

# Attachment 5a – Financial Viability Risk Assessment guidance note

In this attachment and Attachment 5 - Financial Viability Risk Assessment Tool, the following words shall have the following meanings

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| “EFS”  | means economic and financial standing  |
| “FVRA”  | means Financial Viability Risk Assessment Tool  |
| “Lead Supplier”  | means lead bidder  |
| “The Guidance Note” | the Assessing and Monitoring the Economic and Financial Standing of Bidders and Suppliers document [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\_data/file/987132/Assessing\_and\_monitoring\_the\_economic\_and\_financial\_standing\_of\_suppliers\_guidance\_note\_May\_2021.pdf/system/uploads/attachment\_data/file/942642/Econo mic-Financial-Standing-Guidance-Note.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/987132/Assessing_and_monitoring_the_economic_and_financial_standing_of_suppliers_guidance_note_May_2021.pdf)  |
| “The Construction Playbook”  | the Construction Playbook sets out key policies and guidance for how public works projects and programmes are assessed, procured and delivered. |

[https://www.gov.uk/government/publications/the-construction-playbookg-playbook](https://www.gov.uk/government/publications/the-construction-playbook)

# Introduction

CCS will use a modified version of the Cabinet Office’s Financial Viability Risk Assessment (FVRA) Tool (version 4) as the basis to conduct a financial assessment on all Bids. The RM6267 Construction Works and Associated Services 2/ProCure 23 FVRA Tool is provided at Attachment 5 – Financial Viability Risk Assessment Tooland is to be completed and submitted by bidders.

Bidders and each consortium member must complete and submit Attachment 5 – Financial Viability Risk Assessment Tool and not the standard FVRA Tool.

Bidders and consortium members who pass the assessment to the satisfaction of

CCS, achieve an “acceptable” outcome will receive a “pass”. If a bidder or any member of a consortium does not pass the assessment to the satisfaction of CCS, they will “fail” and the bid will be deemed non-compliant and will be excluded from the competition.

Please note, a bidder who has submitted a bid for multiple Lots may be deemed "acceptable" on lower value Lots but “not acceptable” on higher value Lots.

If we exclude a bid from the competition we will tell the bidder and explain why.

It is advised that before completing the FVRA, bidders review the May 2021

Guidance Note ‘Assessing and Monitoring the Economic and Financial Standing of Bidders and Suppliers’ (hereafter referred to as ‘The Guidance Note’) which can be found at: [Assessing and Monitoring the Economic and Financial Standing of Bidders and Suppliers document](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/987132/Assessing_and_monitoring_the_economic_and_financial_standing_of_suppliers_guidance_note_May_2021.pdf)

Some Project Contracts awarded under RM6267 Construction Works and Associated Services 2/ProCure 23 will be classified as a Gold contract, via the Contract Tiering Tool.

Attachment 5 – Financial Viability Risk Assessment Toolprovides transparency as to how and what CCS will assess and allows bidders to see their risk classifications as they complete the financial assessment. Bidders ranked Red (High Risk) or Amber (Medium Risk) against relevant thresholds must set out explanations and relevant mitigations on the relevant tab within Attachment 5 – Financial Viability Risk Assessment Tool. Further guidance around potential mitigations is also provided in The Guidance Note.

Please see Appendix 2 for instruction on how and where to submit the required information in the eSourcing tool.

# Instructions and guidance

Before completing Attachment 5 – Financial Viability Risk Assessment Tool, bidders are advised to review the ‘Bidder Instructions’ tab.

**Important** – On the first tab ‘Bidder Instructions’ make sure you select the correct company/organisation type for Lead Supplier from the drop-down menu provided before completing Attachment 5. Where the bidder is a Private Limited Company/Publicly Listed Company, the bidder should complete tab "1.1a Lead Financial Input" where they are the Lead Bidder, including Immediate Parent and Ultimate Parent information. Where the Lead Bidder is a Not-for-profit/Voluntary Organisation the Bidder should complete tab "1.1b Lead Financial Input", including Immediate Parent and Ultimate Parent information.

**Important** – For multiple Lot agreements, make sure you record your Lot allocation on the “2.1 Lead Ancillary Input” tab. The Lot allocation will influence the approximate contract value used to determine the turnover ratio.

1. Bidders must correctly and accurately complete Attachment 5 – Financial Viability Risk Assessment Tool
2. Means of Proof will be in line with PCR2015 regulation 60 <https://www.legislation.gov.uk/uksi/2015/102/regulation/60/made>
* Bidders should complete all blue and green tabs on Attachment 5 – Financial Viability Risk Assessment Tool; remember this will be dependent on your selection of company/organisation type on the “Bidder Instructions” tab
* Tab “2.1 Lead Ancillary Input” - This is where a bidder must record the Lot allocation.
1. All bidders must provide copies of:
* their published accounts for the last 3 years
* parent company published accounts for the last 3 years
* ultimate parent company published accounts for the last 3 years along with their completed Attachment 5 – Financial Viability Risk Assessment Tool. In line with The Guidance Note, any qualified accounts will receive additional scrutiny.

1. Where the auditor has stated a qualification, emphasis of matter or material uncertainty relating to whether the entity is a going concern, your bid may be deemed non-compliant and will be excluded from the competition. If we exclude a bid from the competition we will tell the bidder and explain why.

1. Bidders’ financial accounts and supporting information should be in English and in UK Sterling. If the original documents are not in English, please provide copies of the originals and a certified translation into English. If the sums in the accounts are not expressed in UK Sterling then copies of the original accounts shall be provided together with a UK Sterling rate equivalent copy utilising the pound buys exchange rate applicable on the date of auditor issue of the financial statement.

1. Each bidder must set out the following information:
* any key events or movements in its/their financial position that have a bearing on the financial standing of the bidder that have occurred since the most recent published accounts;
* any information relating to factors that have a bearing on the financial standing of the bidder that require a more detailed explanation than is given in the information provided in Attachment 5 – Financial Viability Risk Assessment Tool;
* a statement, where relevant, that addresses any misreporting of factual information or information that has been publicly available in the last year which, in the bidder’s opinion, requires additional explanation.

If applicable this information must be uploaded as an attachment to your bid, see Appendix 2.

1. Each consortium member will be required to complete an Attachment 5 – Financial Viability Risk Assessment Tool individually, and provide copies of their published accounts for the last 3 years. Each consortium member will be assessed separately.

1. Where the financial information input by the bidder into Attachment 5 – Financial Viability Risk Assessment Toolis compared to the thresholds set by CCS (see tab “Authority RAG Thresholds” and Annex 1), the following is calculated in the assessment (black) tabs:
* a green result means the bidder passes the criteria and no further action is required;
* a red or amber result(s) is not an automatic fail. Bidders must, however, use the black tabs to provide commentary against any red or amber results and CCS will take such explanations into consideration in its assessment of the bidder’s economical financial assessment. In addition to this, CCS may seek further clarifications from the bidder.

1. In tab “Authority RAG Thresholds”, FVRA Metric Definition (EFS) criteria 7 Net Asset Value doesn’t involve a fraction. To achieve Green – Low risk – the bidder must be in a positive Net Asset position. If it is in a Net Liabilities position, then the bidder is classed as High Risk.
2. Where bidders could fail to meet the required thresholds, they will be given the opportunity to provide further information and explanation.

1. If CCS requires clarification, further information or explanations, we will send a message to the bidder through the eSourcing tool messaging system. Bidders must respond to these requests within 1 working day.
2. CCS will use the information provided in Attachment 5 – Financial Viability Risk Assessment Tool and additional clarification responses to assess the level of financial risk. The risk assessment will result in one of the following:
* Acceptable – The bidder will achieve a “pass”
* Unacceptable – The bidder will “fail” and will be deemed non-compliant and will be excluded from the competition
* Acceptable with mitigating actions – CCS will seek to mitigate risk; this may be achieved through the use of a guarantor.

If CCS requires a guarantor, the guarantor will be subject to the same financial assessment. If “Acceptable” the guarantor will need to provide a Letter of Intent (Schedule 11 - Form of Guarantee and Letter of Intent to Guarantee) to sign a deed of guarantee for Project Contracts awarded through this agreement if requested by the Additional Client. Our published guidance to Additional Clients on the use of the agreement will indicate the need for a guarantee.

# Prior to award of Framework Alliance Contracts

1. In line with clause 2.4.15 of The Guidance Note, prior to award of the Framework

Alliance Contract, bidders will be individually asked to:

* Make CCS aware of any adverse changes to their Economic and Financial Standing that might adversely impact their ability to deliver required Framework outputs.
* CCS may require the bidder to resubmit Attachment 5 – Financial Viability Risk Assessment Tool using the latest available Management Account (or equivalent) data, such that the impact on FVRA threshold ratios can be understood.

The resubmitted Attachment 5 – Financial Viability Risk Assessment Tool will then be appraised by CCS in line with the guidance above. Bidders may be excluded from the competition if satisfactory mitigations cannot be provided for Red or Amber threshold results. If we exclude a bid from the competition we will tell the bidder and explain why.

1. Where, immediately prior to award of the Framework Alliance Contract, the last accounting information provided by bidders is over 12 (twelve) calendar months old, the bidder will be asked to resubmit Attachment 5 – Financial Viability Risk Assessment Tool using either:
* Latest published accounts, where the accounts date falls within the last 12 months; or
* Management account (or equivalent) data, where the relevant year end period falls within the last 12 months.

The provisions above will then apply, and bidders may be excluded from the competition if unable to provide satisfactory explanations and mitigations for Red or Amber threshold results.

# Appendix 1 – FVRA risk thresholds:

Risk thresholds for RM6267 Construction Works and Associated Services 2/ProCure 23 (in line with tab 2 (Authority RAG Thresholds) of Attachment 5 – Financial Viability Risk Assessment Tool)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **RAG Thresholds**  |  |  |  |  |
|  |  | **R**  | **A**  | **G**  |  |
| **1**  | **Turnover Ratio** |  **1.5** |  |  **2** | **Higher the better** |
| **2**  | **Operating Margin**  | **5%**  |  | **10%**  | **Higher the better**  |
| **3a**  | **Free Cash Flow to Net Debt Ratio**  |  **5%**  |  |  **15%**  | **Higher the better** |
| **3b**  | **Net Debt to EBITDA Ratio**  | **3.5**  |  | **2.5**  | **Lower the better**  |
| **4**  | **Net Debt and Net Pension Deficit to EBITDA Ratio** | **5**  |  | **4**  | **Lower the better**  |
| **5**  | **Net Interest Paid Cover**  | **3**  |  | **4.5**  | **Higher the better**  |
| **6**  | **Acid Ratio**  | **0.8**  |  | **1**  | **Higher the better**  |
| **7**  | **Net Asset Value**  | **<0** |  |  **0** | **Higher the better**  |
| **8**  | **Group Exposure Ratio**  | **50%**  |  | **25%**  | **Lower the better**  |

Note: Construction Playbook thresholds have been applied as above

# Appendix 2 – How and where to submit the required information

|  |  |  |  |
| --- | --- | --- | --- |
| What  | File name  | Zip folder name  | Question to upload zip folder (qualification envelope)  |
| Lead Bidder Attachment 5  | FVRA\_ your organisation name  | Upload as a zip folder EFS\_ your organisation name  | Part 5 Economic Financial Standing Assessment – question 1.18.2  |
| Accounts (3 years) for * Lead Bidder
* Parent
* Ultimate parent
 | Insert account period\_ organisation name  |
| Lead Bidder response to paragraph 12 (if applicable)  | 12\_ your organisation name  |

|  |  |  |  |
| --- | --- | --- | --- |
| What  | File name  | Zip folder name  | Question to upload zip folder (qualification envelope)  |
| Consortium member Attachment 5  | FVRA\_consortium member name  | Upload all consortium member information in one zip folder CMEFS\_ your organisation name  | Part 5 Economic Financial Standing Assessment – question 1.18.3  |
| Accounts (3 years) for * Consortium member
* Consortium parent
* Consortium ultimate parent
 | Insert account period\_organisation name  |
| Consortium member response to paragraph 12 (if applicable)  | 12\_ consortium member name  |

|  |  |  |  |
| --- | --- | --- | --- |
| What  | File name  | Zip folder name  | Question to upload zip folder (qualification envelope)  |
| Any additional completed Attachment 5 required i.e. where your bid includes both charitable and Private Company Sub-Suppliers or Parent and/or Ultimate Parent company  | Ad1FVRA\_ your organisation name  Ad2FVRA\_ your organisation name  and so on  | AdFVRA\_ your organisation name  | Part 5 Economic Financial Standing Assessment – question 1.18.4  |