

Quote request- Merseyside credit union social impact evaluation and impact reporting toolkit

October 2021

Quote request: Merseyside credit union social impact evaluation

Fair4All Finance is seeking a provider to evidence the social impact of six credit unions operating within Liverpool/Merseyside. The objective of this work is to

- Improve understanding of the six credit unions' impact on both their customers and the Liverpool/Merseyside community, and
- Support the credit unions to build internal systems for customer data tracking

We hope this work will increase the visibility of the sector and will help providers better understand their continued impact on customers.

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 by increasing access to fair, affordable, and appropriate financial products and services. We have three main priority areas:

- Expanding provision of affordable credit through a scaled community finance sector
- Partnering with banks and financial service providers to support the delivery of products and services for customers in vulnerable circumstances
- Developing and scaling products and services to address market gaps

You can find our full strategy [here](#). You can also find our theory of change for the affordable credit sector on page 11 of this [report](#).

As a leading organisation in the financial inclusion space, we must play a strategic role in evidencing the benefit of fair financial products and services to customers and in communicating this benefit to government, regulators, the wider financial services sector, and civil society. We have made significant investments in the community finance so far, including two large early investments into Fair for You and Moneyline, along with grant funding commitments in our Affordable Credit Scale Up Pilot and Covid-19 Resilience Fund. Further investment commitments have been made into four credit unions as part of the next phase of our Affordable Credit Scale Up programme. An important part of our own internal impact measurement is the impact of these organisations.

Introduction

The community finance sector in the UK is comprised of credit unions, CDFIs, and other social purpose lenders. These organisations provide affordable credit to customers excluded from alternative low-cost credit sources, particularly those customers with low or insecure incomes. Each year, community finance providers make roughly £300m of loans to customers.

This sector plays a significant role in supporting the financial needs of customers in vulnerable circumstances and limiting credit exclusion across the UK. The six Liverpool/Merseyside credit unions vary in size, and are together serving 64,300 members:

- Central Liverpool Credit Union: 14,000
- Riverside Credit Union: 3,500
- Partners Credit Union: 9,000
- Liverpool Community Credit Union: 7,800
- Enterprise Credit Union: 24,000
- Lodge Lane Credit Union: 3,000

Currently, the Liverpool/Merseyside credit unions measure impact through comparing interest savings against high-cost credit providers, collecting anecdotal quotes and case studies from customers, and reporting other business activities (eg number/value of monthly new loans).

Within community finance, there is no standardised practice for measuring impact. Over the last year, we've been working with providers to promote and support impact measurement in the sector. We found that many providers are eager to capture their impact, however they don't have tools in place to do so.

Many of the organisations we've engaged with do not collect sufficient, relevant data (ie customer demographics, outcomes, etc) to be able to evidence their impact over time. Moreover, to date most published impact evaluations in the sector are procured by external consultancies, meaning that all activity and outcome data is only collected over a specific period of time. The published evaluations mentioned can be found in the [Appendix](#). Barriers to collecting customer data in the sector include

- Resource and technical challenges that inhibit ability to pull data in a timely manner or to set up appropriate systems for data capture
- GDPR and ethical constraints that deter the collection of demographic data such as ethnicity
- Perceived barriers to borrowing for customers by introducing questions during the application process

In addition, Fair4All Finance has supported community finance providers to measure social impact through our [Covid Resilience Grant Fund](#). We encouraged providers to collect the following metrics

- Number and value of loans approved less than or up to £1,000
- Number and value of loans approved with repayments less than or up to 52 weeks
- Number and value of loans approved for customers in social housing
- Number and value of loans approved for lone parents with dependent children

The reason for selecting these metrics is outlined in the [Appendix](#).

The specification

Merseyside credit unions impact evaluation

The objective of this work is to produce a combined social impact report measuring the six credit union's collective impact within Liverpool/Merseyside. The report should be modular, with distinct sections highlighting the individual impact of each of the credit unions. This work should use both quantitative and qualitative research methods to measure and evidence the impact of the credit unions at the customer and community.

The desired outcomes of this work are to measure and promote the positive work of credit unions across Merseyside through:

- Gaining a detailed understanding of the credit union’s customer base and segments (eg by demographics and product usage)
- Appropriately aggregating the social impact of the six credit unions in order to measure impact of community finance in Liverpool/Merseyside, including with consideration of why there is particular need in the Merseyside region for credit union activity
- Improving understanding of the impact of credit union’s activities (eg saving, lending, etc) on customers, communities, and the wider financial system over multiple years; including wrap-around support for the loan and any support that is given to declined applications
- Establishing practices that allow easy collaboration between credit unions to share future best practice on customers and impact

We welcome proposals from researchers with a robust methodology to achieve the aims described above. There are existing databases that can be leveraged from the six credit unions and Fair4All Finance (including a geospatial mapping tool which would allow us to generate a heatmap of lending activity overlaid against different indicators); however, we would expect primary data collection is in scope for this project (ie surveys, focus groups, interviews).

The amount and quality of data collected varies between the six credit unions. Some indicators currently reported on include interest savings to members (by comparing to high-cost alternatives), the volume/value of annual lending for the credit union, and other qualitative feedback. In addition, credit unions vary in how they assign IDs to customers, eg some use IDs linked to loan products and some use IDs linked to individual customers. This will also impact how researchers can analyse previous customer borrowing behaviour.

Regarding primary data collection, the expectation is that customer/staff surveys will be the same across the six organisations (or with slight variation) with the aim of establishing standardised metrics for measuring impact. However, focus groups and customer interviews should be specific to each credit union. It’s important to note that all engagement with communities should be both necessary and respectful of their lived experience.

Additional considerations for building a detailed picture of impact include

- Are there customers with memberships in more than one of the six credit unions?
- Do customer affordability scores change overtime and/or do we see improvements in customer credit score because of their membership of a specific credit union and use of specific products?
- How often do members use more than one credit union product? Is there evidence of customers ‘staircasing’ through product ranges showing increasing financial resilience as savings balances are increased enabling customers to apply for higher loan amounts as their credit rating improves? This will require multiple years of data.
- What best practices of these organisations (either individual or collective) can be shared with the wider sector?
- What is the pace at which the credit unions are operating and how does this interact with impact? Given that borrowers prefer rapid decision making and quick dispersal, above pricing and cost considerations, providing a comparison of the operational efficiency (eg hours/days to make decisions) of the providers would provide valuable insight
- What is the social impact of the credit unions themselves, ie local employment, environmental or family-friendly policies, hybrid working, salary ratios, travel policies etc.

Note that there is existing work to support achieving the above outcomes, therefore this evaluation should utilise current literature and existing reports, as well as internal frameworks developed by the Fair4All Finance team. To do this, initial desk research to design a methodology should be conducted ahead of framework development and primary data collection.

Sector-specific impact toolkit (Potential separate agreement to be determined towards the end of the Merseyside work)

This objective of this work is to produce a best practice toolkit that outlines a manageable approach for collecting data to evidence social impact in the community finance sector. This toolkit is sector-wide and not specific to the six Merseyside/Liverpool credit unions; however, both the impact work above and the Covid-19 Resilience Fund analysis should feed into the design of this framework.

The key objectives of this work will be to assimilate best practice from different pieces of work to produce a short toolkit for community finance providers to collect data for evidencing impact. Community finance providers will be able to use this to

- Design a methodology for collecting data to evidence the impact of their activities (eg savings, lending, etc) on customers and communities
- Implement internal systems for data tracking that allow them to understand their customer base and segments (eg by demographics and product usage)

The toolkit might also include, as appropriate:

- How and when to introduce appropriate demography questions into engagement with customers
- What edits are needed to customer terms and conditions (if any) to enable data capture
- What training, if any, would be appropriate for teams to conduct more ad hoc customer survey work
- How to increase the effectiveness and conversion rate of electronic surveys of members at key points in the customer journey
- How to elicit good feedback / evaluation from members

We propose that we set up a scoping meeting with the provider ³/₄ of the way through phase 1 to assess the need for the second piece and scope the work together.

This project aims not only to support community finance providers with capturing their social impact, but also to ensure they can continuously track and measure their social impact over time. Both pieces of work are critical to ensure we are designing a framework that is scalable across the sector and is realistic given the sector's current state of maturity in measuring impact.

Outputs/deliverables

The objective of this work is to (1) evidence and promote the social impact of six credit unions operating within Liverpool/Merseyside; and (2) use this evaluation to feed into the design of a standardised impact measurement framework for credit unions and CDFIs in the UK

Merseyside credit unions impact evaluation (core scope)

- Preparation of materials and participation in kick-off meeting with the six Merseyside credit unions
- Additional workshops with the six credit unions as needed
- Participation in regular catchups and progress meetings outlining current status, progress to date, next steps and challenges or issues experienced
- Interim presentation summarising key findings to date with Fair4All Finance and the six Merseyside credit unions
- A draft and final report in word (including presentations) to the six credit unions and the Fair4All Finance team on the Merseyside impact report
 - The findings and report should be modular so each credit union can easily extract their findings for individual publication (ie separate chapters)
- A clear methodology/guidance for the credit unions to measure their impact over time
- A set of research data, to be stored in a readily accessible electronic format such as excel

- We expect this work will take indicatively 6 months and have a budget of roughly £50,000. We are open to suggestions about the planned timetable.

Sector-specific measurement toolkit (potential additional scope)

- A draft and final report in word (including verbal presentations) to the Fair4All Finance team and other relevant stakeholders on the impact measurement toolkit proposed
- Interim presentation summarising key findings to date with Fair4All Finance
- We expect this work will take 4-5 weeks and will have a budget of roughly £10,000. We are open to suggestions about the planned timetable.

Timings

We expect this work will take 6 months in total and the start date of deliverable will commence in early January 2022. However, we are open to suggestions about the planned timetable.

Timetable for quote requests:

Stage	Dates
Quote request published	04 November 2021
Proposals due	25 November 2021
Assessment	Up to 04 December 2021
Interviews (up to the top 3 quotes)	If applicable up to 11 December 2021
Appointment	By 18 December 2021

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 hanadi@fair4allfinance.org.uk by 13 November.

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.

Budget and Pricing

- The budget for the piece is £50,000, with potentially up to £10,000 in additional scope. If you wish to bid but believe a higher budget is needed to meet the requirements of the brief, please contact us prior to responding. In addition, we welcome proposals that meet the budget but include extra additional scope to strengthen the research that go beyond the outlined budget.
- The funders for this project are Fair4All Finance, Enterprise Credit Union, and Central Liverpool Credit Union
- Within your pricing proposal, please provide a schedule with projected payment points
- 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

Proposal submission and scoring criteria

Please email a proposal of no more than 6-8 pages long to hanadi@fair4allfinance.org.uk by 25 November.

Proposal scoring criteria (60%)

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

<p>1 Understanding of requirements Please explain your understanding of what this work is aiming to achieve,</p> <p>To what extent does the proposal demonstrate an understanding of the issues related to this brief?</p>	10%
<p>2 Please set out your proposed methodology by stage Please set out your detailed research plan to achieve the aims described above. This can include workshops, outcomes, approaches to data collection (survey, interview, focus group), analysis, and any secondary data requirements.</p> <p>To what extent is the research plan and methodology appropriate to meet the requirements set out in this brief?</p>	20%
<p>3 Relevant experience Please set out your experience of delivering impactful research focused on consumers and/or financial services providers. If possible, include examples of both quantitative and qualitative research you have previously conducted.</p> <p>In addition, please outline your experience engaging directly with people/communities in vulnerable circumstances.</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>	20%
<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. Please make clear who will be accountable for the work and who our day-to-day contact will be.</p> <p>Please provide CVs or pen portraits for team members who would lead the research.</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>	10%

Cost of service (40%)

1 Value for money Please review the budget and pricing details above and provide a breakdown of the cost of service by the research phases. To what extent does the proposal represent good value for money?	40%
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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 stage
- 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 is expecting the supplier to sign up to standard terms and conditions
- Fair4All Finance will notify all bidders of its contract award decision

Appendix

Appendix I: Indicators for financial vulnerability

Loans under or equal to £1,000 is a useful proxy for financial vulnerability as mainstream banks don't typically lend under £1,000 (this is covered by overdraft). Additionally, this is roughly the average loan value borrowed from high-cost shorter term credit alternatives (eg payday lenders, home credit, rent-to-own). The second proxy focused on the term of the loan. Typically, shorter repayment periods (less than or equal to 52 weeks) are for smaller ticket items associated with seasonal borrowing (ie Christmas, summer, or school holidays), not new cars or kitchens. The combination of small sum, short-term borrowing appeals to low-income borrowers who don't have savings to meet emergency payments. Therefore, these two proxies are good indicators for lending to people in vulnerable circumstances.

Moreover, the yield on small sum, shorter-term loans is low (eg £500 for 6 months at 42.6% APR generates £53 in interest, if this was increased to a term of 36 months £500 would generate £324 in interest) meaning these loans a non-mainstream product targeted to lower income borrowers. Therefore, it is a good indication of the social focus of the provider to support customers in vulnerable circumstances.

Finally, we use the number of customers who are in social housing or are lone parents with dependent children. Both these characteristics are good indicators of financial vulnerability. Evidence illustrates that half of all social rented homes in England are in the 20% most deprived neighbourhoods according to the IMD, while three quarters are in the most deprived 40%. Moreover, research shows that many lone parent families in the UK are stuck in poverty as they have a higher likelihood of bringing in low-paid work.

Appendix II

[The Social Impact of Fair for You \(2017\)](#)

[The Social Impact of Fair for You \(2020\)](#)

[Serve and Protect Social Impact Report \(2021\)](#)

[Serve and Protect Social Impact Report \(2020\)](#)

[Street UK Social Impact Report \(2017\)](#)

[Hoot Social Impact Report \(2019\)](#)