

Tyne and Wear Local Sustainable Transport Fund Large Project Business Case

Addressing the barriers that transport creates
to economic growth and accessing
employment



Creating Growth, Cutting Carbon



Local Sustainable Transport Fund

Tyne and Wear commercial case

Tyne and Wear Integrated Transport Authority
Local Sustainable Transport Fund large project application
Commercial Case



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1. Introduction

1.1 This document sets out the Commercial Case for the Tyne and Wear Local Sustainable Transport Fund bid. It includes the proposed procurement strategy for the package bid.

1.2 The Commercial Case is one of five elements forming the overall Business Case for the project. The other elements of the Business Case are:

- strategic case;
- economic case;
- financial case; and
- management case.

2. Background

2.1 The ITA proposes to enhance our procurement strategy from that used in our key component project. The large project offers a wider and more diverse package of measures and our proposed approach considers and addresses this.

2.2 Tyne and Wear ITA undertakes procurement regularly and, in order to do so, is provided with specialist support from Newcastle City Council as lead authority for transport. The creation of this Commercial Case has been informed by procurement, risk and legal specialists from Newcastle City Council. The delivery of our project will also be informed by various experts including academics as part of an advisory (sounding) board.

2.3 Our plans and delivery approach have been developed in partnership with a range of private sector partners and our governance structure reflects their ongoing involvement. A central part of the bid for example – of effective area based travel planning initiatives at major employment sites – is based upon the extension of an existing private sector led model already shown to be effective in the area. This element of the bid will be delivered by a newly formed Travel Planning Delivery Group with a private sector chair and equal representation between the private and public sectors. With this newly formed delivery group, comes with it private sector matched funding. The terms of reference of this group clearly sets out new responsibilities and joint ownership to deliver our intended outcomes. Details of the specialists and partners referenced in 2.2 and 2.3 can be found in the Management Case, Annex 2.

2.4 The timescales for delivery of different elements of the package of proposals vary. A key tenet in the delivery and design of the proposed package is financial sustainability at the end of the funding period. Periodic reviews will take place (see Management Case, Annex 3) to examine the efficacy of continuing with different elements of the package.

2.5 Risks will be shared across delivery partners and the ITA and will vary depending on the project. All risks will be outlined and agreed in the contracts and during tendering for the procurement framework / projects.

3. Proposed Procurement strategy

3.1 Procurement of capital highway (or similar) works:

3.1.1 Capital elements of the package, whether delivered on adopted highway or within private developments (such as business parks) will be managed by the local highway authority and will be procured, taking into account any LSTF Grant Conditions, in accordance with the highway authority's financial regulations. This work will be undertaken



to a standard whereby the works can be adopted by the local highway authority after completion.

3.1.2 This will ensure liability for the works, and ongoing maintenance costs associated with capital improvements rests with that district. The taxpayer will receive value for money in that the infrastructure works will be built to an appropriate standard, then adopted and maintained by the local highway authority after implementation and therefore ensure they continue to be used and maintained after the LSTF ends in March 2015.

3.1.3 For capital projects that cross district boundaries, the Programme Board will ensure design and implementation takes into account any differences in adopted highway standards to ensure that the capital works are adopted into the future – thereby ensuring works are integrated with the wider environs and reducing risks associated with capital works and ongoing maintenance.

3.2 Procurement of bus routes:

3.2.1 In the process of defining the scope of this bid, local bus operators have been invited to submit commercially viable proposals which directly align to key LSTF objectives. An extensive evaluation process will be applied to all submissions to prioritise those which provide greatest access to employment, best value to the public purse and comply with practical and legal constraints such as procurement processes, delivery timescales and sustainability.

3.2.2 Nexus (Tyne and Wear's Passenger Transport Executive) will procure any new bus services on behalf of the Tyne and Wear Integrated Transport Authority. The method they will employ to do so can be found in Annex 2.

3.3 Procurement of other initiatives through framework:

3.3.1 In order to incentivise performance, efficiency and innovation, ensure value for money for the taxpayer and allocate risks in order that intended outcomes will be delivered we are creating a procurement framework specifically for the delivery of Local Sustainable Transport Fund initiatives (in addition to those referenced in 3.1 and 3.2). This approach will enable us to ensure both speed of delivery and the flexibility to employ various resources across different areas.

3.3.2 The Framework will produce lower cost and better quality projects on time through early engagement, reduced duplication, right first time decisions and better managed contracts. In addition a well managed and well integrated framework will also deliver a range of sustainability and community benefits.

3.3.3 The framework will allow an efficient collaborative initiative between the participating public bodies and any consultants / delivery partners recruited. It will support the delivery of the following objectives:

- Significant savings in procurement costs;
- Partnership working;
- Accurate and proportional allocation of risks;
- Incentivised performance and appropriate penalties for non-delivery;
- Improved relationships with supply chain;
- More timely and efficient programme delivery;
- Greater predictability of outcomes;



- Consistent approach to environmental sustainability
- Continuous improvement and innovation; and
- Delivery of social objectives.

3.3.4 The Framework will enable sufficiency of skilled resources to match peaks in workload, provide expertise in areas where skills are not provided in-house, facilitate benchmarking of costs to demonstrate best value and will drive service improvement through innovation and efficiency.

3.3.5 Consistent with our approach to governance and management, a decision will be taken by the appropriate Board in September 2014 as to whether or not to continue this framework for local partners after the end of LSTF. This will be based on a variety of criteria, most obviously being the effectiveness of this approach and the value for money for taxpayers, and economic growth we have created / facilitated through its use.

3.3.6 This procurement framework will meet all necessary legislation while promoting opportunities for local Small / Medium sized Enterprises (SMEs) to be involved in the delivery of the bid. It will also create a co-operative community interest company (CIC) that will enable individuals / groups of individuals who become trained in relevant areas during the course of the funding period to also access the opportunities presented by these revenue initiatives despite not being in a position to bid into the framework from the outset.

3.3.7 The LSTF TP (travel planning) Framework will be created between January 2012 and June 2012 (further details on this process can be found in Annex 3). It will be based around our philosophy of **Centralised function – localised delivery**. We will facilitate the delivery of our intended outcomes centrally while ensuring delivery is managed and implemented locally.

4. Framework scope

The procurement framework will be broken down into the following lots:

1. Monitoring and evaluation: To provide appropriate technical expertise to ensure the programme of work is accurately monitored and evaluated against various criteria. To ensure the impacts of the programme of work can be fully understood. To ensure appropriate research can be carried out to support the delivery of the component parts of the package.
2. Cycle promotion, repair, maintenance and delivery of initiatives: To commission the specialist skills required to deliver a range of cycling focused initiatives.
3. Travel planning initiatives: To commission the specialist skills required to deliver a range of travel planning initiatives - this could include but not be limited to; segmentation profiling and targeting of early adopters, travel plan development, personalised travel planning, dissemination of information and publicity and promotion.
4. Technical applications (intelligent transport initiatives): To provide advice on the practical application of a range of ITS solutions. To assist in the programme management and delivery of technical applications. To advise on purchase of technical equipment.
5. Car clubs: To commission the specialist skills and providers required to deliver car clubs.
6. Communications, Media, Publicity and Marketing: To commission specialist skills and providers in communications, media, publicity and marketing.



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Annex 1

Case studies to illustrate the way our procurement package will work:

1. Active Travel / Travel Planning officers

In a call to external stakeholders and district partners to promote projects to solve our transport problems or promote sustainable transport options, a wide range of proposals and initiatives were suggested. Predicted costs to deliver these proposals and solutions varied significantly between companies.

In order to drive those costs down and reach consistency across the programme we intend to centralise the function and recruitment of these posts and employ people to work at different employment locations on the same form of contract. This will reduce costs and also reduce the financial implications for different authorities / private employers while also ensuring the new roles have consistent job descriptions and pay conditions).

Existing travel planners and representatives of the employment areas will be fully integrated and involved in the recruitment process through the Travel Plan Delivery Group (Annex 1 in Management Case).

The recruitment of officers is therefore managed centrally – but delivered locally. If various employment areas are particularly keen to employ the same officer they will be offered the opportunity to share resources or provide additional match funding to secure their chosen officer – consistent with market driven economics, adding value for money for taxpayers and job opportunities for the unemployed / underemployed.

All the new travel officers will be employed centrally – but work at specific locations – generally more than one, so best practice and understanding different issues adds to the continuing professional development of these officers.

The central administration for this will also include a focus on facilitating shared practice and continuing professional development opportunities – enabling us to continue to train travel planners but at a reduced rate given increased numbers.

At the end of the fixed term contract the skills and training given to the travel planning officers will enable those officers (should they choose to) to become part of the LSTF framework (as part of the co-operative CIC) and continue to offer their services to the area within the LSTF period and potentially onward after March 2015 – ensuring ongoing market-led utilisation of the talent and skills pool we have created.

2. Provision of cycle maintenance / training

We intend to invite tenders for small pieces of localised work from a centralised function (on shortened timescales). This will enable smaller local providers to compete for work and provide the lowest possible costs for these works due to the range of providers that can undertake them. The presence of a CIC will also enable those who obtain skills through training to also compete for the opportunity to work.

If we were to invite bids for the whole range of cycle maintenance / training that we intend to implement across the whole package from the outset, it would benefit larger employers / organisations and inevitably help pay for some back office costs rather than being focused on localised delivery and outputs. SMEs may provide specialist support for certain cycling activities or initiatives, but not offer the full range of support we are looking for. At this stage, we would not want to disadvantage SMEs from competing for work locally to deliver our programme.



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Annex 2

Procurement of bus routes

Procurement of bus services is an activity all ITAs / PTEs are familiar with. Nexus, our PTE in Tyne and Wear procure bus services, as follows:

- Nexus hold a 'standing tender list' of bus companies who have expressed an interest in operating secured bus services.
- Annually, Nexus publish a 'Periodic Indication Notice' with the 'Official Journal of the European Union' (OJEU). This basically advises that Nexus are to issue tenders for bus service contracts over the next 12 months and any interest shown to this notice results in the company being added to the Nexus 'standing tender list'. The publication of this notice allows a reduction in tendering timescales throughout the year.
- As the need for tendering arises we are required to publish a further notice in OJEU should the estimated cost be in excess of £347.8k. In practice, we are cautious in this area and go to OJEU whenever the cost is likely to exceed £300k. This notice gives more detail as to the actual tenders to be issued, such as area(s) of operation, vehicle specification etc.
- Nexus generally use the 'open' method of tendering for the procurement of bus services and therefore tenders are sent out (via e-mail) to all on the 'standing tender list' and to any additional companies who have expressed an interest to the specific OJEU notice.
- The 'Invitation to Tender' comprises of instructions to tenderers, basic operational data which will be required by the contract such as timetable to be operated and vehicle specification (including accessibility criteria, minimum capacity and engine emission levels) and a bespoke pricing form.
- Non-conforming tenders will be considered on grounds of revised timetable, non-compliant vehicles and group bids (i.e. a number of tenders grouped together by the operator at a more favourable price). These non-conforming tenders (with the exception of non-conforming vehicles) must be accompanied by a fully conforming tender.
- Tenderers are given a minimum of 29 days to formulate their tenders and return them to Nexus by a specific date and time as 'hard copy' and in a sealed envelope addressed using a supplied label and showing no indication of the sender.
- Tenders received are opened and recorded subsequent to the stated deadline by a team comprising members of Nexus Corporate Procurement and the Secretariat.
- Tenders are then passed to Bus Contract Management where they are evaluated on both price and quality (normally 70% price, 20% vehicle quality and 10% on timetable enhancement).
- The contract with the highest overall mark is recommended for award to the Nexus Management Committee.

Timelines for Procurement Framework

- 5 'working' days – Preparation of Invitation to Tenders & publication of OJEU notice (if over threshold of £347.8k overall) - these processes would be concurrent;
- 29 days – Procurement process;
- 14 days – evaluation, governance and initial award;
- 10 days – 'cooling off' period (if OJEU process followed);
- 3 'working' days – formal award and acceptance;
- 56 days – registration period.



To get existing vehicles on the road will therefore take approximately 18 weeks – we are looking at the middle/end of September to start if we get the go ahead in early June. New bespoke vehicles will likely add another 5-6 months. In order to facilitate this – where possible there is the option of going for new & bespoke but accepting a lesser standard whilst the vehicles are built which means we are still looking at September.



Annex 3

Procurement of other initiatives through framework

Advertising our contracts

When letting contracts, we are obliged to follow our own set of procedures as well as European and National legislation. This determines how contracts will be advertised. We know this procedure is proven to work and, therefore, there is no need to change to deliver our LSTF programme.

Where legislation dictates that contracts must be advertised in the Official Journal of the European Union (OJEU), we will ensure that this is done promptly and in line with the legislation. Contracts may also be advertised either in local press or specialist trade publications.

Contracts can be viewed by visiting our electronic tendering web site www.nepoportal.org which links directly to the North East Purchasing Organisation Portal where all 12 local authorities in the North East advertise procurement opportunities. This website is used to call for competition on the majority of procurements over the value of £5,000 and includes EU related contracts. Interested suppliers can register on this website by entering the 'Suppliers Area' and following the registration instructions. This web site is also used by other local authorities so potential tenderers would also be able to see other procurements that are taking place in the region.

Electronic trading

As part of Newcastle City Council's Corporate Procurement Strategy, we are committed to increasing the levels of electronic business. This includes electronic tendering, ordering, processing invoices and direct payment. Our aim is to increase the effectiveness and efficiency of letting contracts whilst maintaining a robust and competitive procurement.

Small and Medium Enterprises (SMEs)

We want to make sure that small and medium enterprises are given the same opportunities as more-established companies when tendering for work. We recognise that SMEs can enhance competition and provide responsive, innovative solutions and will ensure flexibility to enable SMEs to compete for business on an equal footing to their larger competitors. Therefore we aim to let contracts in such a way that encourages SMEs to tender.

Equality

We strongly support equal opportunities and expect high standards of the firms which we contract. We aim to ensure that organisations that provide services on our behalf comply with equality legislation and promote equality of opportunity. This will be reflected in our contractual terms and any post-contract monitoring.



Sustainable Procurement

Sustainable procurement makes sure that the acquisition of goods and services has little adverse impact, or indeed has a beneficial impact, on people and the environment.

We expect our contractors to help us in meeting our objectives and this will be reflected in our specification and contractual terms.

Incentives

We aim to ensure incentives for good performance and penalties for poor performance will be integrated into the mini competition evaluation process and subsequent review. A significant deterrent to poor performance in delivery will be the inclusion of reviews for all elements. Value for money will include criteria relating to performance scores and reviews.

Timelines for production of framework

To award contracts over the OJEU threshold, there is a need to get Committee approval. Contracts below the OJEU threshold can be procured in less than 8 weeks.

To award a contract over the OJEU threshold by 1 June 2012 the procurement programme would be:

- | | |
|------------------------------------|------------------|
| 1. Advertise in OJEU | 9 January 2012 |
| 2. Receive Expressions of Interest | 13 February 2012 |
| 3. Select tenderers | 17 February 2012 |
| 4. Invite tenders | 20 February 2012 |
| 5. Tender return | 30 March 2012 |
| 6. Evaluation of tenders | 6 April 2012 |
| 7. Committee Report | 9 April 2012 |
| 8. Committee | 14 May 2012 |
| 9. Standstill Period | 28 May 2012 |
| 10. Award | 1 June 2012 |

We have taken the decision to go out to tender early (prior to any approval from DfT on our LSTF Business Case). This will enable us (with a successful bid) to start delivering work June. If we are unsuccessful in our bid, we would simply not award any work to our framework partners or make use of the framework with the limited funding we would available through existing mechanisms.

We will make it clear in the tendering process that appointment to the Framework does not guarantee any specific volume of work, nor will any minimum volume be guaranteed. The benefit would be to allow an early start on delivery. The dis-benefit would be wasting the time of those who tender, internal resources and some (perhaps only modest) reputational damage for the ITA.



Tender Process

The tender process required depends on what is being procured and its value and would take one of the following routes:

- 1) Tenders above the OJEU Threshold (£173,934 for Goods and Services and £4,348,500 for Works, from January 2012) such as the proposed procurement framework described would be advertised in the OJEU Journal.
- 2) Tenders below the OJEU Threshold would be advertised on the www.qtegov.com website seeking tenders from interested companies.
- 3) The tenders would probably involve a two stage process.
 - a) Pre Qualification Questionnaire (PQQ – minimum timeline 30 days) or Contractor Evaluation Questionnaire (CEQ).

The questionnaire will assess each applicant's competency for performing the contract in the following areas:

- technical ability;
- financial standing;
- equality standards;
- health and safety standards;
- insurance requirements;
- quality and complaints procedures; and
- environmental standards.

b) Tender

Details of the conditions of contract would be provided together with information regarding the tender evaluation process and instructions for tendering. Most tenders will be evaluated in a two stage Price/Quality process where the ratio of Price to Quality will vary depending on the nature of the individual tender.

- Price – tenderers would complete the pricing schedule included.
 - Quality – tenderers would be asked to provide details of how they would meet the specification, timescale restraints, experience, track record and any other information to strengthen their case. References would also be sourced to verify their submissions.
 - We will ensure quality is taken into account by ensuring the team evaluating the tender returns have expertise and experience of the relevant type of work.
- 4) Evaluation – the Council will evaluate the tenders submitted through the www.qtegov.com website in accordance with the details published in the invitation to tender and award the contract to the highest scoring tenderer. Tenders which exceed the OJEU Threshold would require Committee Approval prior to their award and all tenders greater than £50,000 in value would be subject to a “standstill period” of 10 days to enable any challenges from unsuccessful tenderers to be considered before contracts are signed.