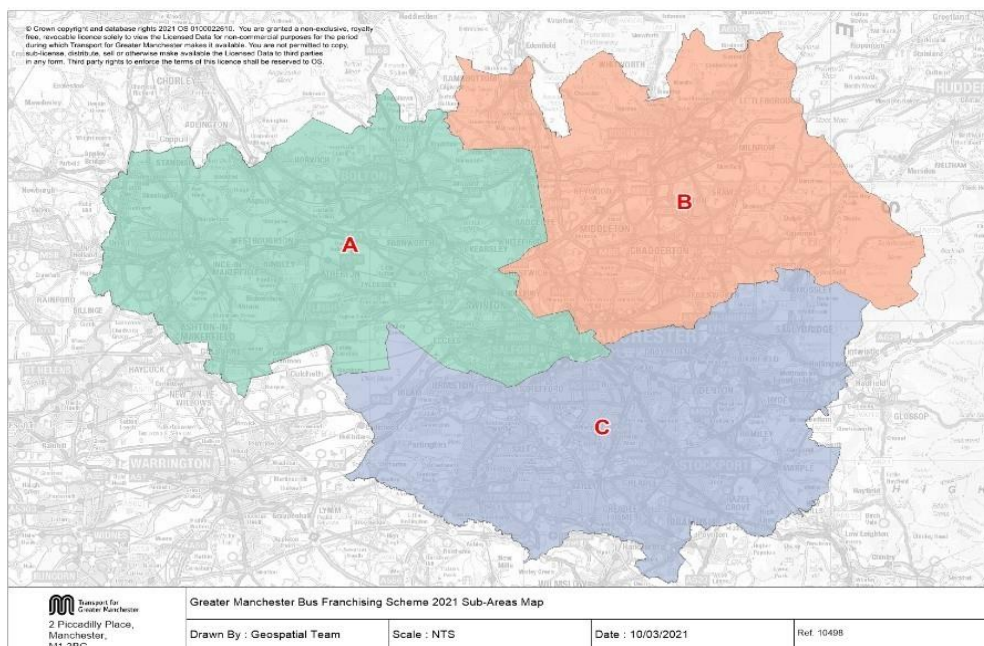
23rd November 2022

1. INTRODUCTION

- 1.1 As members are aware, the GMCA considered the TfGM report titled 'Bus Franchising in Greater Manchester March 2021: Consultation Report' at its meeting on 23 March 2021 and recommended to the Mayor that he make a franchising scheme as more particularly set out in Appendix 5 to that report.
- 1.2 On 25 March, the Mayor made the decision to make the franchising scheme. Subsequently the Greater Manchester Franchising Scheme for Buses 2021("the Scheme") was made on 30 March 2021 which was published in a Notice on the same date. At the same time the GMCA published its response to the consultation together with the Mayor's decision, as required by section 123G of the Transport Act 2000 and (on behalf of the Mayor) the Franchising Scheme itself.
- 1.3 At its meeting on 28 May 2021, the GMCA agreed to:
 - a) commence the procurement process for the Local Service Contracts required for the implementation and operation of Tranche 1 of the Scheme. Tranche 1 includes the Bolton Large Local Service Contract and the Wigan Large Local Service Contract.
 - b) delegate to TfGM the authority to undertake and manage the procurement process on its behalf with a requirement that TfGM recommend to GMCA the preferred bidder in relation to each Local Service Contract and large Local Service Contracts with the decision to award to be taken by the GMCA.
- 1.4 The procurement process has been undertaken by a project team which includes TfGM and GMCA officers, internal specialists, and external legal, commercial and financial advisers. This report updates the GMCA on the current position in relation to the procurement process for the Scheme (in particular the Bolton and Wigan Large Local Service Contracts) and makes a series of recommendations. Two further reports on the outcome of the evaluation of tenders in relation to the Bolton Large Local Service Contract and Wigan Large Local Service Contract respectively have been submitted in Part B of the agenda.

2. PROCUREMENT APPROACH- SUMMARY

- 2.1 As members are aware, the Franchising Scheme applies to the entire Greater Manchester area, which has, in turn, been divided into three franchising scheme 'sub-areas' (namely Franchising Scheme Sub-Areas A, B & C) to allow the transition from the existing deregulated market to a franchised model to take place over a period of time.
- 2.2 Tranche 1 (Sub-Area A) will principally cover the north-west of Greater Manchester (operational start date of 17 September 2023),
- 2.3 Tranche 2 (Sub-Area B) will principally cover the north-east of Greater Manchester (operational start date of no later than 31 March 2024), and
- 2.4 Tranche 3 (Sub-Area C) will principally cover the south of Greater Manchester (operational start date of 5 January 2025).
- 2.5 The extent of each sub-area is set out in the map below.



- 2.6 The Bolton Large Local Service Contract largely covers the services that run within or into/out of Bolton. The Wigan Large Local Service Contract largely covers the services that run within or in/out of Wigan. The duration of the Franchise Agreement for each contract will be 5 years from the Commencement Date (17/09/2023), plus two optional extensions, each of 1 year (i.e. 5+1+1) to 15/09/2030.

- 2.7 Under franchising all local bus services provided within Greater Manchester (subject to certain exceptions including interim services, services provided under a permit and services which are excepted from regulation) will be provided under a Local Service Contract. There are three categories of Local Service Contract – large, small and those relating to school services.
- 2.8 Local Service Contracts will be awarded through competitive procurement processes under which operators tender for the exclusive right to provide certain local services. The operators will have to provide those local services on the terms specified in the relevant contract, including those relating to frequency and standards. The services to be franchised are listed in the Scheme (Appendix 1 to this report).
- 2.9 As set out in the statutory Assessment, the proposed packaging strategy for the Franchising Scheme is comprised of 10 large Local Service Contracts (a general principle of one large franchise per strategic depot has been adopted) and approximately 25 small Local Service Contracts across the whole Scheme.
- 2.10 The 10 large Local Service Contracts will be let in three ‘tranches’ Tranche 1 relates to the Local Service Contracts which relate to Sub-Area A, Tranche 2 to Sub-Area B and Tranche 3 to Sub-Area C. The procurement exercise is being run for each tranche broadly sequentially albeit with some overlap. Once the Scheme has become operational across all areas franchising arrangements will apply across the whole of Greater Manchester.

3. Procurement of Local Service Contracts

- 3.1 Procurement of the bus franchising operations has been conducted in accordance with the requirements of the Utilities Contracts Regulations 2016 (UCR 2016). The negotiated procedure was adopted for Tranche 1 because of the additional flexibility it provides. As members will recall from the Commercial Case set out in the Assessment, the negotiated procedure enables contracting authorities to enter into negotiations with a group of pre-qualified bidders by way of an Invitation to Negotiate (ITN) notably in areas such as the terms and conditions of any franchise agreement. The negotiated procedure provides greater flexibility than the restricted procedure but provides less scope for negotiating with the preferred bidder

than competitive dialogue. The negotiated procedure has also been adopted for Tranche 2.

Qualification system

- 3.2 As set out in the Assessment, a qualification system has been used for the procurement of all Local Service Contracts under the Scheme. This means that Bidders are only required to complete the qualification process once and therefore represents a much more efficient system than a typical pre-qualification questionnaire (PQQ) approach as there is no need for repeated issue and evaluation.
- 3.3 On 5 August 2021 TfGM published a Periodic Indicative Notice (PIN) on behalf of GMCA on Find a Tender (FTS) outlining that it would be introducing a qualification system for the provision of franchised bus services. TfGM, on behalf of GMCA, published a Qualifications System Notice (QSN) via Find a Tender on 06/08/2021
- 3.4 Acceptance onto the qualification system resulted in an operator becoming a Passport Holder.

Expressions of Interest

- 3.5 On 1 December 2021 TfGM, on behalf of GMCA, sent a Franchise Expression of Interest (Eoi) for each of the Large Local Service Contracts contained within Sub-Area A to all Passport Holders asking whether they wished to express an interest in one or more franchises contained within Sub-Area A.
- 3.6 The Eoi tests economic and financial standing, the purpose being to ensure that operators are of sufficient size and financial robustness relative to each franchise opportunity. Passport Holders were also provided with the remaining procurement documents, including the draft Invitation to Negotiation (ITN) and franchising agreement, as required by the UCR 2016.
- 3.7 All potential bidders who successfully satisfied the requirements of the Qualification System (Passport Holders) were also required, as part of the Eoi stage to confirm agreement to the terms and conditions set out in the Bus Services Framework Agreement (“BSFA”) as a further condition of being considered for any franchise.

- 3.8 Passport Holders who received the EoI had until 19 January 2022 to express their interest in one or more Local Service Contracts contained within Sub-Area A and answer the selection questions contained within the EoI.
- 3.9 All Passport Holders who had expressed their interest in one or both of the Bolton Large Local Service Contract and the Wigan Large Local Service Contract and whose selection question responses met the minimum thresholds in the EoI, were issued with an ITN Initial Phase document for the relevant Large Franchise(s). These Passport Holders were now considered to be Bidders in respect of the Sub-Area A Large Local Service Contract(s) in which they had expressed an interest.

Invitation to Negotiate

- 3.10 For the Sub-Area A Large Local Service Contracts there was a two-stage ITN process.
- 3.11 The ITN Initial Phase required bidders to submit short proposals in response to a small number of franchise specific issues or requirements. These proposals were reviewed to provide bidders feedback to be used in the ITN Final Phase and bid submission. However there was no shortlisting of bidders at this stage.
- 3.12 During the ITN Final Phase each Bidder was then offered a series of meetings to negotiate various aspects of the ITN Final Phase requirements and the draft Franchise Agreement. Each meeting generally focused on one or more specific aspect(s) of ITN Final Phase requirements and/or the draft Franchise Agreement.
- 3.13 TfGM, on behalf of GMCA, issued the ITN Initial Phase on 21 March 2022 and the ITN Final Phase stage on 30 May 2022. TfGM, on behalf of GMCA issued the Call for Final Tenders for the Sub-Area A Large Local Service Contracts on 11 August 2022.

Evaluation, preferred bidder and contract close

- 3.14 Bidders submitted their bids by the deadline of 9 September 2022 as required by the ITN. Following completion of initial compliance checks, the bids were passed to TfGM's and GMCA's evaluation teams for their

consideration. The outcome of the evaluation process is described in the accompanying reports in Part B of the agenda.

Procurements of Sub-Areas B and C and Management of Sub-Area A contracts

- 3.15 In respect of sub-area B, the procurement of the Large and Small Local Service Contracts contracts has commenced. EOIs were received on 24th October 2022 and the ITN documentation was issued on 8th November 2022. The process is due to run through to bid submissions on 10th March 2023. Contracts are due to be awarded on the 30th June 2023.
- 3.16 In respect of sub-area C, the EOIs are due to be issued to Passport holders on 13th March 2023 with EOI responses due back on 28th April 2023, ITN issued on 5 June 2023 and bids due back on 20th October 2023. Contracts are due to be awarded on 5th April 2024.
- 3.17 In respect of sub-area A contracts post award, GMCA intends to delegate the day to day management of these to TfGM. TfGM is establishing a function to manage the Local Service Contracts in line with the principles set out in the Commercial and Management cases of the Assessment and subsequent implementation work.

4 Residual Value Mechanism

- 4.1 At the meeting of the GMCA on 28 May 2021, members agreed to implement the Residual Value Mechanism (RVM) proposals as set out in the Assessment and delegated to TfGM the authority to undertake any preparatory work necessary to establish, operate and manage the RVM on behalf of the GMCA.
- 4.2 The above preparatory activity has now reached the stage where in order to implement the RVM under the franchise agreements, TfGM should enter into vehicle option agreements with incumbent operators. These are currently drafted on the basis that they will be entered into by TfGM and any operator who has agreed to sell vehicles into the Residual Value (RV) pool. The agreement enables TfGM to facilitate entry into asset purchase agreements between each incumbent operator and each new operator who

is taking vehicles under the RV agreement. The option agreement binds the incumbent operators to sell vehicles under the RV mechanism to the incoming operators. Entering into the options agreement with incumbent operators therefore gives more certainty on the operation of the RV mechanism both to support the Tranche 1 agreements and procurement of Tranche 2 and 3.

- 4.3 These agreements provide a legal route to facilitate the RVM as set out in the franchise agreements, as they provide a route for the vehicles to be sold to the incoming operator (which is already provided for in the franchise agreements). This report seeks authority to allow TfGM to enter into the above contracts for the purposes of establishing and implementing the RVM on behalf of GMCA.

5. RECOMMENDATIONS

GMCA is requested to:

1. Note and agree the outcome of the process to procure a preferred service provider to operate the Bolton Large Local Service Contract and the Wigan Large Local Service Contract in Sub-Area A of the Scheme.
2. Note the proposed key contractual arrangements of the Bolton Large Local Service Contract and the Wigan Large Local Service Contract.
3. In relation to the Local Service Contracts required for the implementation and operation of Sub-Areas B and C of the Scheme:
 - a) Agree to commence the procurement process.
 - b) Agree to delegate to TfGM the authority to undertake and manage the procurement process on behalf of the GMCA subject to the following condition –
 - i. TfGM will recommend a preferred bidder in relation to each Local Service Contract; in relation to large Local Service Contracts the decision to award will be taken by the GMCA and in relation to small Local Service Contracts and contracts for schools the decision to award will be taken in accordance with the contract award delegations as set out in the GMCA Constitution.

4. Agree that TfGM will manage the Local Service Contracts awarded in relation to Sub-Area A of the Scheme following their award on behalf of the GMCA subject to the following conditions:
 - a) TfGM will manage the above contracts in accordance with the provisions of an agreed Protocol with the GMCA.
 - b) That authority to agree the final terms of the above Protocol and any other associated necessary legal agreements on behalf of the GMCA be delegated to the Monitoring Officer.
 - c) That authority to complete and execute the Protocol and any other necessary legal agreements be delegated to the Monitoring Officer.
5. To authorise TfGM to enter into the agreements referred to in section 4 of this report for the purposes of establishing and implementing the Residual Value Mechanism on behalf of the GMCA.

Eamonn Boylan

Chief Executive Officer, TfGM and GMCA