

Invitation to Quote

Invitation to Quote (ITQ) on behalf of Innovate UK
Subject – Innovation Loans Portfolio Model
Sourcing reference number – IT17530



UK Shared Business Services Ltd (UK SBS)
www.uksbs.co.uk

Registered in England and Wales as a limited company. Company Number 6330639.
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VAT registration GB618 3673 25
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Section 1 – About UK Shared Business Services

Putting the business into shared services

UK Shared Business Services Ltd (UK SBS) brings a commercial attitude to the public sector; helping Contracting Authorities improve efficiency, generate savings and modernise.

It is our vision to become the leading service provider for Contracting Authorities of shared business services in the UK public sector, continuously reducing cost and improving quality of business services for Government and the public sector.

Our broad range of expert services is shared by our Contracting Authorities. This allows Contracting Authorities the freedom to focus resources on core activities; innovating and transforming their own organisations.

Core services include Procurement, Finance, Grants Admissions, Human Resources, Payroll, ISS, and Property Asset Management all underpinned by our Service Delivery and Contact Centre teams.

UK SBS is a people rather than task focused business. It's what makes us different to the traditional transactional shared services centre. What is more, being a not-for-profit organisation owned by the Department for Business, Energy & Industrial Strategy (BEIS), UK SBS' goals are aligned with the public sector and delivering best value for the UK taxpayer.

UK Shared Business Services Ltd changed its name from RCUK Shared Services Centre Ltd in March 2013.

Our Customers

Growing from a foundation of supporting the Research Councils, 2012/13 saw Business, Energy and Industrial Strategy (BEIS) transition their procurement to UK SBS and Crown Commercial Services (CCS – previously Government Procurement Service) agree a Memorandum of Understanding with UK SBS to deliver two major procurement categories (construction and research) across Government.

UK SBS currently manages £700m expenditure for its Contracting Authorities.

Our Contracting Authorities who have access to our services and Contracts are detailed [here](#).

Section 2 – About the Contracting Authority

Innovate UK

The Innovate UK is the UK's innovation agency – driving innovation to boost economic growth. It works with people, companies and partner organisations to find and drive the science and technology innovations that will grow the UK economy

Innovate UK is an organisation of around 300 staff, drawn mainly from business. It works across the UK, with a head office in Swindon.

With a strong business focus, Innovate UK drives growth by working with companies to de-risk, enable and support innovation. To do this, they work to:

- Determine which science and technology developments will drive future economic growth
- Meet UK innovators with great ideas in the fields they're focused on
- Fund the strongest opportunities
- Connect innovators with the right partners they need to succeed
- Help its innovators launch, build and grown successful businesses

Since 2007 Innovate UK has committed over £1.8 billion to innovation, matched by a similar amount in partner and business funding. They have helped more than 7,600 organisations with projects estimated to add more than £11.5 billion to the UK economy and create 55,000 extra new jobs.

Section 3 - Working with Innovate UK

In this section you will find details of your Procurement contact point and the timescales relating to this opportunity.

Section 3 – Contact details		
3.1	Contracting Authority Name and address	Innovate UK Polaris House Swindon SN2 1FL
3.2	Buyer name	Sophie Mumford
3.3	Buyer contact details	ICTProcurement@uksbs.co.uk
3.4	Estimated value of the Opportunity	The estimated value of this contract is up to £30,000.00 excluding VAT. N.B. If a cloud-based solution is proposed any additional support and hosting costs must not exceed the £30,000 maximum budget.
3.5	Process for the submission of clarifications and Bids	All correspondence shall be submitted within the Emptoris e-sourcing tool. Guidance Notes to support the use of Emptoris is available here. Please note submission of a Bid to any email address including the Buyer <u>will</u> result in the Bid <u>not</u> being considered.

Section 3 - Timescales		
3.6	Date of Issue of Contract Advert and location of original Advert	19/01/2018 Contracts Finder
3.7	Latest date/time ITQ clarification questions shall be received through Emptoris messaging system	25/01/2018 14:00
3.8	Latest date/time ITQ clarification answers should be sent to all Bidders by the Buyer through Emptoris	26/01/2018 14:00
3.9	Latest date/time ITQ Bid shall be submitted through Emptoris	01/02/2018 14:00

3.10	Date/time Bidders should be available if written clarifications are required	08/02/2018 – 09/02/2018
3.11	Anticipated selection and the selections of Bids notification date	16/02/2018
3.12	Anticipated Award date	16/02/2018
3.13	Anticipated Contract Start date	21/02/2018
3.14	Anticipated Contract End date	31/05/2018
3.15	Bid Validity Period	60 Days

Section 4 – Specification

i) Introduction

Innovate UK is the UK's innovation agency. We know that taking a new idea to market is a challenge. We fund, support and connect innovative businesses through a unique mix of people and programmes to accelerate sustainable economic growth. To do this, we work to:

- Determine which science and technology developments will drive future economic growth
- Fund the strongest innovators in the sectors of strategic interest to the UK
- Connect innovators with the right partners they need to succeed
- Help launch, build and grow successful businesses.

Since 2007 we have committed over £1.8 billion to innovation, matched by a similar amount in partner and business funding. We have helped more than 7,600 organisations with projects estimated to add more than £11.5 billion to the UK economy and create 55,000 extra new jobs.

We are now looking to add a new lending function to our activities, which will enable companies to access a broader range of financial products to help them succeed. This will be started through a pilot innovation loans programme.

For more information visit <https://www.gov.uk/government/organisations/innovate-uk>

Aims

Innovate UK is seeking to procure a Loan Portfolio Model to support the forecasting and recording of a prospective portfolio of up to £50m, shared across around 100 transactions. This procurement is for the functional model only and will not require consultancy or advice on the underpinning assumptions around items such as maturities, probability of default or forecast loss given default, for example. Central assumptions will be provided by Innovate UK.

The aim of the procurement is to procure a functional model that enables:

- Forecasting of loan and portfolio performance based on key assumptions;
- Forecasting of loan and portfolio performance based on actuals; and
- Output of reports in a format suitable for review by the Innovation Loans credit function and the Innovate UK finance function

The format and mechanism of the model can be based on existing or proprietary software and can be cloud based or desk based. However, all model outputs should have interoperability with industry standard file types.

Scope

The scope is set out in “the requirements” below.

For avoidance of doubt, the successful bidder will not be required to:

- Consult on the underlying model assumptions; and

- Provide ongoing support to the model after delivery within the scope of this tender (unless a cloud-based model is proposed, detailed below under “Optional Requirements”)

ii) **Essential Requirements:**

PART A: Forecasting

The model should allow at least the following assumptions to be varied through user inputs at the **Portfolio Level**:

- Portfolio make up – distribution of loans between £100k and £1m;
- Probability of Default (PD) – linked to industry standard gradings (eg. S&P / Moody’s);
- Loss Given Default (LGD);
- Loan pricing – arrangement and monitoring fees, running interest, PIK and backend return structures
- Average time to default;
- Timing of loan commitments rolling on through years 1 and 2;
- Timing of tranching loan drawdowns and the length of interest only periods;
- Timing of loan repayment periods;
- Utilisation of loan amount committed
- Slippage assumptions based on type and length of loan

The following calculated fields will be required:

- Forecast quarterly net cash requirements through the life of the loan, after capital repayments and default
- Exposure at Default (EAD)
- Fair value of the portfolio, based on the IFRS 9 accounting standard and stage 2 impairments from day 1;
- Average Value committed / drawn;
- Weighted Average Maturity;
- Forecast quarterly, annual and lifetime income from interest – both gross and net of forecast defaults;
- Internal Rate of Return

PART B: Updating for Actuals

The model should allow for the substitution of actuals as loans are made. At commitment, for **each transaction**, the model should allow for the creation of a customer record which allows for the following fields to be input by the user:

- Company name and unique identifier;
- Company sector / NACE sector and sub-sector / Key words;
- Activity Code;
- Programme Type;

- Start date;
- Loan commitment amount;
- Loan pricing (as above);
- Loan term, split across 3 periods: Availability, Extension and Repayment;
- Forecast quarterly drawdowns in the Availability Period;
- Security (open market and written down values); and
- Assigned PD and LGD

The following calculated fields should flow from these inputs:

- Differential State aid – this is calculated as the assigned PD, mapped to industry standard ratings, notched one whole rating and cross referenced to the published EU reference rate, plus the country rate, less the assigned PD (more detail can be provided as required);
- Fair value: based on the assumption that the loan is immediately impaired in line with IFRS9; and
- Internal Rate of Return

In addition, model outputs in line with the calculated fields in Part A should be produced from the data provided as a separate output to the forecasting aspects of Part A.

PART C: Recording Variations

Finally, the model should allow for transaction inputs to be varied to reflect in life events, including:

- Revisions to PD and/or LGD;
- Reprofitting of drawdowns and/or loan term;
- Prepayments / early repayment;
- Provisioning at IFRS9 stage 3

As above, model outputs should mirror those in Part A.

Across these model variants, a degree of version control and point in time reporting is required. Where the model is business critical for Innovate UK, we would expect the accuracy of its outputs to have been subject to sufficient testing to allow its performance to be certified by an external body (if required).

It is important that the model is developed at pace in order to meet the requirements of Innovate UK. The model and all additional requirements detailed below (including training) must be delivered by 3rd April 2018.

iii) Additional Requirements:

Interoperability

Innovate UK is in the process of appointing a Loans Administration Service Provider. Models which are able to interact with the outputs provided by the Administrator on live balance, repayment and interest data will be well received. The Loan Administrator outputs will be provided in CSV format, with the possibility of API integration. Quarterly drawdown forecasts for each loan may also come from other systems in CSV format or other industry standard formats and the ability to integrate this into the model is essential.

Innovate UK is rolling out a new financial system called Workday. The model will be required to feed data into Workday in order to record forecasts against our budget allocation, including impairments and write offs. Models which can output forecast quarterly and annual loan capital requirements, based on input drawdown profiles, and fair value estimates (and variations) on the actual portfolio will be welcome. The Innovate UK financial system can accept inputs in the form of CSV.

The model must be provided in a format which we are able to edit, including the ability to add or remove columns or fields. The ability to lock down the model so it can only be edited by certain users would also be viewed positively.

It should be possible for Innovate UK to extract the information into other systems including our reporting warehouse, possibly using API integration.

Training

Training and handover of the model is required for a minimum of four members of staff. Training on-site at Innovate UK, Polaris House, Swindon, SN2 1FL would be preferred however online training would also be acceptable. The training and handover is expected to take 1 day at the very most.

iv) Optional Requirements

Any proposal for a cloud-based model will require ongoing hosting and support for up to 2 years.

v) Terms and Conditions

Bidders are to note that any requested modifications to the Contracting Authority Terms and Conditions on the grounds of statutory and legal matters only, shall be raised as a formal clarification during the permitted clarification period.

Variant bids / options are not permitted and will not be accepted.

Section 5 – Evaluation model

The evaluation model below shall be used for this ITQ, which will be determined to two decimal places.

Where a question is 'for information only' it will not be scored.

The evaluation team may comprise staff from UK SBS, and the Contracting Authority ----- and any specific external stakeholders the Contracting Authority deems required. After evaluation the scores will be finalised by performing a calculation to identify (at question level) the mean average of all evaluators (Example – a question is scored by three evaluators and judged as scoring 5, 5 and 6. These scores will be added together and divided by the number of evaluators to produce the final score of 5.33 ($5+5+6 = 16 \div 3 = 5.33$))

Pass / fail criteria		
Questionnaire	Q No.	Question subject
Commercial	SEL1.2	Employment breaches/ Equality
Commercial	FOI1.1	Freedom of Information Exemptions
Commercial	AW1.1	Form of Bid
Commercial	AW1.3	Certificate of Bona Fide Bid
Commercial	AW3.1	Validation check
Commercial	AW4.1	Contract Terms
Quality	AW6.1	Compliance to the Specification
Commercial	SEL3.11	Compliance to Section 54 of the Modern Slavery Act
Commercial	SEL3.12	Cyber Essentials
Commercial	SEL3.13	GDPR
-	-	Invitation to Quote – received on time within e-sourcing tool

Scoring criteria			
Evaluation Justification Statement			
In consideration of this particular requirement the Contracting Authority has decided to evaluate Potential Providers by adopting the weightings/scoring mechanism detailed within this ITQ. The Contracting Authority considers these weightings to be in line with existing best practice for a requirement of this type.			
Questionnaire	Q No.	Question subject	Maximum Marks
Price	AW5.2	Price	20%
Quality	PROJ1.1	Development & model design	35%
Quality	PROJ1.2	Testing	30%
Quality	PROJ1.3	Handover	15%

Evaluation of criteria

Non-Price elements

Each question will be judged on a score from 0 to 100, which shall be subjected to a multiplier to reflect the percentage of the evaluation criteria allocated to that question.

Where an evaluation criterion is worth 20% then the 0-100 score achieved will be multiplied by 20%.

Example if a Bidder scores 60 from the available 100 points this will equate to 12% by using the following calculation:

$$\text{Score} = \{\text{weighting percentage}\} \times \{\text{bidder's score}\} = 20\% \times 60 = 12$$

The same logic will be applied to groups of questions which equate to a single evaluation criterion.

The 0-100 score shall be based on (unless otherwise stated within the question):

0	The Question is not answered or the response is completely unacceptable.
10	Extremely poor response – they have completely missed the point of the question.
20	Very poor response and not wholly acceptable. Requires major revision to the response to make it acceptable. Only partially answers the requirement, with major deficiencies and little relevant detail proposed.
40	Poor response only partially satisfying the selection question requirements with deficiencies apparent. Some useful evidence provided but response falls well short of expectations. Low probability of being a capable supplier.
60	Response is acceptable but remains basic and could have been expanded upon. Response is sufficient but does not inspire.
80	Good response which describes their capabilities in detail which provides high levels of assurance consistent with a quality provider. The response includes a full description of techniques and measurements currently employed.
100	Response is exceptional and clearly demonstrates they are capable of meeting the requirement. No significant weaknesses noted. The response is compelling in its description of techniques and measurements currently employed, providing full assurance consistent with a quality provider.

All questions will be scored based on the above mechanism. Please be aware that the final score returned may be different as there may be multiple evaluators and their individual scores will be averaged (mean) to determine your final score.

Example

Evaluator 1 scored your bid as 60

Evaluator 2 scored your bid as 60

Evaluator 3 scored your bid as 40

Evaluator 4 scored your bid as 40

Your final score will $(60+60+40+40) \div 4 = 50$

Price elements will be judged on the following criteria.

The lowest price for a response which meets the pass criteria shall score 100.

All other bids shall be scored on a pro rata basis in relation to the lowest price. The score is then subject to a multiplier to reflect the percentage value of the price criterion.

For example - Bid 1 £100,000 scores 100.

Bid 2 £120,000 differential of £20,000 or 20% remove 20% from price scores 80

Bid 3 £150,000 differential £50,000 remove 50% from price scores 50.

Bid 4 £175,000 differential £75,000 remove 75% from price scores 25.

Bid 5 £200,000 differential £100,000 remove 100% from price scores 0.

Bid 6 £300,000 differential £200,000 remove 100% from price scores 0.

Where the scoring criterion is worth 50% then the 0-100 score achieved will be multiplied by 50.

In the example if a supplier scores 80 from the available 100 points this will equate to 40% by using the following calculation: $\text{Score}/\text{Total Points} \times 50$ ($80/100 \times 50 = 40$)

The lowest score possible is 0 even if the price submitted is more than 100% greater than the lowest price.

Section 6 – Evaluation questionnaire

Bidders should note that the evaluation questionnaire is located within the **e-sourcing questionnaire**.

Guidance on completion of the questionnaire is available at <http://www.ukpbs.co.uk/services/procure/Pages/supplier.aspx>

PLEASE NOTE THE QUESTIONS ARE NOT NUMBERED SEQUENTIALLY

Section 7 – General Information

What makes a good bid – some simple do's 😊

DO:

- 7.1 Do comply with Procurement document instructions. Failure to do so may lead to disqualification.
- 7.2 Do provide the Bid on time, and in the required format. Remember that the date/time given for a response is the last date that it can be accepted; we are legally bound to disqualify late submissions. Unless formally requested to do so by UK SBS e.g. Emptoris system failure
- 7.3 Do ensure you have read all the training materials to utilise e-sourcing tool prior to responding to this Bid. If you send your Bid by email or post it will be rejected.
- 7.4 Do use Microsoft Word, PowerPoint Excel 97-03 or compatible formats, or PDF unless agreed in writing by the Buyer. If you use another file format without our written permission we may reject your Bid.
- 7.5 Do ensure you utilise the Emptoris messaging system to raise any clarifications to our ITQ. You should note that we will release the answer to the question to all Bidders and where we suspect the question contains confidential information we may modify the content of the question to protect the anonymity of the Bidder or their proposed solution
- 7.6 Do answer the question, it is not enough simply to cross-reference to a 'policy', web page or another part of your Bid, the evaluation team have limited time to assess bids and if they can't find the answer, they can't score it.
- 7.7 Do consider who the Contracting Authority is and what they want – a generic answer does not necessarily meet every Contracting Authority's needs.
- 7.8 Do reference your documents correctly, specifically where supporting documentation is requested e.g. referencing the question/s they apply to.
- 7.9 Do provide clear, concise and ideally generic contact details; telephone numbers, e-mails and fax details.
- 7.10 Do complete all questions in the questionnaire or we may reject your Bid.
- 7.11 Do check and recheck your Bid before dispatch.

What makes a good bid – some simple do not's Ⓜ

DO NOT

- 7.12 Do not cut and paste from a previous document and forget to change the previous details such as the previous buyer's name.
- 7.13 Do not attach 'glossy' brochures that have not been requested, they will not be read unless we have asked for them. Only send what has been requested and only send supplementary information if we have offered the opportunity so to do.
- 7.14 Do not share the Procurement documents, they are confidential and should not be shared with anyone without the Buyers written permission.
- 7.15 Do not seek to influence the procurement process by requesting meetings or contacting UK SBS or the Contracting Authority to discuss your Bid. If your Bid requires clarification the Buyer will contact you. All information secured outside of formal Buyer communications shall have no Legal standing or worth and should not be relied upon.
- 7.16 Do not contact any UK SBS staff or the Contracting Authority staff without the Buyers written permission or we may reject your Bid.
- 7.17 Do not collude to fix or adjust the price or withdraw your Bid with another Party as we will reject your Bid.
- 7.18 Do not offer UK SBS or the Contracting Authority staff any inducement or we will reject your Bid.
- 7.19 Do not seek changes to the Bid after responses have been submitted and the deadline for Bids to be submitted has passed.
- 7.20 Do not cross reference answers to external websites or other parts of your Bid, the cross references and website links will not be considered.
- 7.21 Do not exceed word counts, the additional words will not be considered.
- 7.22 Do not make your Bid conditional on acceptance of your own Terms of Contract, as your Bid will be rejected.

Some additional guidance notes

- 7.23 All enquiries with respect to access to the e-sourcing tool and problems with functionality within the tool must be submitted to Crown Commercial Service (previously Government Procurement Service), Telephone 0345 010 3503.
- 7.24 Bidders will be specifically advised where attachments are permissible to support a question response within the e-sourcing tool. Where they are not permissible any attachments submitted will not be considered as part of the evaluation process.
- 7.25 Question numbering is not sequential and all questions which require submission are included in the Section 6 Evaluation Questionnaire.
- 7.26 Any Contract offered may not guarantee any volume of work or any exclusivity of supply.
- 7.27 We do not guarantee to award any Contract as a result of this procurement
- 7.28 All documents issued or received in relation to this procurement shall be the property of the Contracting Authority. / UKSBS.
- 7.29 We can amend any part of the procurement documents at any time prior to the latest date / time Bids shall be submitted through Emptoris.
- 7.30 If you are a Consortium you must provide details of the Consortiums structure.
- 7.31 Bidders will be expected to comply with the Freedom of Information Act 2000 or your Bid will be rejected.
- 7.32 Bidders should note the Government's transparency agenda requires your Bid and any Contract entered into to be published on a designated, publicly searchable web site. By submitting a response to this ITQ Bidders are agreeing that their Bid and Contract may be made public
- 7.33 Your bid will be valid for 60 days or your Bid will be rejected.
- 7.34 Bidders may only amend the contract terms during the clarification period only, only if you can demonstrate there is a legal or statutory reason why you cannot accept them. If you request changes to the Contract terms without such grounds and the Contracting Authority fail to accept your legal or statutory reason is reasonably justified we may reject your Bid.
- 7.35 We will let you know the outcome of your Bid evaluation and where requested will provide a written debrief of the relative strengths and weaknesses of your Bid.
- 7.36 If you fail mandatory pass / fail criteria we will reject your Bid.
- 7.37 Bidders are required to use IE8, IE9, Chrome or Firefox in order to access the functionality of the Emptoris e-sourcing tool.
- 7.38 Bidders should note that if they are successful with their proposal the Contracting Authority reserves the right to ask additional compliancy checks prior to the award of

any Contract. In the event of a Bidder failing to meet one of the compliancy checks the Contracting Authority may decline to proceed with the award of the Contract to the successful Bidder.

- 7.39 All timescales are set using a 24 hour clock and are based on British Summer Time or Greenwich Mean Time, depending on which applies at the point when Date and Time Bids shall be submitted through Emptoris.
- 7.40 All Central Government Departments and their Executive Agencies and Non Departmental Public Bodies are subject to control and reporting within Government. In particular, they report to the Cabinet Office and HM Treasury for all expenditure. Further, the Cabinet Office has a cross-Government role delivering overall Government policy on public procurement - including ensuring value for money and related aspects of good procurement practice.

For these purposes, the Contracting Authority may disclose within Government any of the Bidders documentation/information (including any that the Bidder considers to be confidential and/or commercially sensitive such as specific bid information) submitted by the Bidder to the Contracting Authority during this Procurement. The information will not be disclosed outside Government. Bidders taking part in this ITQ consent to these terms as part of the competition process.

- 7.41 The Government is introducing its new Government Security Classifications (GSC) classification scheme on the 2nd April 2014 to replace the current Government Protective Marking System (GPMS). A key aspect of this is the reduction in the number of security classifications used. All Bidders are encouraged to make themselves aware of the changes and identify any potential impacts in their Bid, as the protective marking and applicable protection of any material passed to, or generated by, you during the procurement process or pursuant to any Contract awarded to you as a result of this tender process will be subject to the new GSC. The link below to the Gov.uk website provides information on the new GSC:

<https://www.gov.uk/government/publications/government-security-classifications>

The Contracting Authority reserves the right to amend any security related term or condition of the draft contract accompanying this ITQ to reflect any changes introduced by the GSC. In particular where this ITQ is accompanied by any instructions on safeguarding classified information (e.g. a Security Aspects Letter) as a result of any changes stemming from the new GSC, whether in respect of the applicable protective marking scheme, specific protective markings given, the aspects to which any protective marking applies or otherwise. This may relate to the instructions on safeguarding classified information (e.g. a Security Aspects Letter) as they apply to the procurement as they apply to the procurement process and/or any contracts awarded to you as a result of the procurement process.

USEFUL INFORMATION LINKS

- [Emptoris Training Guide](#)
- [Emptoris e-sourcing tool](#)
- [Contracts Finder](#)
- [Equalities Act introduction](#)
- [Bribery Act introduction](#)
- [Freedom of information Act](#)