



Request for Quotations

Business planning and financial modelling support for up to three affordable credit providers

July 2020



Quote request: Business planning and financial modelling

Fair4All Finance is seeking a provider to deliver business planning and financial modelling support for up to three affordable credit providers in August-October 2020.

About Fair4All Finance

Fair4All Finance is a not for profit organisation founded in early 2019 to increase the financial wellbeing of people in vulnerable circumstances. This will enable individuals to overcome shocks, enrich their lives and enable them to pursue opportunities.

For customers struggling to access mainstream provision, fair and affordable lenders like credit unions and CDFIs provide a vital service. Responsible credit can help customers to meet unexpected costs, smooth incomes or make essential purchases that are otherwise unaffordable upfront, as well as saving hundreds or thousands of pounds a year compared with high-cost credit. Yet responsible lending makes up only a fraction of short-term lending in the UK - each year, affordable credit providers make just £250m of loans to this group, while over the same period, high-cost short-term credit providers lend £3bn. Fair4All Finance's first area of focus is to support the scaling of affordable providers and prove that this customer group can be served in a sustainable and ethical way. We will do this by providing support and funding for the affordable credit market as part of meeting the 10x challenge in ensuring that fair and affordable credit is available for all that need it.

Introduction

In response to the Covid-19 pandemic, and its expected impact on the business models of affordable credit providers, Fair4All Finance launched an emergency grant fund in April 2020. The Covid-19 Resilience Fund made grants of £20k - £350k to pay for technical assistance (costs of moving to a digital business model including scaling remote services, costs of branch closures, and adapting organisational structures) and financial resilience (short term liquidity to cover clearly time limited and temporary shortfalls in income where the organisation has a clear plan for, and a realistic prospect of, returning to sustainable trading within six months). 25 grants totalling £3.2m have been awarded to date.

Fair4All Finance has, through its Covid-19 Resilience Fund, awarded some individual credit unions grants of up to £15k to pay for financial consulting support to create a plan for sustainability. This support is to be procured by Fair4All Finance.

Given the expected similarity of financial support needs across these organisations (all credit unions), the expectation that this work will be carried out remotely (therefore geographical differences not a key consideration), and Fair4All Finance's desire to learn more about likely business support needs for CUs, we now propose to procure this as one piece of work. This work will be up to £45,000 (depending on the number of credit unions supported) and be carried out over summer/early autumn 2020.

It is likely that we will procure additional pieces of work to support the credit union sector in the coming months.



The specification (detail under outputs)

This work will involve:

1. Constructive engagement with the board/senior team of each organisation to develop a plan for sustainability;
2. Develop an individual business model for each organisation, with clear & agreed assumptions leading to sustainability;
3. A summary report to Fair4All Finance on building best practice at credit unions.

This work is expected to take 6 weeks, to include:

- For each organisation: engagement & diagnostic, building model, testing assumptions & agreeing sustainability plans
- With Fair4All Finance: engagement, final report to Fair4All Finance

The work will be with two or three credit unions.

Outputs/deliverables

1. Engagement with the senior team & board at each organisation.

- Financial consulting support to build best practice around financial and business planning, to understand and test key assumptions, to develop a sustainable plan. A sustainable plan should start with the existing business plan but may include a considering broader range of options than has previously been considered, potentially including restructuring, M&A, alternative ways of originating loans.
- Key stakeholder: each organisation, with a very short summary report for Fair4All Finance on the engagement with each organisation.

2. Individual financial consulting support to financial model for each organisation:

- This should be in a format agreed by each organisations and Fair4All Finance, but we expect it to be a simple financial model in excel, with accompanying notes, including forward-looking cashflow, P&L, balance sheet, CAR.
- The model can be based on the current financial model or may require starting afresh – the most appropriate approach will need to be agreed with each organisation.
- The model should include clear and agreed assumptions which result in a sustainable and resilient organisation,
- There should be clear assumptions around:
 - Customer lending (volumes & value, with assumptions on default & forbearance, including bad debt costs)
 - Customer saving (volumes & value)
 - How vulnerable customers will be served
 - Other income including grant income, government and local authority support (furlough scheme, other support)
 - Operating costs – including staff numbers and salaries, rental costs, technology costs, financing costs, other costs
 - Dividend payments
- The financial model should cover the next three financial years, on a monthly basis.
- This may include tracking key metrics, and improved regular reporting to the board.

- It is essential that the new financial model is well understood by at least one key member of the senior team, and that they are confident about using, updating and (if necessary) adapting this
- Fair4All Finance propose to check in six months as to whether the financial model is still being used – as this will help us to design better support going forwards
- Key stakeholder: each organisation, with the financial model to be shared with Fair4All Finance.

3. Recommendations on financial planning and building best practice at credit unions

- Based primarily on the work with these organisations. References to other credit unions, or other similar organisations, would be welcome.
- These recommendations are intended to inform and improve Fair4All Finance’s support for the affordable credit sector over the coming years.
- It may be that this piece of work leads to a broader piece of consultancy, potentially around merger activity in the credit union sector
- This will take the format of a final summary report in word.
- Key stakeholder: Fair4All Finance. It is not our current intention to publish, and all identifiable references to the organisations would be checked ahead of any publication.

The project will be managed by a Fair4All Finance project manager, with regular check-ins (likely weekly) with the consultant. Senior sponsor: Holly Piper, Investment Director, Fair4All Finance.

Timings

Timetable for quote requests:

Stage	Dates
Quote request published	w/c 27 July
Proposals due	Monday 17 August
Assessment	w/c 17 August
Interviews	w/c 17 August
Decisions made	w/c 24 August (including board sign-off) Intention is that this work begins 31 August

Your response

To respond to this quote request, please provide a proposal for how you would deliver the required specification for the scope of services as outlined above. The proposal assessment criteria and requirements are set out below.

Clarification questions on this quote request may be addressed to holly@fair4allfinance.org.uk.

Any question responses which are relevant to all will be shared with all applying parties. If you intend to submit a quote, please advise us at your earliest convenience so that question responses can be shared. Questions will be anonymised before responses are shared with respondents.

1 Budget and Pricing

- The total budget for the piece is **£30,000** if supporting two credit unions (current assumption). It may be that another credit union requires support, which would increase the budget to **£45,000**. Please make clear in your proposal the quote for two credit unions, and for three.
- Given the not for profit nature of Fair4All Finance, and our founding and funding through government, please indicate where you have given a discount on commercial rates.
- We would welcome proposals which identify a way to deliver the requirements for under the identified budget on a fixed price basis.
- Please outline any VAT and or expenses which may be payable clearly and separately.

2 Proposal submission and scoring criteria

Please email a proposal of no more than **6 pages** long to Holly Piper, holly@fair4allfinance.org.uk by **Monday 17 August**.

Proposals submitted will be assessed by Fair4All Finance against the following questions:

<p>1 Understanding of requirements Please explain what you understand Fair4All finance is aiming to achieve in commissioning this work.</p> <p>To what extent does the proposal demonstrate an understanding of the issues related to this brief?</p>	15%
<p>2 Please set out your proposed methodology by stage To what extent are the methodology and methods appropriate to the requirements set out in this brief?</p>	15%
<p>3 Relevant experience Please set out your experience of delivering [details of previous experience required]</p> <p>Please provide the name of two references we can contact in confidence, and at our sole discretion to confirm the work you undertook and its relevance.</p> <p>What degree of experience does the bidder demonstrate in order to successfully complete the work?</p>	30%
<p>4 Appropriate resourcing Please set out your resourcing plan and assumptions about the time commitments you plan to make by grade and resource type.</p> <p>Please make it explicitly clear who will be accountable for the work and who our day to day contact will be.</p> <p>How well has the bidder structured a team in order to successfully manage the contract and deliver the required work to the budget and timetable required?</p>	20%

5. Value for money

20%

To what extent does the proposal represent good value for money?

3 Notes

- Quote request responses not received by the deadline will not be considered.
- Quotations shall be valid for 90 days.
- All bidders are solely responsible for all their costs and expenses incurred in connection with this procurement process at all stages.
- Fair4All Finance reserves the right to amend or cancel the procurement exercise at any point. Fair4All Finance will accept no liability for any losses caused by any change or cancellation of this procurement exercise nor any decision not to award a Contract.
- Any information submitted to Fair4All Finance may need to be disclosed and/or published by Fair4All Finance. Fair4All Finance may disclose information in compliance with the Freedom of Information Act 2000, any other law, or, as a consequence of judicial order, or order by any court or tribunal with Fair4All Finance to order disclosure.
- Data Protection Act 2018 - Any awarded Contract will be subject to the Data Protection Act (DPA) 2018. Fair4All Finance reserve the right to request additional evidence to undertake sufficient due diligence of any Tenderer to ensure they have implemented the appropriate technical and organisational measures to comply with the act.
- Fair4All Finance is committed to greater transparency and may publish its tender documents, contracts and data from invoices received and may at its discretion redact all or part of such information prior to publication.
- Bidders shall not (and shall procure that their subcontractors and representatives do not) do any of the following without obtaining the prior written consent of Fair4All Finance:
 - make a public statement or communicate in any form with the media in connection with this procurement
 - use any trademarks, logos or other intellectual property rights associated with Fair4All Finance and/or its stakeholders
 - represent that the Bidder is directly or indirectly associated in any way with Fair4All Finance and/or its stakeholders or that its or their respective products and/or services are in any way endorsed by Fair4All Finance and/or its stakeholders
 - do anything or refrain from doing anything which would have an adverse effect on or embarrass Fair4All Finance and/or its stakeholders.
- Tenders with abnormally low prices may be rejected by Fair4All Finance. Prices that are suspiciously low in the opinion of Fair4All Finance will be considered further before a decision is taken as to whether the price is abnormally low. This will include clarification with the relevant bidder.
- Fair4All Finance will award the Contract to the bidder submitting the offer that best meets scoring criteria from the point of view of Fair4All Finance.
- Fair4All Finance will notify all bidders of its contract award decision.