



Ministry of Housing,
Communities &
Local Government

Pre-Tender Market Engagement

UK Freeports Evaluation CPD4122058

Authority: Ministry for Housing, Communities and Local Government (MHCLG)
("the Authority").

Date Response required: 3:00 pm on Thursday 22nd July 2021

1 PURPOSE

- 1.1 This Pre-Tender Market Engagement (PTME) seeks information in preparation for the potential procurement of a Supplier (from herein referred to as a "**Potential Supplier**") to design and carry out the evaluation of the UK Freeports Programme. This will involve, but not be limited to, the feasibility study, developing a Monitoring and Evaluation Framework/associated products, carrying out baseline studies prior to Freeports becoming operational, and carrying out the evaluation. The purpose of this PTME is to:
 - 1.1.1 help define the requirement;
 - 1.1.2 help provide a better understanding of the feasibility of the requirement;
 - 1.1.3 understand the best approach;
 - 1.1.4 understand the capacity of the market to deliver in our proposed timeframes and possible risks involved; and
 - 1.1.5 provide the market with an opportunity to ask questions, raise queries and any issues to be addressed at an early stage.
- 1.2 The Authority shall maintain commercial confidentiality of information received during the PTME.

2 INTRODUCTION

- 2.1 In the 2021 Budget, the UK Government announced the development of 8 Freeports across England, and the UK Government remains committed to establishing at least one Freeport in Northern Ireland, Scotland, and Wales as soon as possible. Once designated, UK Freeports will create national hubs for trade, innovation, commerce, and global investment. The Government is currently working with the Freeports to support delivery of the policy, with the first planned to open for business in late 2021.
- 2.2 The UK's new bespoke, flexible Freeports model elevates the traditional Freeports model seen in the EU, by implementing a wide variety of policy levers including; tax reliefs such as zero stamp duty, full rebates for construction and machinery investment, five years of zero business rates, and lower tariffs and customs obligations. Freeports will be able to take advantage of Local Development Orders, to help local authorities facilitate much-needed construction. Subject to business case appraisal, access up to £25m seed funding each, to support regeneration and access a package of measures to fund innovative activity, boost collaboration and test innovative technologies in controlled regulatory environments. They will also receive specific trade and investment support from DIT. Further information on the policy can be found in the [bidding prospectus](#).

- 2.3 As Freeports is a highly novel, flagship government policy, robust M&E will therefore be key to evaluate and evidence what has worked and what hasn't worked in the policy. Learning from other programmes, it is crucial that programme level M&E is built into the delivery of Freeports from the outset.

3 HIGH LEVEL OUTLINE PROJECT OUTCOMES REQUIRED

- 3.1 We intend to commission a supplier who will carry out a feasibility study, develop a coherent M&E framework, carry out baseline studies and design/ conduct the evaluation. It is our preferred approach in procuring the same supplier (which could consist of a consortium) to conduct the complete process.
- 3.2 We expect the Monitoring and Evaluation of Freeports to include a combination of a Process, Impact and Value for Money Evaluation, and be in line with key principles and practice from the [Magenta Book 2020](#).
- 3.3 Following these methods will ensure that we are able to assess the effectiveness of Freeports as an intervention, enabling officials in the future to learn from the government experience of Freeports and the specific levers contained therein.
- 3.4 For Freeports, we think there are 3 overarching areas to focus on to fully evaluate the effectiveness of Freeports as a policy intervention:
- i. **Monitoring and Evaluation of the Core Objectives**
 - ii. **A holistic and rigorous evaluation of Freeports impacts (Impact Evaluation)**
 - iii. **A theory-based evaluation to help us understand how and why the policy had the impacts it did (including the role of different levers)**
- 3.5 Through qualitative and quantitative means of evaluation, these areas of focus will scrutinise the government's underlying model and the implementation process to ensure Freeports are well-targeted and deliver value for money.

i. Monitoring and Evaluation of the Core Objectives

- 3.6 As laid out in the bidding [prospectus](#), Freeports will be novel place-focused interventions that aim to drive structural change in at least 10 local economies across the UK. They will combine wide-ranging tax and policy levers with the aim to achieve the following objectives:
- 3.6.1 Establish national hubs for global trade and investment
 - 3.6.2 Promote regeneration and job creation
 - 3.6.3 Create hotbeds for innovation
- 3.7 Drawing on these objectives, the Government has produced an interim (draft) list of KPIs to evaluate whether these objectives are achieved.
- 3.8 We expect these KPIs to be revisited in detail as we develop the M&E framework, including the data collection tools and methods. The Supplier should note that we would like to explore in depth what data would be better collected from end users, in comparison to administrative data sets.
- 3.9 There is also scope to add indicators on further delivery requirements stated in the bidding prospectus, such as net zero and clean growth.

Key Performance Indicators to monitor and evaluate the core objectives

Objective 1: establish Freeports as national hubs for global trade and investment across the UK

- Increase in additional trade: both value and volume measurements through designated area - disaggregated by sector and country of origin.

- Value of and Gross Value Added (GVA) provided by additional investment in Freeports (within the boundary area), disaggregated by company employee size, turnover, sector, and country of origin.
- Additional UK exports from Freeports, absolute value and as a proportion of total UK exports, compared to UK overall export levels.

Objective 2: promote regeneration and job creation

- Increase in number of additional of full-time equivalent permanent jobs, in deprived surrounding areas, disaggregated by sector and SOC¹ code.
- Growth in median average wages in Freeport and deprived surrounding area, disaggregated by sector, in comparison to growth in surrounding areas.
- Increase in productivity (GVA) in each target region, disaggregated by sector (to allow for analysis of highly innovative industries or those high in GVA for each target region).

Objective 3: create a hotbed of innovation

- Increase in UK R&D intensity²: Gross R&D spend³ (GERD) - GERD/ GDP or GERD/ GVA - especially in highly innovative industries, in Freeport and surrounding/target region.
- Increase in STEM⁴ employee density - percentage of population employed in science, research, engineering, and technology professional by NUTS2⁵ regions.
- Increase in productivity (GVA) in each target region - available at NUTS2, NUTS3, LEP and LA geographic levels.

ii. A holistic and rigorous evaluation of Freeports impacts

- 3.10 Freeports aim to boost trade, innovation and drive significant structural change in an area. Assessing the extent to which an intervention has created change, and what that change is can be challenging. Working with a Supplier, we want to explore ways in which we can robustly evaluate the impact of a freeport to a particular area in the whole.
- 3.11 We would like the Supplier to expand on the KPIs and look at wider benefits such as the additional value of a freeport, as well as establishing a counterfactual for comparison.
- 3.12 We expect the best methodology for this will be through a statistical comparison of freeport areas, with other similar areas which applied to be freeports but were unsuccessful. However, this is not fixed, and we welcome proposals for other measures for establishing a counterfactual and for measuring displacement.
- 3.13 In addition, we are keen for the feasibility study to consider the spatial levels of the impact evaluation (Freeport; functional economic geography, travel to work area; nationally).
- 3.14 In exploring the best way to evaluate freeports, there are 3 areas of insight that we want to focus on:
- 3.14.1 **Displacement** – to what extent are the outcomes attributed to Freeports genuinely additional?
 - 3.14.2 **Objectives** – to what extent has each objective been achieved?
 - 3.14.3 **Process** – was the process from bidding to being operational effective and comprehensive?

¹ [Standard Occupation Classifications](#).

² The ideal is R&D expenditure divided by GDP and this is how the 2.4% target is defined, with this calculation providing the GERD. But sometimes GDP is not available. R&D divided by GVA is an alternative; this will on average be slightly higher because GVA is less than GDP in aggregate. Another alternative is R&D divided by sales or turnover, as used on the right-hand side of BERD tables 24 and 27; this on average will be smaller because gross sales are higher than GVA).

³ GERD is the sum of Business R&D expenditure (BERD), Private-non-Profit R&D expenditure (PnPERD), Government R&D expenditure (GovERD) and Higher Education Expenditure (HERD)

⁴ Science, technology, engineering and mathematics.

⁵ The Nomenclature of Territorial Units for Statistics, a geocode standard by Eurostat for referencing the subdivisions of the United Kingdom of Great Britain and Northern Ireland for statistical purposes.

iii. A theory-based evaluation to help us understand how and why the policy had the impacts it did (including the role of different levers)

- 3.15 There is value added in exploring how separate policy levers, or even individual measures can be assessed. Some will be easier to disentangle than others. Subject to further work, effective quantitative monitoring of these levers could enable statistical methods to be used to understand specific impacts for future policy making.
- 3.16 The key question to answer here is how and why did freeports create a particular impact. While the obvious would be to explore the relative effects of the different levers, other aspects may come into this and developing an integrated theory of change will be key to understanding this.
- 3.17 Key levers to focus on this area are:
- iv. Customs (Did simplified/ efficient procedures promote growth?)
 - v. Tax (VfM and impact of reliefs)
 - vi. Planning (Was there a reduce time to development? Was more planning permission granted?)
 - vii. Regeneration (Effectiveness of Seed funding/ governance structures)
 - viii. Innovation (Effectiveness of innovation funds and 'deregulation')

3.18 The potential Social Value Themes identified for this Contract are: “COVID-19 Recovery” and “Tackling economic inequality”. Please see the [Social value quick reference guide](#).

3 OUTPUTS/DELIVERABLES

3.1 The key deliverables will be:

- 3.1.1 Developing an M&E framework including: Feasibility Study and supporting analysis; Problem Analysis; Theory of Change; M&E Purpose and Design; Results Monitoring, including logical framework and results measurement plan; Indicators and guidance sheets; Data audit and gap analysis; Baseline assessment requirements. *Some of this work will be needed at pace and delivered before the end of the year, in order for us to set out the reporting requirements for Freeports prior to them becoming operational.*
- 3.1.2 M&E guidance and reporting templates for Freeports. *We intend to provide M&E guidance to Freeports by the end of 2021.*
- 3.1.3 Writing an M&E summary, to meet our public commitment to the [International Trade Committee](#). *We intend to publish this in Spring 2022.*
- 3.1.4 M&E workplan, including mobilisation, data collection plans (including systems), annual reporting, baseline study, interim evaluation, impact evaluation and ongoing learning.
- 3.1.5 Conducting Baseline studies. *Some Freeports are planned to become operational in late 2021, so we would need baseline studies in these areas conducted prior to this.*
- 3.1.6 Support to Freeports for their M&E activities and sharing learning throughout implementation
- 3.1.7 On-going monitoring and data collection (subject to feasibility study)
- 3.1.8 Conducting the Process, Impact and VfM evaluation (subject to feasibility study).
- 3.1.9 Proactive learning and engagement activities to share lessons and feed into policy debates

4 KEY DATES & TENDERING PROCESS

- 4.1 If it is decided this service is required, it is anticipated that a procurement may start in August with the contract to commence by the end of September. These indicative dates are for information purposes only. MHCLG reserve the right to amend these dates at any time, and Potential Suppliers rely on them entirely at their own risk.
- 4.2 The proposed contract is expected to be for a maximum period of 6 years, with an initial break clause after year 1 to allow for an assessment of the feasibility study. Funding is already secured for year 1 and future allocations will be sought during the Spending Review for the next Spending Review period.

5 RESPONSE

- 5.1 Please respond by email to james.jefferson@communities.gov.uk with the following by 3:00 pm on Thursday 22nd July (the “Response Deadline”).

- Q1 Would you be interested in bidding for this project?
- Q2 Is this project deliverable in the timeframe proposed?
- Q3 Is what the Authority asking for clear?
- Q4 What, if anything, has the Authority missed or overlooked in setting out their requirement? We’re keen to hear your innovative proposals for the monitoring and evaluation of Freeports.
- Q5 Across all the key outputs and deliverables, please set out a high level approach to each one, identifying the work and resource needed, and to what time frames this could be delivered.
- Q6 The UK Freeports model is new and unique – how will you ensure you have the right expertise to effectively design the monitoring and evaluation of the programme?
- Q7 What are your proposals for establishing a counterfactual for the impact evaluation? We would expect the feasibility study to offer advice on its derivation.
- Q8 How do you propose to measure or evaluate displacement and additionality?
- Q9 We welcome further proposals from the market in relation to Freeports M&E, especially in reference to the policy objectives and criteria as set out [Freeports prospectus](#).
- Q10 Is there anything here which is irrelevant, outdated or unnecessary?
- Q11 What would the indicative cost be for this piece of work? Please break this down per key outputs and deliverables.
- Q12 Are the proposed Social Value Themes, Policy Outcomes and Criteria appropriate for this requirement? Please elaborate on your reasons why and/or suggest alternatives that could be applied and why these alternatives would be more relevant?
- Q13 In your opinion, what is the level of risk of modern slavery in your supply chain? Can modern slavery risks be managed / mitigated within the service?

6 QUESTIONS AND CLARIFICATIONS

- 6.1 Potential Suppliers may raise questions or seek clarification regarding any aspect of this PTME document at any time prior to the Response Deadline. Questions must be submitted by email to james.jefferson@communities.gov.uk only.
- 6.2 To ensure that all Potential Suppliers have equal access to information regarding this PTME exercise, responses to questions raised by Potential Suppliers will be published in a “Questions and Answers” document, which will also be circulated by email, with updates appearing at regular intervals (approximately two to three working days).
- 6.3 Responses to questions will not identify the originator of the question.
- 6.4 If a Potential Supplier wishes to ask a question or seek clarification without the question and answer being revealed, then the Potential Supplier must state this in their email and provide its justification for withholding the question and any response. If the Authority does not consider that there is sufficient justification for withholding the question and the corresponding response, the Potential Supplier will be invited to decide whether:
 - 6.4.1 the question/clarification and the response should in fact be published; or
 - 6.4.2 it wishes to withdraw the question/clarification.

7 GENERAL CONDITIONS

- 7.1 This PTME will help the Authority to refine the requirements and to understand the potential level of interest in the delivering requirements. It will also aid Potential Supplier’s understanding of the requirements in advance of any formal competitive tender exercise.
- 7.2 The Authority reserves the right to change any information contained within this PTME at any time, and Potential Suppliers rely upon it entirely at their own risk.
- 7.3 The Authority reserves the right not to proceed with a competitive tender exercise after this PTME or to award any contract.
- 7.4 Any and all costs associated with the production of such a response to this PTME must be borne by the Potential Supplier.
- 7.5 No down-selection of Potential Suppliers will take place as a consequence of any responses or interactions relating to this PTME.
- 7.6 The Authority expects that all responses to this PTME will be provided by Potential Suppliers in good faith to the best of their ability in the light of information available at the time of their response.
- 7.7 No information provided by a Potential Supplier in response to this PTME will be carried forward, used or acknowledged in any way for the purpose of evaluating the Potential Supplier, in any subsequent formal procurement process.