

Date: 23 February 2024

**Subject: The Greater Manchester Franchising Scheme for Buses 2021 –
Procurement Update**

**Report of: Andy Burnham, Mayor of Greater Manchester, Portfolio Lead for
Transport and 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 outcome of the process to procure service providers to operate the five Large Local Service Contracts in Sub-Area C of the Scheme. Five 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 Hyde Road, Sharston, Stockport, Tameside and Wythenshawe Large Local Service Contracts in Sub-Area C of the Scheme;
2. Note the proposed key contractual arrangements of the Hyde Road, Sharston, Stockport, Tameside and Wythenshawe Large Local Service Contracts.

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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 Consequences – Revenue:

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

Financial Consequences – Capital:

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

Number of attachments to the report:

Appendices

Appendix 1: The Greater Manchester Franchising Scheme for Buses 2021 Bus reform decision March 2021 - Greater Manchester Combined Authority
(greatermanchester-ca.gov.uk)

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 titled Budget Paper C - GMCA Transport Revenue Budget 2021/22 dated 12 February 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 is Bus Reform: The Greater Manchester Franchising Scheme for Buses 2021 - Implementation and Operation dated 28 May 2021.

- Transport Revenue budget paper: [B. GMCA Transport Revenue Budget 2024-25.pdf \(greatermanchester-ca.gov.uk\)](#) dated 9 February 2024

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

Comments/recommendations from Overview & Scrutiny Committee:

Overview and Scrutiny Committee meets on 21 February 2024 and comments will be reported to the GMCA on 23 February 2024

To be considered on 21 February 2024.

Comments/recommendations from Bee Network Committee N/A

<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>

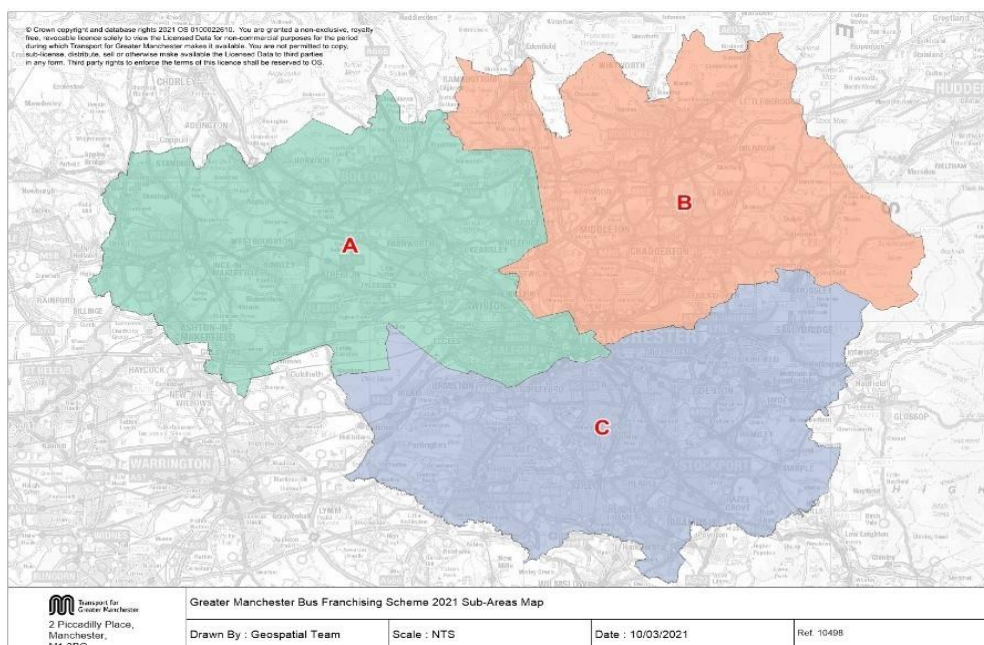
1. INTRODUCTION

- 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 22nd 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 3 includes the Hyde Road, Sharston, Stockport, Tameside and Wythenshawe 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 At its meeting on 09th June 2023 the GMCA agreed to:
 - a) delegate to TfGM the authority to manage the implementation and operation of the Scheme and Local Service Contracts on behalf of the GMCA, in accordance with the provisions of an agreed Protocol with the GMCA.
- 1.5 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 Hyde Road, Sharston, Stockport, Tameside and Wythenshawe Large Local

Service Contracts) and makes a series of recommendations. Five 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) principally covers the north-west of Greater Manchester (operational start date was 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 Hyde Road Large Local Service Contract largely covers the services that run within or into/out of the Hyde Road area including services operating into Stockport and South Manchester. The Sharston Large Local Service

Contract largely covers the services that run within or into/out of the Sharston area including services operating into South Manchester. The Stockport Large Local Service Contract largely covers the services that make up the local the Stockport area including services operating into Manchester. The Tameside Large Local Service Contract largely covers the services that make up the local Tameside network as well as key services linking with Central Manchester. The Wythenshawe Large Local Service Contract largely covers the services that make up the local Wythenshawe network as well as key services linking with Central Manchester. The duration of the Franchise Agreement for each contract will be 5 years from the Commencement Date (namely 05 January 2025), plus two optional extensions, each of 1 year (i.e., 5+1+1) to 04 January 2032.

- 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) are to 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 are awarded through competitive procurement processes under which operators tender for the exclusive right to provide certain local services. The successful operators have to provide those local services on the terms specified in the relevant contract, including those relating to frequency and standards. The services that are being franchised are listed in the Scheme (Appendix 1 to this report).
- 2.9 The 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 14 small Local Service Contracts being let across the whole Scheme.
- 2.10 The 10 large Local Service Contracts are being 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 has been 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 3 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.

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 09 May 2023 TfGM, on behalf of GMCA, sent a Franchise Expression of Interest (Eoi) for each of the Large Local Service Contracts contained within Sub-Area C to all Passport Holders asking whether they wished to express an interest in one or more franchises contained within Sub-Area C.
- 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 09 June 2023 to express their interest in one or more Local Service Contracts contained within Sub-Area C 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 Hyde Road, Sharston, Stockport, Tameside and Wythenshawe 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 23 June 2023. These Passport Holders were now considered to be Bidders in respect of the Sub-Area C 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 26 June 2023. For the Sub-Area C Large Local Service Contracts there was a one-stage ITN process.
- 3.11 The ITN Phase allowed 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 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 09 October 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 10 November 2023.

Evaluation, preferred bidder and contract close

- 3.14 Bidders submitted their bids by the deadline of 10 November as required by the ITN. There was a very strong level of interest in each of the 5 Large Local Service Contracts, with each Large Local Service Contract tender receiving between 5 and 7 bids. 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.

4. RECOMMENDATIONS

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

Eamonn Boylan

Chief Executive Officer, TfGM and GMCA