

## DPS SCHEDULE 4: LETTER OF APPOINTMENT AND CONTRACT TERMS

### Part 1: Letter of Appointment

London Economics Limited  
Somerset House, New Wing  
Strand  
London  
WC2R 1LA  
020 37017705

Dear REDACTED

### Letter of Appointment

This letter of Appointment is issued in accordance with the provisions of the DPS Agreement RM6018 between CCS and the Supplier dated 16/02/18.

Capitalised terms and expressions used in this letter have the same meanings as in the Contract Terms unless the context otherwise requires.

Order Number:	CCSN19A08
From:	HM Treasury ("Customer")
To:	London Economics Limited ("Supplier")

Effective Date:	21/03/19
Expiry Date:	End date of Initial Period: 20/09/19 End date of Maximum Extension Period: 20/11/19 Up to a further two (2) months in 1 increment of 2 months Minimum written notice to Supplier in respect of extension: 4 weeks

Services required:	Set out in Section 2, Part B (Specification) of the DPS Agreement and refined by the Customer's Project Specification attached at Annex A and the Supplier's Proposal attached at Annex B.
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Key Individuals:	REDACTED
[Guarantor(s)]	N/A

Contract Charges (including any applicable discount(s), but excluding VAT):	Day Rates: REDACTED  Capped Costs: REDACTED  The Total Capped Cost to deliver the requirement is £290,260.75 (exc VAT), as per the Supplier's submission. Rates remain firm for the life of the contract and any subsequent extensions to it.  PAYMENT REDACTED
Insurance Requirements	Please refer to Framework RM6018 Research Marketplace Dynamic Purchasing System terms and conditions.
Customer billing address for invoicing:	REDACTED

Alternative and/or additional provisions (including Schedule 6 (Additional clauses)):	N/A
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#### **FORMATION OF CONTRACT**

**BY SIGNING AND RETURNING THIS LETTER OF APPOINTMENT (which may be done by electronic means) the Supplier agrees to enter a Contract with the Customer to provide the Services in accordance with the terms of this letter and the Contract Terms.**

**The Parties hereby acknowledge and agree that they have read this letter and the Contract Terms.**

**The Parties hereby acknowledge and agree that this Contract shall be formed when the Customer acknowledges (which may be done by electronic means) the receipt of the signed copy of this letter from the Supplier within two (2) Working Days from such receipt**

**For and on behalf of the Supplier:**  
Name and Title: REDACTED

**For and on behalf of the Customer:**  
Name and Title: REDACTED

Signature:  
Date:

Signature:  
Date:

**ANNEX A**  
**Customer Project Specification**

Issued on 12/02/2019, an extract of which can be seen below:

**1. BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT**

- 1.1. The Customer requires the Supplier to explore the feasibility of successfully establishing a NILS in the UK. The Supplier shall collect and analyse data addressing a number of themes necessary for making an assessment of the viability of a NILS in the UK. This will include examining the GSM scheme and identifying whether elements could be incorporated into a sustainable UK scheme with the potential to scale. This will involve analysis cutting across several areas, including user testing, market segmentation and financial services product development.
- 1.2. The aim of the study is not to collect data on the GSM scheme, for the purposes of replicating it, but rather to incorporate learnings from the GSM scheme where it can provide insights helpful for understanding the feasibility of a NILS in the UK.
- 1.3. The Supplier shall present findings in a final report, to be submitted to Government Ministers and published. This will contain discussion of the evidence gathered and the analysis conducted, together with an assessment of the feasibility of a successful NILS in the UK, with options for viable models that can be tested through pilot.
- 1.4. Dependent on the results of the study, and further Customer decision-making, the Supplier may then be asked to proceed to a second pilot design phase.

**2. DEFINITIONS**

Expression or Acronym	Definition
The Customer	HM Treasury, the contracting authority.
NILS	No-Interest Loans Scheme
GSM	Good Shepherd Microfinance (operating in Australia & New Zealand)

**3. SCOPE OF REQUIREMENT**

3.1. Included:

- 3.1.1. Access & Eligibility: the feasibility study should seek to define the needs and characteristics of the target user, as distinct from those able to access loans from social and responsible lenders (i.e. currently served by the sector). The study will need to quantify the size of the potential target user group and determine the optimal methods for allowing the target user to access the scheme, considering the customer journey and touch points of the target demographic.
- 3.1.2. Structure, Delivery & Management: the study will identify and assess options for the structure, delivery and management of such a scheme.
- 3.1.3. Funding, Costs & Repayments: the study will determine viable funding options for such a scheme by considering the role of Government, private sector and philanthropy. These options will need to be built on an assessment of the costs of running such a scheme, and expected repayment rates.

- 3.1.4. Pilot design: Dependent on the results of the study, and further HMT decision-making, the Supplier will then be asked to proceed to a second pilot design phase. This will comprise designing a pilot scheme to test the viability and impact of the technical, operation and financial aspects of a selected option from a practical standpoint.
- 3.1.5. The study will seek to understand lessons learnt from the Good Shepherd Microfinance scheme in Australia and New Zealand. In addition, it will seek to understand transferable lessons from schemes such as Universal Credit Advance and the Scottish Government's Scottish Welfare Fund.

### 3.2. Excluded:

- 3.2.1. Exploring the wider causes and consequences of financial exclusion
- 3.2.2. Exploring other issues in the high-cost credit market
- 3.2.3. Implementing or operating a pilot NILS

## 4. THE REQUIREMENT

### PHASE 1: FEASIBILITY STUDY

#### A) ACCESS & ELIGIBILITY

- 4.1. This section of the feasibility study shall seek to define the size, needs and characteristics of the target user, in distinction from those able to access loans from social and responsible lenders (i.e. currently served by the sector).
- 4.2. Specifically, the Supplier shall collect and analyse data addressing the following issues:
  - 4.2.1. Overview of the current consumer credit market, in particular the high-cost credit market and social and community lending sector.
  - 4.2.2. Identifying the size, needs and demographic characteristics of those currently served by the sector through a market segmentation exercise. The size and characteristics of the target user group of a NILS scheme in the UK should then be identified. Target users should be consumers who would be able to repay the loan, but would not be able to afford to repay interest on the loan, and ideally should be distinguished from lower-income consumers currently able to access loans from social and community lenders.
  - 4.2.3. Understanding what other options are available, such as Universal Credit Advances.
  - 4.2.4. Defining the target user group and identifying potential eligibility criteria to effectively target a NILS. To consider whether the scheme should offer cash loans to individuals, be available only to purchase goods or the transfer funds directly to Suppliers, and which financial services applicants will already need access to (e.g. a bank account).
  - 4.2.5. Considering the optimal application process for the target consumer.

#### B) STRUCTURE, DELIVERY & MANAGEMENT

- 4.3. This section of the feasibility study shall seek to determine optimal methods for allowing the target user to access the scheme, considering the customer journey and touch points of the target demographic.
- 4.4. Specifically, the Supplier shall collect and analyse data addressing the following issues:
- 4.4.1. Considering different options for structuring such a scheme, and identifying the pros and cons.
  - 4.4.2. Understanding existing UK regulatory or legal constraints which could impact the operation of the scheme
  - 4.4.3. Assess the possible delivery methods for successfully reaching target users.
  - 4.4.4. Understanding the types of organisations that could assist in UK delivery, and how delivery of such a scheme would fit in with the way that they currently operate.
  - 4.4.5. Considering whether the scheme could be successfully signposted through other organisations/products in the consumer credit sector or UK Welfare System
  - 4.4.6. How a delivery method could create levels of standardisation across the scheme, while accounting for local variation
  - 4.4.7. Considering the scalability of different delivery options
  - 4.4.8. Understanding the key delivery risks and how they could be mitigated
  - 4.4.9. Considering options for establishing and managing such a scheme.
  - 4.4.10. What metrics can be designed for monitoring and measuring the impact of such a scheme, in line with its policy intent

#### C) FUNDING, COSTS & REPAYMENT

- 4.5. This section of the feasibility study shall seek to determine viable funding options for such a scheme, considering the role of Government, private sector and philanthropy. It will also model the costs of establishing and operating such a scheme, and consider the impact of the different repayment rates based on options identified earlier.
- 4.6. Specifically, the Supplier shall collect and analyse data addressing the following issues:
- 4.6.1. Options for how such a scheme could be funded in the UK, considering the possible role of Government, the private sector, charity sector and philanthropy
  - 4.6.2. Build a model to calculate the costs of running such a scheme, depending on the options identified above.
  - 4.6.3. Consider the impact of different levels of repayment rates on the funding, and capital costs of the scheme.
  - 4.6.4. How do repayment rates tie in with eligibility criteria, the application process and delivery mechanism.
  - 4.6.5. Considering the merits and risks of recovering loan repayments from benefits

#### PHASE 2: PILOT DESIGN

- 4.7. Proceeding to this phase will be dependent upon the outcome of the feasibility study, and further Customer decision-making.

4.8. Should a decision be made to proceed to a pilot design, the Supplier shall undertake the following:

4.8.1. Design a pilot to test the technical, operational and financial aspects of the scheme identified in the feasibility study.

4.8.2. Devise an evaluation framework as part of the pilot design. This should include metrics through which success of a pilot can be measured, if implemented.

## **FURTHER REQUIREMENTS**

4.9. A project board will be established with the Customer, and the Supplier shall provide weekly updates to the project board.

4.10. An advisory group will also be established to help guide the project, and the Supplier shall provide monthly updates and seek feedback at key points.

4.11. A separate Customer Senior Steering Board will also be established.

## **5. KEY MILESTONES AND DELIVERABLES**

5.1. The following Contract milestones/deliverables shall apply:  
REDACTED

## **6. MANAGEMENT INFORMATION/REPORTING**

6.1. The Supplier shall report on a weekly basis to a named client lead within HMT.

6.2. A project board, to include the Supplier and the Customer's leads, will meet on a weekly basis throughout the delivery period.

6.3. The project board will report to the Customer's Senior Steering Board as required.

## **7. CONTINUOUS IMPROVEMENT**

7.1. The Supplier shall be expected to continually improve the way in which the required Services are to be delivered throughout the Contract duration.

7.2. Changes to the way in which the Services are to be delivered must be brought to the Customer's attention and agreed prior to any changes being implemented.

## **8. QUALITY**

8.1. The Customer will measure the quality of the Supplier's delivery in line with the service level agreements and/or KPIs as detailed at section 11.1.

## **9. STAFF AND CUSTOMER SERVICE**

9.1. The Customer requires the bidders to provide a sufficient resource with the necessary skills to carry out the prescribed work throughout the duration of the No-Interest Loans Scheme Feasibility Study Contract in order to consistently deliver a quality service to all Parties.

9.2. The Supplier shall ensure that staff understand the Customer's vision and objectives and will provide excellent customer service to the Customer throughout the duration of the Contract.

## **10. SERVICE LEVELS AND PERFORMANCE**

10.1. The Customer will measure the quality of the Supplier's delivery by:

REDACTED

## **11. SECURITY AND CONFIDENTIALITY REQUIREMENTS**

11.1. The Supplier shall take all reasonable measures to protect the security of data it gathers and analyses. The Supplier will be required to comply with GDPR at all times.

## **12. CONTRACT MANAGEMENT**

12.1. Attendance at Contract Review meetings shall be at the Supplier's own expense.

## **13. LOCATION**

13.1. The location of the Services will be carried out at the Supplier's offices. [Occasionally the Customer may make available meeting rooms and event spaces although this cannot be guaranteed.]

**ANNEX B**  
**Supplier Proposal**

The Services will be provided in line with the Supplier's original tender response of 25/02/19,  
an extract of which is below:

REDACTED

**Part 2: Contract Terms**

Please see CCSN19A08 Contract Terms.