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1. PURPOSE

1.1 The purpose of this requirement is to:

- 1.1.2 develop a tool that allows to reliably estimate the land value uplift generated by planning gains or infrastructure betterment and the revenue that could be raised from land value capture mechanisms for the purpose of funding investment, upgrading and maintenance of strategic and local infrastructure;
- 1.1.3 provide a thorough understanding of strategic choices made by local authorities when seeking to fund infrastructure projects; and
- 1.1.4 allows the Authority to test land value capture mechanisms alternative to those currently in place and other relevant changes in policy.

2. BACKGROUND TO THE CONTRACTING AUTHORITY

- 2.1 The Authority (Her Majesty's Treasury) is the Government's economic and finance ministry, maintaining control over public spending, setting the direction of the UK's economic policy and working to achieve strong and sustainable economic growth.

3. BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT

- 3.1 The National Infrastructure Commission ("NIC") is an executive agency of the Treasury that enables long term strategic decision making to build effective and efficient infrastructure for the UK. Whilst Her Majesty's Treasury is the Contracting Authority, all analysis and outputs in the requirement are commissioned by, and will be delivered by the Supplier exclusively to, the NIC. Analysis and outputs must not be shared or discussed with any party other than the NIC, without explicit NIC consent.
- 3.2 The NIC operates independently, at arm's length from government. Its objectives are to support sustainable economic growth across all regions of the UK, improve competitiveness and improve quality of life.
- 3.3 Each Parliament, the NIC will deliver a study on the UK's long-term strategic infrastructure needs and to produce recommendations of solutions to address those needs across the infrastructure sectors including transport, energy, water & wastewater, digital communication, solid waste, flood risk management as well as considering their interdependencies and their interaction with built environment. This study is the National Infrastructure Assessment (NIA). The delivery of the NIA will be overseen by the NIC's commissioners, appointed by the Chancellor, who are able to commission research and call for evidence from public sector bodies and private sector and other third party experts.
- 3.4 The NIA will consist of two stages: Visions and Priorities, identifying the vision and long-term infrastructure needs which is to be published in the summer 2017; and the final National Infrastructure Assessment, a roadmap of Recommendations including both on policy and infrastructure solution which is to be published in the 2018.
- 3.5 The NIC has commenced work on Visions and Priorities, setting future vision and scenarios and looking ahead to infrastructure requirements for the next 30 years. Between May and August 2016, the NIC carried out a public [NIA consultation](#) in order to develop the best process and methodology of the assessment. The response was published in January 2017.

- 3.6 Infrastructure assets and services need to be paid for and funding determines who pays in the end. Funding for infrastructure covers not only capital investment for new assets, but also operational costs, maintenance, upgrading and disposal of these assets. The recommendations produced by the NIC need to be consistent with the fiscal and economic remits as set out by the Chancellor of the Exchequer in the [Remit Letter for National Infrastructure Commission](#). In order to do this, the NIC needs to develop a comprehensive understanding of all potential funding sources to assess the financial viability of its long-term strategic infrastructure plans.
- 3.7 Local Authorities have an important role in funding strategic and local infrastructure and capture of land value uplift from planning gains or infrastructure improvement is an essential mechanism to raise funds. However, despite its relevance, knowledge about the potential value that could be raised by different local authorities from one or a combination of mechanisms is limited.
- 3.8 The NIC is therefore commissioning an analysis on land value capture mechanisms in order to support its development of infrastructure assessment.
- 3.9 Potential Providers should read both the NIC's consultation on the NIA, as well as the [HM Treasury's response](#) to its own consultation regarding the establishment and functions of the NIC, in order to understand the broader context for this requirement and inform their response.

4. DEFINITIONS

4.1 Definitions:

Expression or Acronym	Definition
Funding	Defined as the how infrastructure will ultimately be paid for and who pays for it. For example, it can be paid for by the government through general taxation, or by consumers of the infrastructure or infrastructure services through user charging, or a levy on the infrastructure's direct beneficiaries (other than the users) in the immediate locality of the development.
Financing	Defined as the raising of equity and debt capital to pay for the construction upfront in exchange for providing investors with a financial return on invested capital after the repayment of that capital; It can be either public capital, or private capital, or a combination of public and private capital.
Land value capture (LVC)	Mechanism to fund investment in infrastructure from the increase in land or property value that it generates. Includes land value uplift deriving from planning changes (planning gains) as well as land value uplift from infrastructure improvements.

5. SCOPE OF REQUIREMENT

- 5.1 The Supplier will be required to develop a modelling tool that can reliably provide empirical estimates of the revenue that could be raised from land value capture mechanisms for the purpose of funding investment and upgrading of strategic and local infrastructure.
- 5.2 The tool will quantify the land value uplift generated by the impact that changes in land designation (planning gains) can have on land value according to location and the revenue stream that can be generated by infrastructure improvements.
- 5.3 The tool will aim to identify the composite effect generated by changes in land designation, infrastructure investments and the developments that these potentially derive as a consequence.
- 5.4 The model should be sufficiently flexible to provide examples of potential alternative policies to capture the land value uplift as discussed above.
- 5.5 Potential providers should note the following issues are not part of the scope of this procurement:
 - 5.5.1 general economic debate of private vs. public provision of infrastructure – such as the general economic arguments for and against privatisation and public provision;
 - 5.5.2 general discussion of shortage of investment in infrastructure;
 - 5.5.3 narratives or general discussion of how the government funds or should fund infrastructure.

6. THE REQUIREMENT

- 6.1 The outputs of this work include:
 - 6.1.1 A tool/calculator that provides estimates in land value uplift following from changes in land purpose or infrastructure improvements. This tool should:
 - 6.1.1.1 be as detailed and comprehensive as possible by, for example, providing estimates for differentials in land value changes across locations at the lowest geographical level possible as well as for all different types of mechanisms or broader reforms in place;
 - 6.1.1.2 be flexible to allow to appraise the impact of alternative mechanisms or to easily incorporate relevant policy changes; and
 - 6.1.1.3 comprise a sensitivity analysis to allow for potential deviations in the estimates of land value uplifts that can arise due to the uncertainty they are subject to.
 - 6.1.2 A rich and extensive database that gathers information on the value and designation (change in land use) of land and how this has changed over

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- time, ideally at the lowest possible geographical level. The data and the model should be provided either in Excel (preferably) or Stata formats only.
- 6.1.3 Extensive model documentation to allow the NIC to use the model independently of the Provider. This documentation should include clear and simple guidance that will allow the NIC as end-user to operate the model, as well as a clear explanation of the model structure and logic, its methodology, underlying assumptions and limitations; inputs required and outputs expected.
- 6.1.4 An ongoing dialogue with the NIC and other successful parties contracted by the NIC, to share expert views and judgements about the analysis as it develops. This should include regular engagement with the NIC to ensure there is a shared understanding of the purpose and limitations of the model as it is being developed.
- 6.2 All materials (including research, calculations and models) used to generate the analysis should be made available to the NIC for future use.
- 6.3 At the start of the project the NIC would expect to hold an inception/scoping meeting with the successful Supplier, and for a short inception report to then be provided which clarifies the approach to be taken, along with a plan setting out key milestones and dates for deliverables, risks and how these will be managed etc. – for agreement, before proceeding to carry out the analysis. The Authority expects the Supplier to work closely with the NIC, including weekly meetings and regular communication.
- 6.4 The NIC may procure studies on other infrastructure themes such as user charges and funding negative externalities of infrastructure. If required by the NIC the Supplier should work collaboratively with other third parties contracted by the NIC. That may include, but is not limited to, sharing analysis and methodologies, and developing jointly agreed assessments and conclusions to support the overall findings of individually commissioned pieces of research.
- 6.5 The NIC can choose to provide relevant responses from the consultation and call for evidence, and other supporting documentation. Given time constraints the NIC would not expect the Supplier to spend a significant amount of time meeting with or interviewing a wider range of stakeholders. The NIC will be undertaking a significant amount of engagement with key stakeholders and where appropriate will be able to provide analysis and views from those engagements.
- 6.6 Empirical data that is used should be derived from a broad range of credible sources (with appropriate references and citations), in particular drawing on information and analysis that is already in the public domain, case studies looking in detail at previous success stories, lessons learned and deep dives into key facilitators of growth such as transport, housing and skills.
- 6.7 The Supplier should also be prepared to present to technical and non-technical members of the NIC setting out the key findings from the literature review, and the key assumptions, results, and caveats for the wider economic assessment in a clear and concise fashion, to ensure these are fully understood. This will take place at the NICs head office referenced at 20.1.
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- 6.8 The Supplier should submit a final report detailing analysis, findings and comments in a clear and concise fashion – this should reflect any inputs/requests made by the NIC during the production phase. The NIC intends to publish this report.
- 6.9 As part of NIC's quality assurance process, the NIC can and will likely choose to have peer review of the output to be conducted by a third party or NIC's expert advisory panels. It is required that the Supplier will need to work proactively and collaboratively with the NIC to consider any reasonable comments and to incorporate them into their work and output accordingly.

7. KEY MILESTONES

- 7.1 The Potential Provider should note the following project milestones that the NIC will measure the quality of delivery against:

Milestone	Description	Timeframe
1	Project inception meeting with NIC to include: clarifying the approach to be taken, and providing a plan setting out key milestones and dates for deliverables, risks and how these will be managed, etc.	Within week 1 of Contract Award w/c 10th April 2017
2	Inception report finalised and agreed with NIC. Agreed approach and work plan in place and weekly updates with NIC diarised and underway.	Within week 3 of Contract Award w/c 24 th April 2017
3	A demonstration on how the database and tool set out in Requirements 6.1.1 and 6.1.2 are being developed.	Within week 21 of Contract Award w/c 28 th August 2017
4	Interim report addressing the issues set out in Requirement 6.1 including draft analysis of the findings.	Within week 26 of Contract Award w/c 2 nd October 2017
5	First draft of final report (model, draft analysis of findings and model documentation) to be shared with NIC.	Within week 33 of Contract Award w/c 20 th November 2017
6	Final draft of final report (as above) to be submitted to NIC.	Within week 36 of Contract Award by end of w/c 11 th December 2017

- 7.2 The above timetable assumes the Contract will be awarded by 10th April 2017. As such it is subject to change and is dependent upon key gateway points being met in terms of receiving information from the customer and obtaining all required approvals.

8. NIC'S RESPONSIBILITIES

- 8.1 The NIC will share pertinent information received through relevant stakeholders and introduce the Supplier to relevant stakeholders, which can offer valuable advice on the requirement.

9. REPORTING

- 9.1 As set out in Section 7 (Key Milestones). Additionally, the Supplier will be expected to update the NIC on project progress on at least a weekly basis via a meeting or phone call, including to flag any issues or early findings.

10. VOLUMES

- 10.1 This is a substantial piece of work – the expectation is that the key outputs and related materials will be both extensive and of publishable standard.

11. CONTINUOUS IMPROVEMENT

- 11.1 The Supplier will be expected to give due consideration to the way in which the required Services are to be delivered throughout the Contract duration and can be continually improved.
- 11.2 Changes to the way in which the Services are to be delivered must be brought to the NIC's attention and agreed prior to any changes being implemented.

12. QUALITY

- 12.1 The NIC will be looking to cite the findings from the project in late 2017 or early 2018, therefore, outputs should be to a publishable standard, with all assumptions and caveats clearly highlighted.
- 12.2 The source of data and assumptions, and advice on its robustness, should be clearly set out, and it will need to be demonstrated how the findings have been suitably quality assured, including through peer review and audit. The report will need to be a self-standing piece that can set out its analysis and justify its conclusions to leading experts in the fields of infrastructure and finance.

13. PRICE

- 13.1 Prices are to be submitted via the e-Sourcing Suite excluding VAT. Please note Appendix E is not used for this requirement and there is a specific Price questionnaire in the eSourcing tool.
- 13.2 Bids for the full requirement are expected to be in the range of £50,000 to £95,000 (exc. VAT).
- 13.3 Prices should be inclusive of all expenses and exclusive of VAT.

14. STAFF AND CUSTOMER SERVICE

- 14.1 The NIC requires the Supplier to provide a sufficient level of resource – with sufficient but not excessive senior involvement and oversight – throughout the duration of the Contract in order to consistently deliver a quality service to all Parties at value for money.

- 14.2 Supplier's staff assigned to the Contract shall have the relevant qualifications, experience and expertise to deliver the Contract. The NIC does not prescribe any single set of minimum requirements in terms of skills or qualifications, but the Supplier must demonstrate as part of its bid that its delivery team contains staff with sufficient expertise and skills.
- 14.3 The Supplier should not replace staff members in the team which was assembled and presented in the bidding process without informing and getting consents from the NIC.
- 14.4 The Supplier shall ensure that staff understand the NIC's vision and objectives and will provide excellent customer service to the NIC throughout the duration of the Contract.

15. SERVICE LEVELS AND PERFORMANCE

- 15.1 The NIC will measure the quality of the Supplier's delivery by:

KPI/SLA	Service Area	KPI/SLA description	Target
#1	Agreed approach	An inception report to be provided, and agreed by NIC, clarifying the approach to be taken, along with a plan setting out key milestones and dates for deliverables, risks and how these will be managed, etc.	Within 3 weeks of contract award w/c 24 th April 2017
#2	Output from Interim Report for Requirements 6.1.1 and 6.1.2	An interim draft addressing the issues set out in the requirement including the first draft of analysis, views and findings; a demonstration of progress made on land value capture tool.	Within 26 weeks of contract award w/c 2 nd October 2017
#3	Outputs from the Final Report, publishable form	A final report covering the key outputs described in the requirement and the delivery of the tool described in the requirement.	Within 36 weeks of contract award by end of w/c 11 th December 2017

16. SECURITY REQUIREMENTS

- 16.1 Due care must be taken by the Supplier to protect the confidentiality of all analysis and outputs (including in development and draft phases) relating to this requirement, to avoid pre-empting the NIC's placement of the final report in the public domain.

17. INTELLECTUAL PROPERTY RIGHTS (IPR)

- 17.1 All analysis (including any calculations and models) used to generate the outputs should be provided to the NIC for future use. This analysis, and the interim and final reports, will be the property of the NIC.
- 17.2 The Authority would like to encourage academics to consider bidding for this requirement. As such, the Authority is open to the IPR being used by the Supplier following the completion of this Contract. However, The Supplier must not disclose the report (either in part or in full) to any third parties prior to publication by the NIC, unless the NIC gives express consent to do so.

18. PAYMENT

- 18.1 Payment can only be made following satisfactory delivery of the pre-agreed certified products and deliverables. Payment will be made in arrears, subject to invoice(s) being submitted for work carried out. Payments will be made as follows against the milestones (as of section 7.1):
- 18.1.1 30% after delivery of milestone 3;
 - 18.1.2 30% after delivery of milestone 4; and
 - 18.1.3 40% after delivery of milestone 6.
- 18.2 Before payment can be considered, invoice(s) must include a detailed elemental breakdown of work completed and the associated costs.

19. ADDITIONAL INFORMATION

- 19.1 The Potential Provider should demonstrate that they are open to working collaboratively with other suppliers, contracted by the NIC in order to deliver related pieces of analysis.

20. LOCATION

- 20.1 The location of the Services will be carried out at the offices of the Supplier. However frequent meetings will need to take place with the National Infrastructure Commission at the Supplier's offices, or at the NIC's offices in the Eastcheap Court 11 Philpot Lane, London EC3M 8UD and other meeting spaces 1 in Central London, procured ad hoc by the NIC.