**Tender Specification**

**NORTH EAST ACCESS TO FINANCE LIMITED (NEA2F)**

**PROCUREMENT OF CONSULTANCY SERVICES TO ASSIST WITH ESTABLISHMENT OF NEW ERDF-SUPPORTED VENTURE CAPITAL FUND-OF-FUNDS**

**Tender Reference: NEA2F/028**

**September 2015**

# INTRODUCTION

The purpose of this invitation to tender is to secure expert advice and support, on a consultancy basis, to help finalise the establishment of a new, publicly-backed venture capital holding fund which will operate across the North East of England. It will be a successor to the Finance for Business North East fund (see [www.northeastfinance.org](http://www.northeastfinance.org)), which was established in 2010 as part of the EU / European Investment Fund’s Joint European Resources for Micro to medium Enterprises (JEREMIE) initiative. For that reason, it is referred to as the “**JEREMIE2”** project or fund.

In their respective Strategic Economic Plans, the two Local Enterprise Partnerships (**LEPs**) serving the North East of England (the **North East Local Enterprise Partnership** and **Tees Valley Unlimited**) gave their support to the use of JEREMIE as a Financial Instrument in the new European Structural Funds programme. The two LEPs have formed a Project Board to develop the JEREMIE2 fund.

The JEREMIE2 fund is expected to be capitalised with up to £160m of contributions from: the European Regional Development Fund 2014-2020 programme; returns generated from previous UK government and ERDF backed venture capital funds and a loan of between £60m and £80m from the European Investment Bank. The JEREMIE2 holding fund is expected to invest in a number of new venture capital and loan funds which are likely to be structured as limited partnerships and managed by independent, FCA-authorised fund management companies which will be appointed following competitive public procurement processes.

**The requirements of this contract are set out in section 5 on page seven**. In summary, assistance with, and active engagement on, several aspects of this project is required from a consultancy with detailed knowledge and prior experience of publicly-backed venture capital funds and, ideally, with good existing knowledge of the relevant stakeholders in the North East of England. The appointed consultancy will report directly to the Project Leader and will be required to work closely with him and with the Project Team, with immediate effect from appointment in mid-to-late September 2015.

The legal form of, and the process by which the new holding fund **(J2 Holdco)** will be established have not yet been determined and so this contract will be with North East Access to Finance Limited – as detailed in the next section.

# INFORMATION ON CONTRACTING AUTHORITY AND CLIENTS

The Contracting Authority for this Invitation to Tender is North East Access to Finance Limited (**NEA2F**) acting on behalf of the JEREMIE2 Project Board and the JEREMIE 2 Project Team. Any enquiries should be addressed to Estelle Blanks, Deputy Project Director, at [estelle.blanks@jeremie2.org](mailto:%20estelle.blanks@jeremie2.org).

The JEREMIE2 Project Board (**Project Board**) has been set up as the body with strategic oversight of the development of a proposed £160m “JEREMIE2” Fund of Funds in North East England: a successor to the current Finance for Business North East fund. The Project Board is made up of representatives from the two Local Enterprise Partnerships in the area served by the Finance for Business North East funds and which the JEREMIE2 fund is likely to cover: Northumberland, Tyne & Wear, County Durham and Tees Valley. The local authorities which serve these areas and are represented on the boards of the LEPs are key stakeholders.

The main funding stakeholders are the Department for Communities & Local Government (**DCLG**), the Department for Business Innovation & Skills (through British Business Bank) and NEA2F. Each sits as an Observer on the Project Board. DCLG is responsible for ERDF commitments, British Business Bank for UK government funding and NEA2F for legacy funds from predecessor SME finance programmes in the region.

A Project Team has been established to deliver the new programme, pending the creation of the J2 Holdco implementing body. The Project Team reports to the Project Board. The successful bidder will work with members of the Project Team on a day-to-day basis, and will have access to and will report to the Project Board and stakeholders. Most of the work to which this invitation to tender relates will be undertaken on behalf of, and for the benefit of, the JEREMIE2 project and (ultimately) the legal entity which becomes its implementing body (**J2 Holdco**).

All advice provided to the JEREMIE2 project and NEA2F pursuant to this Invitation to Tender may be shared with the project stakeholders (including DCLG, BIS/British Business Bank and the EIB) but shall not be formally relied on by them.

**The contracts to which this Invitation to Tender relate are part funded by contributions from the European Regional Development Fund 2007-2013 Programme. It may also be part-funded from other sources, potentially including the European Regional Development Fund 2014-2020 Programme.**

# NORTH EAST ACCESS TO FINANCE LIMITED

The Project Board has asked NEA2F to act as Contracting Authority for this Tender. NEA2F is a company limited by guarantee, with responsibility for:

* Stewardship of the legacy from historical publicly-backed investment funds in North East England.
* Research and strategic planning on future Access to Finance provision in the region.
* Working with LEPs, stakeholders and policy makers in the development of future Access to Finance provision in North East England.
* Supervising the deployment of financial returns from historical investment funds in the region into new funds.

# SUMMARY OF JEREMIE2 PROJECT

As stated in section 1, the JEREMIE2 project is intended to secure a successor suite of venture capital and loan funds to the current Finance for Business North East (FBNE) fund. The FBNE fund was established in 2010 to make venture capital and loans available to start-up and growing SMEs based in the North East of England which were unable to fully fund their development with finance from the private sector. A suite of seven venture capital and loan funds was established to make funding available, on commercial terms, to SMEs across the North East of England. These funds will be fully-invested by mid-2016 and the JEREMIE2 project has been established to ensure that growth finance will continue to be available to North East SMEs from July 2016 onwards. The FBNE fund is financed partly by ERDF and UK government grant funding and partly by a loan from the European Investment Bank – which is serviced and repaid using the returns from the investments made by the FBNE funds.

## Project Structure

The working assumption of the Project Board and Project Team is that the JEREMIE2 fund will be funded and structured along broadly similar lines to the FBNE fund – with a holding fund entity (**J2 Holdco**) being the investor in a number of funds structured as limited partnerships and which are managed by FCA-authorised fund managers. The holding fund entity for the FBNE fund is a wholly-owned (but operationally independent) subsidiary of NEA2F. It is expected that J2 Newco will be a new entity, which may also be created as a subsidiary of NEA2F or which may be completely independent of the NEA2F group. This decision will be made by the stakeholders and JEREMIE2 Project Board in due course.

The principal anticipated roles of the participants in the JEREMIE2 fund are summarised as follows:

**J2 Holdco**

* Overall responsibility for delivering the programme in accordance with commitments to the project funders. This includes responsibility for compliance with all legal and regulatory requirements (including re ERDF, state aid, public procurement) and for liaising with, and responding to queries from, external auditors appointed by funders;
* Grant recipient of c. £70m ERDF 2014-2020 programme funding from DCLG;
* Borrower of £60m to £80m from the European Investment Bank, solely responsible for servicing and repaying it and observing all loan conditions and covenants;
* Recipient of c. £30m of funding derived from returns on previous publicly-backed investment funds, contributed by NEA2F acting on behalf of both DCLG and the Department for Business, Innovation and Skills, in conjunction with the Local Enterprise Partnerships;
* Responsible for monitoring and managing the fund managers and collection of detailed evidence of outputs – to ensure that the funds are delivered in accordance with contractual obligations and regulatory requirements;
* Responsible for reporting on programme performance to funders, and is directly accountable to and maintains relationships with funders, including management of public sector audit requirements;
* Responsible for performance management of fund managers, and for adjusting fund specifications and/or sizes in response to market conditions and/or fund manager performance;
* No involvement in individual investment decision making, except oversight in limited circumstances e.g. to monitor compliance by fund managers with conflict of interest management procedures;
* Responsible for promotion and marketing of JEREMIE2 programme as a whole;
* Responsible for treasury management of idle funds – i.e. un-invested capital secured from funders is controlled by J2 Holdco and released to investment funds in response to requirement for individual investments.

**Fund Managers**

* Responsible for promoting and marketing individual funds, and generating applications for investment from across the territory covered by the JEREMIE2 fund;
* Evaluate and decide whether to accept or reject applications, negotiate terms of investment with SMEs and complete investments by drawing funds from J2 Holdco;
* Responsible for all dealings with successful and unsuccessful applicants, including managing post-investment relationship with and monitoring of investees;
* Responsible for managing the fund in accordance with the investment policy established by J2 Holdco / the JEREMIE2 Project, and so it achieves the targets relating to financial returns and economic development and other outputs mandated within the investment policy;
* Responsible for all aspects of fund management, including valuation and financial reporting;
* Report directly to J2 Holdco and have no direct relationship with or contractual obligations to funders.

**Funders & Stakeholders**

* The nature and anticipated extent of commitments from funders is summarised in bullets 2 to 4 under the heading J2 Holdco, above. Other stakeholders are identified in section 2, above, and include the LEPs and the local authorities represented on their boards.
* Current expectation is that the JEREMIE2 structure will, like the FBNE fund, be required to maintain private sector classification – which has implications for the nature of involvement of funders, as any ability of public sector funders to exercise control over J2 Holdco is likely to prejudice private sector classification;
* European Investment Bank will take a first-ranking, senior lender position, with security over most of the JEREMIE2 fund structure;
* The terms of the contributions of ‘new’ ERDF funding from DCLG and of ‘recycled’ ERDF and UK government funding (returns from previous investment funds) are to be confirmed;
* In relation to the new, 2014-2020 ERDF programme funding, DCLG will act in conjunction with the Local Enterprise Partnerships but the funding agreement(s) are expected to be direct between DCLG and J2 Holdco.

# TENDER SPECIFICATION

To assist the Project Team in the delivery of the JEREMIE 2 project, the consultant may be called upon to contribute to all aspects of the work of the Project Team, including but not restricted to:

* Pro actively engage with stakeholders to identify and address their requirements and as regards all aspects of project development and delivery, including finalisation of detailed investment policies for sub-funds;
* Assist with negotiations with project funders and stakeholders regarding their participation in the JEREMIE2 project, which may include: the North East Local Enterprise Partnership; Tees Valley Unlimited; the Department for Communities and Local Government; the British Business Bank and the European Investment Bank;
* Assisting with the procurement of the sub-fund managers, which may include finalisation of procurement process documents and potentially also involvement in the evaluation of tender proposals submitted by fund managers;
* Assisting with drafting/finalising key project documents including e.g. applications for funding; business plans; operational policies and procedures;
* Preparation of various submissions and reports for the Project Board;
* Liaison with, and managing the input of, other professional advisers to the project;
* Project management support;
* Co-ordination of Project team activities;
* Reviewing and assisting with the development of the JEREMIE2 financial model.

A requirement of this contract is the ability to commit to a minimum of two days per week working on it from its start (mid/late September 2015) until June 2016. As the consultant will have to work closely with, and regularly exchange information and discuss issues with, the Project Team, an effective approach to collaborative working is also required.

The skills and expertise required of the consultant include:

* Detailed understanding of the SME finance market in general and of public sector interventions to improve SME’s ability to access growth finance.
* (Ideally) prior experience of setting up publicly-backed venture capital and loan funds.
* Strong analytical, project management and problem solving skills.
* Ability to communicate clearly both verbally and in writing and to design, create and deliver clear and compelling presentations.
* Familiarity with the current regulatory regime applicable to publicly (including ERDF) funded investment funds, including EU regulations and the laws governing state aid and public procurement.
* (Ideally) knowledge of previous public sector interventions undertaken in the North East of England to improve SME’s access to finance and of the current stakeholders in the area.

# TENDER RESPONSE

Consultants interested in this contract must submit a written proposal in accordance with the instructions set out in section 9, below. The written proposal should follow the following format:

1. It should provide the information and responses requested under the headings of the four award criteria which are set out in the table in the following section (i.e. 1. Relevant Prior Experience; 2. Technical Ability & Qualifications; 3. Price and 4. Approach to Effective Delivery of Services). This part of your submission must not exceed five pages.
2. A copy of the CVs of all individuals who will work on this contract should be appended to your written tender submission.
3. Please also enclose / attach a copy of your standard terms and conditions which will form part of your contract with NEA2F (subject to any adjustments required by the JEREMIE2 Project / NEA2F, as detailed in section 10, below).

In summary, your written tender submission should illustrate why your firm and the individual(s) named in the submission have the qualifications, experience and capabilities to provide high quality advice and expertise relating to the requirements set out in section 5, above, in the context of the JEREMIE2 Project – taking into account the organisations involved and the nature of the project as summarised in sections 1 to 4, above.

# AWARD CRITERIA

The contract will be awarded on the following criteria:

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| --- | --- | --- |
| ***Criteria*** | | ***Weighting*** |
| 1) | **Relevant Prior Experience**  Highest scores will be awarded where bidders can demonstrate prior involvement with publicly funded initiatives to improve SME access to finance in general and publicly-funded investment programmes in particular. The relevance of the experience will be assessed against the project description and contract requirements set out in sections 4 and 5, above. | 25% |
| 2) | **Technical Capabilities & Qualifications**  Bidders must include details of the personnel to be devoted to the contract and a description of their roles, experience and track record. The relevance of the capabilities, qualifications and experience of the individuals who will work on this contract will be assessed against the project description and contract requirements set out in sections 4 and 5, above. | 30% |
| 3) | **Price**  Please provide a fixed day rate (excluding VAT) for delivering the services, based on an assumed average of 8 hours worked per day. If different rates apply to different individuals, please specify these and propose a blended average rate (reflecting the anticipated levels of input) to enable direct comparison for scoring purposes. | 30% |
| 4) | **Approach to Delivery of Services**  Please describe how you propose to deliver the service, including how you will ensure effective and efficient communication with the Project Leader and members of the Project Team. Please specify the individual(s) who will: (1) be the principal deliverer of the services and (2) will have overall responsibility for the contract and for managing the relationship with the Project Team / NEA2F. | 15% |

The evaluators may request clarification on points raised in tender documents before finalising their assessment of the relevant bids.

The responses in tender submissions under award criteria 1, 2 and 4 will scored by evaluators in accordance with the scoring principles below, and the weightings set out above will then be applied to the score.

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| --- | --- |
| ***Score*** | ***Scoring Principles*** |
| 0 | **Issue has not been addressed** |
| 1 | **Unacceptable** – proposals / capabilities are inadequate |
| 2 | **Significant Reservations** – requirements are not fully addressed and/or the proposals or capabilities clearly do not satisfy the requirements |
| 3 | **Minor Reservations** – response addresses all requirements but is unsatisfactory in respect of some aspects |
| 4 | **Fully Meets Requirements** – response fully and satisfactorily meets the requirements |
| 5 | **Exceeds Requirements** – response meets and usefully exceeds the requirements |

Pricing proposals will be evaluated as follows: the cheapest day-rate proposed will be awarded the maximum score under the pricing criteria, and the other proposals will be awarded a proportionately lower score reflecting the amount by which their prices exceed the lowest day-rate. The maximum score will equate to 25% of the total score and if two or more bidders propose the same day-rate (which is also the lowest rate proposed by any bidders), each will receive the full 25% under the price award criteria.

Following evaluation of the written tender submissions, the Project Team / NEA2F may request selected firms to give a presentation to the evaluators and representatives of the Project. Any such sessions will be for the purposes of clarifying the written submissions and will not introduce any new questions or criteria, nor will any negotiation of terms be entered into. The evaluators may ask the presenting firm(s) questions to test statements made in the written response, for the purposes of verifying the scoring of the written submissions.

# INDICATIVE BUDGET AND BASIS OF ENGAGEMENT

This is a call-off contract and the consultant may be asked to provide services at various points throughout the development of the JEREMIE2 project. The consultant shall be paid for actual time engaged working on the JEREMIE2 project on behalf of the Project / NEA2F – and shall not receive any retainer or minimum payment throughout the term of the contract. No minimum fee level is therefore offered.

This contract opportunity is not being advertised in the Official Journal of the European Union as its estimated value is less than the OJEU threshold of £172.5k – and, as such, that represents the maximum value which can be paid under this contract. The anticipated budget is significantly less than that and the actual requirement for consultancy services required under this contract is likely to be of a contract value between £20k and £60k. The JEREMIE2 project is complex and many aspects of it continue to evolve so the actual requirement could ultimately be greater or less than this budget range implies but this is the best estimate at present. A requirement of a minimum of two days per week input from mid/late September to the end of December 2015 is very likely.

The appointed consultant will be required to submit monthly invoices to NEA2F which provide a summary of the time actually engaged by each team member on the contract, and payment will be made by NEA2F against these invoices. Where work is undertaken during part of a day only, the appointed consultant will be required to invoice appropriately (e.g. for half a day).

# QUERIES AND TENDER SUBMISSION REQUIREMENTS / TIMETABLE

If you intend to submit a tender, you are invited to register an **expression of interest** by emailing Estelle Blanks, Deputy Project Director at [Estelle.blanks@jeremie2.org](mailto:Estelle.blanks@jeremie2.org). Any supplementary information or clarifications will then be circulated to all parties who provide a contact email. Queries in relation to this tender must be received no later than 3pm on Thursday 10th September 2015.

You may submit a tender without having submitted an expression of interest, but registering your interest is designed to ensure that all potential bidders receive the same information.

**The closing date for submissions is 4pm on Tuesday 15th September 2015.**

**Please submit one hard copy and one electronic copy.**

**Hard copies** must be sent in a sealed envelope marked **CONFIDENTIAL TENDER DOCUMENTS** to:

Estelle Blanks

North East Access to Finance Limited

c/o North East Finance

First Floor, 33 Grey Street

Newcastle upon Tyne

NE1 6EE

**Electronic copies must be e-mailed to** [Estelle.blanks@jeremie2.org](mailto:Estelle.blanks@jeremie2.org) **by the same deadline**. In the interests of fairness we will not open hard copy or email submissions until the deadline.

To ensure a fair and transparent process, no other approach of any kind in connection with this tender should be made to anyone associated with NEA2F. Failure to comply with this may result in disqualification from the process.

If presentations are required (as referred to in Section 7, above) then it is anticipated that these will be held during the week commencing Monday 21st September 2015.

# CONTRACT TERMS AND DURATION

The successful bidder’s contract with NEA2F will be based on: (1) the contents of this Invitation to Tender; (2) the proposals and price(s) set out in the successful bidder’s tender submission; (3) NEA2F’s standard terms and conditions and (4) those of the bidder’s standard terms and conditions which are accepted by NEA2F. In the case of conflict or contradiction between terms, the relevant provision imposed by the documents listed in the previous sentence will apply in that order of precedence. The day-rates tendered will be fixed for the duration of the contract and will not be index linked or otherwise subject to change.

The contract formed pursuant to this Invitation to Tender will be valid from the date of appointment until 30 June 2016, unless terminated earlier by either NEA2F or the contractor by one month’s written notice. The contract may be extended by agreement between NEA2F and the contractor for a further six months (i.e. until 31 December 2016).

The successful contractor agrees that J2 Holdco, once incorporated, may continue to use its services and agree to enter into any contract novation or assignment required to facilitate this.

# CONDITIONS APPLICABLE TO INVITATION TO TENDER AND TENDER PARTICIPATION

Tender submissions should remain open for acceptance for a minimum of 90 days from the tender submission deadline.

NEA2F reserves the right to cancel the tender process and reject all tenders at any time prior to the award of the contract. The issue of this ITT in no way commits NEA2F to enter into any contract pursuant to this tender process.

NEA2F reserves the right, in its absolute discretion, to disqualify any submission that does not, in the evaluators’ opinion, comply with the requirements of the ITT or any other requirement of NEA2F in connection with the tender process.

Neither NEA2F nor the JEREMIE2 project shall accept any liability for any costs resulting from the cancellation of this tender process nor for any other costs incurred by those tendering, who do so entirely at their own expense.

# CONFIDENTIALITY

To ensure a fair and transparent process:

* You must not disclose to anyone else any information which will be contained in your tender submission before the decision on award of the contract is notified to you.
* You must not try to obtain any information about anyone else’s tender submission or proposed submission before the decision on award of the contract is notified to you.
* You must not make any arrangement with another party about whether they should tender, or otherwise share details of tender prices with any other party.
* No approach should be made to anyone associated with NEA2F in connection with this tender other than your formal tender submission.

Failure to comply with these requirements may result in disqualification from the process.

**NEA2F**

**September 2015**