

GMCA OVERVIEW & SCRUTINY COMMITTEE

Date: 7 June 2023

Subject: THE GREATER MANCHESTER FRANCHISING SCHEME FOR
BUSES 2021 – PROCUREMENT UPDATE

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

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 outcome of the process to procure service providers to operate the three Large Local Service Contracts in Sub-Area B of the Scheme. Three further reports on the outcome of the evaluation of tenders in relation to these Large Local Service Contracts have been submitted in Part B of the agenda.

RECOMMENDATIONS:

The GMCA is requested to:

1. Note and agree the outcome of the process to procure a preferred service provider to operate the Middleton, Oldham and Queens Road Large Local Service Contracts in Sub-Area B of the Scheme;
2. Note the proposed key contractual arrangements of the Middleton, Oldham and Queens Road Large Local Service Contracts.

4. Agree that in relation to Sub Areas A, B and C of the Scheme TfGM will manage the implementation and operation of the Scheme and the Local Service Contracts awarded in relation to Sub-Areas A, B and C following their award on behalf of the GMCA subject to the following conditions:

a) TfGM will manage the implementation and operation of the Scheme and 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.

(If agreed, this delegation will supersede the delegation set out at no. 4 in the recommendations in the report titled *Greater Manchester Franchising Scheme for Buses: Procurement* dated 25 November 2022, made by the GMCA at its meeting on 25 November 2022).¹

CONTACT OFFICERS:

Eamonn Boylan, Chief Executive GMCA & TfGM:

eamonn.boylan@greatermanchester.ca.gov.uk

Steve Wilson, GMCA Treasurer:

steve.wilson@greatermanchester-ca.gov.uk

Gillian Duckworth, GMCA Monitoring Officer and Solicitor:

gillian.duckworth@greatermanchester-ca.gov.uk

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

steve.warrener@tfgm.com

¹ <https://democracy.greatermanchester-ca.gov.uk/documents/s23704/08.%20Franchise%20Procurement%20Tranche%201%20Bolton%20Part%20A%20FINAL.pdf>

Equalities Impact Assessment and Carbon Assessment:

This decision is the implementation of the Franchising Scheme that was approved in March 2021, therefore the assessment which was undertaken at that time remains relevant to this decision.

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

(greatermanchester-ca.gov.uk)

Comments/recommendations from Overview & Scrutiny Committee:

Overview and Scrutiny Committee meets on 7 June 2023 and comments will be reported to the GMCA on 9 June 2023.

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

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

To be considered on 7 June 2023.

<u>BOLTON</u>	<u>MANCHESTER</u>	<u>ROCHDALE</u>	<u>STOCKPORT</u>	<u>TRAFFORD</u>
<u>BURY</u>	<u>OLDHAM</u>	<u>SALFORD</u>	<u>TAMESIDE</u>	<u>WIGAN</u>

1. INTRODUCTION

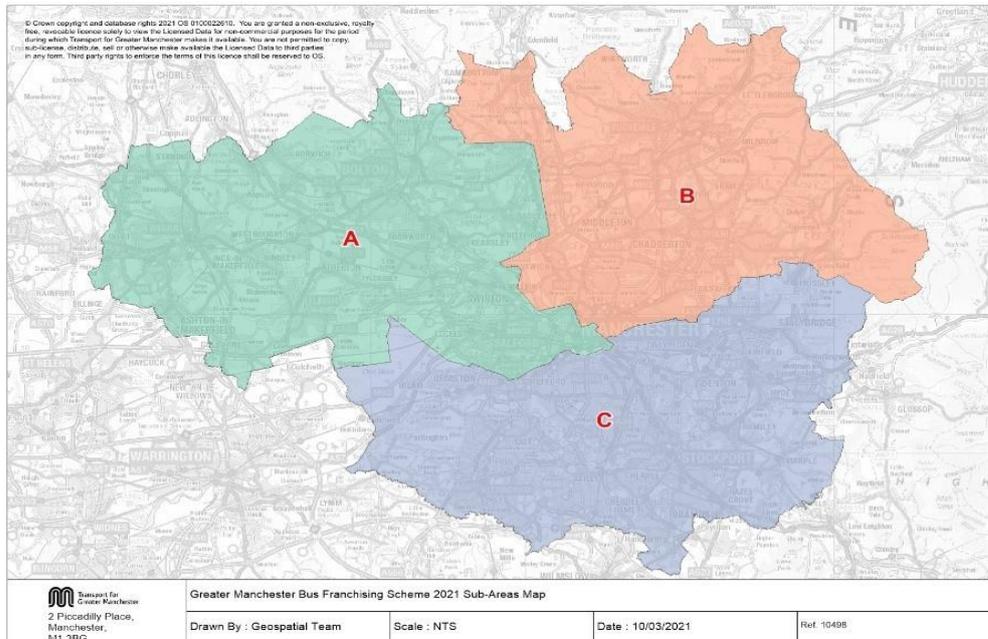
- 1.1 As members are aware, the GMCA considered the TfGM report titled ‘Bus Franchising in Greater Manchester March 2021: Consultation Report’ at its meeting on 23 March 2021 and recommended to the Mayor that he make a franchising scheme as more particularly set out in Appendix 5 to that report.
- 1.2 On 25 March 2021, 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 25th November 2022 the GMCA agreed to:
 - a) commence the procurement process for the Local Service Contracts required for the implementation and operation of Tranche 2 (and Tranche 3) of the Scheme. Tranche 2 includes the Middleton, Oldham and Queens Road Large Local Service Contracts.
 - 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; the decision to award the Large Local Service Contracts is to be taken by the GMCA.

- 1.4 The procurement process has been undertaken by a project team which includes TfGM 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 Middleton, Oldham and Queens Road Large Local Service Contracts) and makes a series of recommendations. Three further reports on the outcome of the evaluation of tenders in relation to these Large Local Service Contracts 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 24 September 2023),
- 2.3 Tranche 2 (Sub-Area B) will principally cover the north-east of Greater Manchester (operational start date of 24 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 Middleton Large Local Service Contract largely covers the services that run within or into/out of Middleton including the main services operating into Central Manchester. The Oldham Large Local Service Contract largely covers the services that make up the local Oldham network as well as key services linking Oldham with Manchester and Ashton/Rochdale. The Queens Road Large Local Service Contract covers a selection of services covering areas of North Manchester, Salford, Bury as well as the FreeBus services. The duration of the Franchise Agreement for each contract will be 5 years from the Commencement Date (namely 24 March 2024), plus two optional extensions, each of 1 year (i.e., 5+1+1) to 23 March 2031.
- 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 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 up to 16 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 2 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 will also be adopted for Tranche 3.

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 6 August 2021.

- 3.4 Acceptance onto the qualification system resulted in an operator becoming a Passport Holder.

Expressions of Interest

- 3.5 On 24 August 2022 TfGM, on behalf of GMCA, sent a Franchise Expression of Interest (Eoi) for each of the Large Local Service Contracts contained within Sub-Area B to all Passport Holders asking whether they wished to express an interest in one or more franchises contained within Sub-Area B.
- 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 Negotiate (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 24 October 2022 to express their interest in one or more Local Service Contracts contained within Sub-Area B and answer the selection questions contained within the Eoi.
- 3.9 All Passport Holders who had expressed their interest in one or more of the Middleton, Oldham and Queens Road Large Local Service Contracts 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). Passport Holders who were being taken through to the ITN Phase were notified on 4 November 2022. These Passport Holders were now considered to be Bidders in respect of the Sub-Area B Large Local Service Contract(s) in which they had expressed an interest.

Invitation to Negotiate

- 3.10 The ITN phase of the procurement process commenced on 8 November 2022. For the Sub-Area B 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 The final version of the Franchise Agreements and ITN were issued on 20 February 2023, as was the call for final tenders. There followed a period of time for qualification questions and ITN responses had to be submitted by 31 March 2023.

Evaluation, preferred bidder and contract close

- 3.14 Bidders submitted their bids by the deadline of 31 March 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 along with a series of recommendations.

Procurement of Sub-Area C and Management of Sub-Area A, B and C contracts

- 3.15 In respect of Sub-Area C, the EOIs were issued to Passport holders on 9th May 2023 with EOI responses due to be submitted on 9th June 2023, ITNs are due to be issued on 26th June 2023 and bid submissions are due back on 10th November 2023. Contracts are due to be awarded on 22 March 2024 with operations starting on 5 January 2025.
- 3.16 TfGM is establishing a function to manage the implementation and operation of the Scheme and Local Service Contracts on behalf of the GMCA in line with the principles set out in the Commercial and Management cases of the Assessment and subsequent implementation work. A delegation is therefore

sought which will authorise TfGM to perform this role on behalf of the GMCA, in accordance with the provisions of an agreed Protocol with the GMCA. ²

4. RECOMMENDATIONS

4.1 The recommendations are set out at the beginning of the report.

Eamonn Boylan

Chief Executive Officer, TfGM and GMCA

² If made, this delegation will supersede the delegation set out at no. 4 in the recommendations in the report titled Greater Manchester Franchising Scheme for Buses: Procurement dated 25 November 2022, which was agreed by the GMCA at its meeting on 25 November 2022.