

# Financial Due Diligence

## Quote request

[hello@fair4allfinance.org.uk](mailto:hello@fair4allfinance.org.uk)

Company number: 11810533

May 2022

# Quote request:

## Financial due diligence support

**Fair4All Finance is seeking a provider to deliver ad hoc fintech, technology and early-stage business due diligence support work for an initial contract period of 18 months to 31 December 2023, with the option to extend for a further year to 31 December 2024**

### 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 through increasing availability of affordable financial products and services. This will enable individuals to overcome shocks, enrich their lives and enable them to pursue opportunities.

One of our key areas of focus is to provide support and funding for the growth of responsible and affordable credit providers. In order to enable this growth, we recognise the importance of routes to markets, disruptive technologies, comparison engines, technology suppliers and fintechs including those that operate as lenders in their own right.

We are launching a Technology Fund with a call for investment proposals and have also considered some ad-hoc agile investments alongside the development of further initiatives to support the sector in this macroeconomic environment.

### Introduction

Our approach to diligence is typically multi-faceted and we draw on the skills across our wider team to review an organisation in its totality with our in-house leads on customers and products, social purpose and vulnerable customers, technology and operations reviewing their respective subject areas and our financial diligence undertaken by our investment team.

We are now seeking a provider to augment the financial diligence capability in our investment team. We are currently growing our Investment team but we want to have more flexibility about resourcing diligence work so we can undertake agile evaluations of potential investments. Due to the nature of the Technology Fund and our wider work we also want the flexibility of external capacity to draw on as we cannot accurately anticipate the pipeline of prospective investments or grants.

A key part of how we want to work with the appointed provider(s) is to ensure that our team learn alongside the work that the provider delivers. We have therefore included knowledge transfer considerations in our evaluation approach.

We are open to appointing more than one provider and for providers to quote for some or all of this request.

## The specification

### Regular tasks

For an initial contract period of 18 months to 31 December 2023, with the option to extend for a further year to 31 December 2024 - support our review of investment proposals that come forward as part of the Technology Investment fund or other funds we set up where there is a strong technology element, or early stage business operations to consider by providing ad hoc financial due diligence resourcing including but not limited to the following tasks, which we would like to see priced on a fixed price basis for low, medium and high intensity projects (see the pricing table).

Regular tasks	Deliverable/output
1 Attend diligence sessions with our multidisciplinary team and the organisations applying for our support (meetings may be by video or potentially in person)	<ul style="list-style-type: none"> <li>• Scoring of submissions against our ratios /checks</li> <li>• Brief notes as output of analyses</li> </ul>
2 Complete agreed financial due diligence to complement the review of the business undertaken by our wider team including: <ul style="list-style-type: none"> <li>- Scrutiny of accounts and projections</li> <li>- Review of financial model</li> <li>- Assessment of financial sustainability</li> </ul> (rough) valuation of business (if appropriate)	<ul style="list-style-type: none"> <li>• Verbal update on and discussion of assessment to ensure that due diligence findings are fully understood by the Fair4All Finance team including summary scoring in Excel</li> <li>• Prepare financial due diligence PowerPoint slides as part of investment recommendations to our Investment Committee (no more than 15 slides for appendices and 2- 3 slides for the body of the presentation)</li> </ul>

## Ad hoc requirements and deliverables

To complement the above work, and recognising the bespoke nature of some investments, we would also like the ability to call on the provider for a range of other ad hoc work. For these elements we require day rate pricing and, as specific requirements arise, we will require an estimate from the appointed provider using the day rates to agree the cost.

The below assignments include the need to work collaboratively with the Fair4All Finance team, the organisations we are considering for investment, and potentially other partners. All these deliverables include a verbal presentation of assessment to ensure that due diligence findings are fully understood by the Fair4All Finance team.

The high level nature of these assignments is set out below and includes, but is not limited to the following:

Potential nature of tasks	Deliverable/ output
3 Market analyses to support investment decisions	Short analytical pack
4 Viability review of a business (likely to be used in particular for early stage businesses)	Short review paper covering: <ul style="list-style-type: none"> <li>• path to profitability</li> <li>• the commercial/pricing models and how they will drive revenue</li> <li>• operating costs split by product</li> <li>• the commercial interplay between products</li> <li>• how our investment would allow them to achieve their commercial ambitions</li> <li>• the valuation of the business and what we would get from our investment</li> <li>• any red flags that indicate their inability to survive (even with our investment)</li> </ul>
5 Strategy development and business planning support for organisations where we believe an initial step is the revision of their plans before we can consider investment	Work with the organisation to develop appropriate strategic plan and detailed business plan

Potential nature of tasks	Deliverable/ output
6 Where appropriate supporting creation of credible financial model integrating projections, cashflow, balance sheet and profit and loss	Working financial model
7 Other ad-hoc financial due diligence work on a call off basis	Subject to specific requirements as they arise to be quoted in detail against agreed day rates agreed through this procurement. We have used this model before for example in using external resources to rapidly deploy our Covid Resilience Fund, whereby we appointed external financial diligence providers to work alongside our core team to rapidly assess applications for that funding

On each allocated assignment, Fair4All Finance will agree the requirements and deadlines by which the deliverable/outcome will be received.

## Timings

Timetable for quote requests:

Stage	Dates
Quote request published	11 May 2022
Deadline for clarification questions	31 May 2022
Proposals due	10 June 2022
Assessment	17 June 2022
Interviews	24 June 2022
Decisions made	30 June 2022

## 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 [kate@fair4allfinance.org.uk](mailto:kate@fair4allfinance.org.uk) and should be received by 31 May 2022.

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 total potential budget envelope for the piece is £210,000 including VAT and expenses
- Providers should note that this quote request relates to ad hoc work where only some or none of this budget may be utilised
- 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

## Regular tasks

For requirements 1 – 2 supporting our regular due diligence please provide a fixed price quote per organisation reviewed. We expect that pricing to show the cost applicable to a range of examples would be relevant to give us a range and we request that providers set out their assumptions below. Please note we are open to discussion or alternative suggestions about the assumptions included in the low, medium and high intensity options for the regular tasks and we have included below an indication of the approach that may work

For each of these regular tasks we're looking for a fixed price per engagement (£ inc VAT and expenses)

Regular tasks	Our high-level assumptions of what this will entail
<b>Low intensity diligence</b>	<p>Review of annual reports/audited accounts for last 3 years; management accounts for last 3 months; on key ratios; review of projections and financial model, review of key policies eg collections, provisioning. Review of reserves position and alternative sourcing of funding.</p> <p>Output in an Excel format with scoring on key ratios such as:</p> <ul style="list-style-type: none"> <li>• Year on year (YoY) income volume and change with and without grants</li> <li>• YoY costs volume and change</li> <li>• Cost: Income ratio</li> <li>• YoY net result/surplus volume and change</li> <li>• YoY net assets volume and change</li> </ul>

	<ul style="list-style-type: none"> <li>• YoY capital volume and change</li> <li>• Capital asset ratio (if financial firm)</li> <li>• Cash position and change</li> <li>• YoY loan book volume and change</li> <li>• YoY provisions and write offs volume and change</li> </ul> <p>and in verbal updates provided to Fair4All Finance team. We do not envisage that this would require meeting the businesses directly.</p> <p>This type of diligence has been used for our Covid-19 Resilience Fund for example.</p>
<p><b>Medium intensity diligence</b></p>	<p>All of the above under 'Low intensity' plus more in depth analysis of the company, most probably through meetings with the management, interviews and follow on questions to establish:</p> <ul style="list-style-type: none"> <li>• Composition of income and its evolution</li> <li>• Composition of costs and their evolution</li> <li>• Composition of loan book and its evolution</li> <li>• Drivers behind provisions and write offs and their relative size compared to income and assets</li> </ul>
<p><b>High intensity diligence</b></p>	<p>As per medium intensity with added consideration of scenarios to test in the financial models; greater participation in multi disciplinary due diligence sessions. More appropriate for potentially larger equity or debt investments including where appropriate attendance at meetings with the target and their other existing investors.</p> <p>Greater scrutiny of financial model and growth plans/strategy.</p> <p>Review of customer or other current performance metrics including retrospective analyses of loan books; customer revenue analytics.</p> <p>Consideration of the potential investment structure for Fair4All Finance to make and its appropriateness.</p> <p>This kind of diligence has been used for our Affordable Credit Scale Up Programme investments for example.</p>
<p><b>Expense assumptions</b></p>	

## Ad hoc requirements and deliverables

Requirement	Role	Requirements element	Day rate	Typical regulatory accreditations/relevant qualifications to providing marketing consultancy work
3 - 7	Eg Analyst			
3 - 7	Eg Partner			
3 - 7	Eg Director			
3 - 7	Eg Modeller	Eg financial model review and development		



## Proposal submission and scoring criteria

Please email a proposal of no more than 10 pages long to [kate@fair4allfinance.org.uk](mailto:kate@fair4allfinance.org.uk) by 10 June 2022.

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

<p><b>Understanding of requirements.</b></p> <p>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>	10%
<p><b>Please set out your proposed methodology by stage</b></p> <p>To what extent are the methodology and methods appropriate to the requirements set out in this brief?</p> <p>How do you propose to transfer learning to our team</p>	15%
<p><b>Relevant experience</b></p> <p>Please set out your experience of delivering financial due diligence.</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>	35%
<p><b>Appropriate resourcing</b></p> <p>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%
<p><b>Value for money</b></p> <p>To what extent does the proposal represent good value for money?</p> <p>Indicate how you would respond to ad hoc, additional requests</p>	20%

## Notes

- We reserve the right to appoint more than one provider
- Contracting will be done using the contract for services issued alongside this quote request and each additional ad hoc/regular scope will constitute a schedule to that contract
- 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. If we consider prices to

be unexpectedly low, we will aim to conduct some clarification with the relevant bidder

- Fair4All Finance will award the Contract to the bidder(s) 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