

Report of Head of Station Development

Report to Director of City Development

Date: 10 June 2019

Subject: Contract Award of Financial Consultancy Support for the Leeds City Region HS2 Growth Strategy, Existing Station redevelopment and Mass Rapid Transit system proposals

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary of main issues

1. Leeds has the ambition to be the best city in the UK, with a strong economy in a compassionate city. Leeds City Council has a key role to play in driving forward economic growth and regeneration in the city, and in providing quality infrastructure for its residents, to deliver this ambition.
2. Leeds Station is a nationally significant transport infrastructure. Over 31 million passengers pass through Leeds Station each year making it the busiest station in the North. Leeds Station's peak usage will increase by 49% by 2023 and rise by 135% by 2043, making it busier than London Kings Cross is now.
3. In July 2018 a Leeds Integrated Station Masterplan was approved which sets a compelling vision for the major transformation of Leeds Station to meet the stations demands.
4. High Speed Rail 2 (HS2) is due to arrive into Leeds in 2033 and is estimated to potentially treble the number of passengers per hour between the city and London to 15,000. In addition Northern Powerhouse Rail high speed rail is due to arrive in Leeds 2043 and with major upgrades to Trans- Pennine

routes (TPU) and services to drive these capacity ambitions. In redeveloping the Station to accommodate these services, there is the opportunity to create a gateway that drives economic growth and regeneration of Leeds City Centre and the Leeds City Region (LCR).

5. Initial concept development for a potential mass rapid transit system has commenced and support will be needed to develop potential financial approaches and models.
6. Flexible financial consultants are required to align with, and complement, ongoing activity led by Leeds City Council and other key project partners. Procurement commenced in May 2019 using the approved Crown Commercial Services Framework.

Recommendations

The Director of City Development is recommended to:

- a) Approve the award of contract to KPMG for financial consultancy.

1. Purpose of this report

- 1.1 The purpose of this report is to give the background for the need for the procurement of financial consultancy advisors and the process by which the winning bidder was selected, and to seek the approval from the Director of City Development for the award in line with Contract Procedure Rules.

2. Background information

- 2.1 Leeds Station is a nationally significant transport infrastructure. Over 31 million passengers pass through Leeds Station each year making it the busiest station in the North. Leeds Station's peak usage will increase by 49% by 2023 and rise by 135% by 2043, making it busier than London Kings Cross is now. In July 2018 a Leeds Integrated Station Masterplan was approved which sets a compelling vision for the major transformation of Leeds Station
- 2.2 In July 2018 a Leeds Integrated Station Masterplan was approved which sets a compelling vision for the major transformation of Leeds Station. Delivery of the Masterplan will:
 - Create a world class gateway for the City Region that is at the heart of the UK's rail network.
 - Seamlessly integrate High Speed Two (HS2), the Northern Powerhouse Rail (NPR) programme and enhancements to the classic rail services which use the Station.
 - Accommodate the planned doubling of growth in passenger numbers

using the Station over the next 30 years.

- Enable a step change in rail connectivity and capacity in the North of England – better connecting people and businesses to jobs and markets.
- Deliver a new internationally significant district in Leeds City Centre - with the potential for 300,000 square metres of commercial development.
- Be a catalyst for accelerating and enhancing the regeneration of South Bank Leeds, one of Europe's largest City Centre regeneration initiatives, which will double the size of the City Centre economy.

2.3 High Speed Rail 2 (HS2) is due to arrive into Leeds in 2033 and is estimated to potentially treble the number of passengers per hour between the city and London to 15,000. In addition Northern Powerhouse Rail high speed rail is due to arrive in Leeds 2043 and with major upgrades to Trans- Pennine routes (TPU) and services drive these capacity ambitions. In redeveloping the Station to accommodate these services, there is the opportunity to create a gateway that drives economic growth and regeneration of Leeds City Centre and the Leeds City Region.

2.4 The report details the procurement process undertaken to appoint financial consultancy advisors for these areas of work. The contract is to start on 1st August 2019 and expire on 31st July 2022, with further provision to extend the contract until 31st July 2024.

2.5 The procurement was undertaken using the Crown Commercial Services Framework which the Director of City Development approved on 18th April 2019. 29 organisations were invited to tender but only one submission was received.

3. Main issues

3.1. Tenders were returned on 15th May 2019 and checked for compliance against the Tender Instructions. Following the checks, the tender submissions were issued to the evaluation panel.

3.2. The evaluations were undertaken by an evaluation panel which included:

- Head of Station Development – Angela Lawson
- Head of Commercial - Finance – Paul Hyde
- Project Manager West Yorkshire Combined Authority – Tom Gifford

3.3. The evaluation was based on 60/40 quality/price split. There were a maximum 1,000 points available overall, 600 for quality and 400 for price.

3.4. The Crown Commercial Services framework was used to carry out the procurement and the tender documents were issued to 29 consultants on the framework. The

tender closed on 15th May 2019 at 12noon and only one consultant had responded.

3.5. Quality Evaluation

- 3.5.1 The table in Appendix One shows the quality criteria applied to the evaluation – this consisted of 5 mandatory questions and each had varying weightings. Minimum thresholds were applied to the mandatory questions – 50% pass rate per question.
- 3.5.2 The method statement questions were designed to explore key aspects of the service as set out in the specification.
- 3.5.3 Compliance with the tender instructions was checked,
- 3.5.4 The method statement tender submissions were evaluated out of 600 points using a consensus approach at evaluation meetings held on 21st May 2019.
- 3.5.5 The Project Officer in the station development team chaired the meetings and provided support to record the evaluation and justifications on the tender evaluation scoring booklets.
- 3.5.6 Following the method statement submission evaluation interviews took place on 10th June 2019 where consultants were given evaluation questions (Appendix Two) and evaluated using a consensus approach to be able to increase their score on the original submission.

3.6. Pricing Evaluation

- 3.6.1 The price submissions were evaluated out of 400 points at an evaluation meeting held on 21st May 2019.
- 3.6.2 The pricing schedules and pricing assumptions were reviewed by the evaluation team.
- 3.6.3 The total budget allocation for the contract without extensions was £300,000.

3.7 Submission Responses and Recommendations

3.7.1 Strengths

KPMG demonstrated that they have worked on mass transit with WYCA before and that they understand the work involved.

They have a well-established team that have worked on various transport schemes and have a successful background in transport and financial modelling and understand that a number of financial models will be required to pull together an overarching model. They demonstrated that they have worked on similar projects with numerous examples by providing information about key service delivery points, working with property consultants around land value capture and working with the Council as advisors.

During the interview KPMG showed a good understanding of the scope of the procurement and that they would be working as a financial adviser for LCC but with a duty of care to all other partners.

3.7.2 Weaknesses

A more comprehensive response could have been given around how they will work with us to mitigate risks and alternative funding opportunities were not highlighted.

3.7.3 Recommendation

Overall KPMG provided a good response to all of the method statement questions and a good response during the interview stage showing that they can provide the support and information required for this project.

Corporate considerations

4.1 Consultation and engagement

4.1.1 The proposal to commission external financial consultant advisors has been subject to consultation across City Development, Procurement and Commercial and WYCA MRT team and are supported.

4.2 Equality and diversity / cohesion and integration

4.2.1 The purpose of this appointment is to ensure that we leverage inclusive growth for the city and the financial modelling to ensure affordable solutions for the city to maximise inward investment to increase the city and regions infrastructure.

4.3 Council policies and best council plan

4.3.1 The LCR HS2 Growth Strategy and its associated projects (Southbank SRF, LISM and Inclusive Growth Strategy) will contribute to a number of Best Council Plan priorities. Ensuring the Council is supported by financial advice of the appropriate quality is essential to bringing forward the planning, scoping, delivery and implementation of these proposals and in turn delivering the below Best Council Plan priorities:

- Transport & Infrastructure – Connecting people and places
- Good Growth – Growing the economy, creating jobs, improving skills, promoting a vibrant city
- Child-Friendly City
- Health & Wellbeing
- Resilient Communities

LCR HS2 Growth Strategy - High Speed 2 (HS2) is a planned high speed railway designed to transform connectivity between our major cities, making it easier for businesses to locate across the Midlands and the North of England. This will help to rebalance the economy across the UK. Construction of the line to Leeds is planned to start in 2024, with the line to open in 2033. The Leeds region is growing and HS2 is vital to support the next steps in transforming our economy. With the arrival of HS2, it is vital that we plan how we can best distribute the economic benefits across the Region. The Leeds City Region HS2 Growth Strategy sets out how Leeds City Region will work with Government, businesses, schools, colleges and universities to maximise the benefits of HS2

South Bank Leeds Regeneration Framework - The South Bank refers to an area south of the River Aire where a number of investments and proposed activities are being targeted to achieve large scale regeneration. It is one of Europe's largest regeneration areas and the station is key to enabling continuing growth.

LISM - This Masterplan sets a compelling vision for the major transformation of Leeds Station, already the busiest transport hub in the North of England. Delivery of the

Masterplan will create a world class gateway for the City Region that is at the heart of the UK's rail network and seamlessly integrate High Speed Two (HS2), the Northern Powerhouse Rail (NPR) programme and enhancements to the classic rail services which use the Station.

Inclusive Growth Strategy – Our ambition for Leeds is to have a strong economy within a compassionate city. This inclusive strategy sets out how Leeds City Council, the private sector, universities, colleges and schools, and social enterprises in the city will work together to grow the Leeds economy ensuring that everyone in the city contributes to, and benefits from, growth to their full potential.

4.4 Resources and value for money

- 4.4.1 In the absence of sufficient internal resources and the assessment of the WYLAW framework not meeting the Council's requirements for this complex programme of work, the use of a call off exercise will enable the procurement of high calibre and specialised financial advice required for the delivery of a high profile and multi-faceted project.
- 4.4.2 The Bidder was evaluated on their cost proposals and undertaking a competition for services has helped achieve best Value for Money.
- 4.4.3 A fixed tender sum will not be invited but each piece of work will be specified and a fee proposal sought in line with the framework of rates. Final authorisation for the spend of this received sum will be sought in accordance with Financial Procedure Rules.
- 4.4.4 The appointment of a service provider through this procurement exercise will not commit the Council to any level of fees other than those incurred in response to detailed instructions and orders placed (there will be no minimum order obligations, and the arrangement will not be exclusive). As such the Council will remain in control of expenditure through regular monitoring and client liaison as the work progresses. The budget for 2019/20 will be through the LPTIP fund and the continuation of this commission will be regularly reviewed to ensure Value for Money is being delivered, and any need for additional budget provision in future years will be fed into department budget setting.

4.5 Legal implications, access to information, and call-in

- 4.5.1 This is not a Key Decision as defined under Article 13 of the Council's constitution due to the value of professional fees that may be incurred in a single year being less than £250k.
- 4.5.2 This decision is not subject to call-in.

4.6 Risk management

- 4.6.1 The procurement process has been undertaken in a fair, open and transparent way and in adherence with the council's contract procedure rules.
- 4.6.2 The identification of new and increasing risks will take place on an on-going basis with the project team.

5 Conclusions

- 5.1 The procurement has been undertaken in line with relevant procurement processes. The recommendation to award the contract follows the evaluation of the quality and price tenders submitted by a compliant provider.
- 5.2 KPMG were found to meet the necessary criteria, reflecting the desired outcomes that the Station Development team would hope to achieve through delivery of the contract whilst achieving value for money.

6 Recommendations

The Director of City Development is recommended to:

- a) Approve the award of contract to KPMG for the financial consultancy.

7 Appendices

- a) Appendix One – Method Statement Questions
- b) Appendix Two – Interview Questions

8 Background documents¹

- 8.1 None.

¹ The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.

APPENDIX ONE

	Method Statement	Assessment Method <i>[E.g. Scoring, PASS/FAIL, for info only etc.]</i>	Maximum Points Available	Minimum Score Threshold	Maximum Word Count/Page Limit
1	<p>Conflicts</p> <p>Please confirm any critical conflicts of interest and set out your approach to conflict management now and in the future should conflicts arise.</p>	Pass/Fail	N/A	N/A	1 A4 page
2	<p>Background Knowledge and Understanding</p> <p>Set out your understanding and knowledge of HS2, the Hybrid Bill process Leeds Integrated Station Masterplan and the requirement for a mass rapid transport system for the Leeds City Region. Explain why these strategic investments and proposals are critical to Leeds and the City Region.</p>	Scoring	100	50	2 A4 page
3	<p>Opportunities and Risks</p> <p>Set out what you see as the key financial opportunities and risks regarding the station development, south bank regeneration and a mass rapid transport system for the Leeds City Region. How do you propose to work with us to mitigate risks and exploit opportunities?</p>	Scoring	200	100	2 A4 page
4	<p>Multi-disciplinary advice / Team Working</p> <p>Set out how you will provide a comprehensive</p>	Scoring	150	75	2 A4 page

	and multidisciplinary service, including any foreseen sub-consulting relationships to ensure the highest quality of service and expertise for the client. Also set out your understanding of the necessary engagement between key stakeholders.				
5	<p>Project Management and Team Structure</p> <p>Provide narrative on the following project management areas:</p> <ul style="list-style-type: none"> ▪ Approach to assisting the Authority in developing appropriate Financial Documents ▪ Working with the Authority team, including other advisors ▪ Rationale for fee earner mix ▪ Maintaining strategic oversight ▪ Phase planning and delivery to plan ▪ Consistency with other proposals ▪ Quality Assurance <p>Detail your resource plan for the provision of this service (detailing composition, leadership and management of the team, the range of property disciplines and expertise to be provided, proposed personnel aligned to each of the job roles identified in the pricing schedule at appendix 2, and identifying Key Personnel) Include how your organisation's expertise will be coordinated and applied to the commission. Set out how this will meet the outcomes required</p>	Scoring	150	75	2 A4 page

	pursuant to the specification.				
	Interview Confirmation that at least 2 key personnel are able to attend an interview in May 2019.	Pass/Fail	N/A	N/A	N/A

APPENDIX TWO

Question 1 - Please confirm your understanding of the scope of this procurement and whether you looking at it from a Council perspective, wider partnership perspective or both?

Question 2 - If we needed to raise £500m - £2bn for a Mass Transit system for the region, what is the best approach to developing a funding strategy?

Question 3 - How are you going to address the issue of working across 6 different organisations and a number of different funding sources to find a single solution financial model and can you provide examples of previous similar work?

Question 4 - Following on from your answer to question 1 above can you expand on your response to question 1.3 in the tender on funding opportunities and provide examples of where you have delivered these opportunities successfully.