



CONTENTS

1.	PURPOSE.....	2
2.	BACKGROUND TO THE CONTRACTING AUTHORITY.....	2
3.	BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT	2
4.	DEFINITIONS.....	2
5.	SCOPE OF REQUIREMENT	4
6.	THE REQUIREMENT	4
7.	KEY MILESTONES AND DELIVERABLES	5
8.	MANAGEMENT INFORMATION/REPORTING	8
9.	VOLUMES.....	8
10.	CONTINUOUS IMPROVEMENT	9
11.	SUSTAINABILITY	9
12.	QUALITY	9
13.	PRICE	9
14.	STAFF AND CUSTOMER SERVICE.....	9
15.	SERVICE LEVELS AND PERFORMANCE	10
16.	SECURITY AND CONFIDENTIALITY REQUIREMENTS.....	11
17.	PAYMENT AND INVOICING	11
18.	CONTRACT MANAGEMENT	11
19.	LOCATION.....	11

OFFICIAL

1. PURPOSE

- 1.1 Her Majesty's Treasury require an external supplier to play an operational and co-ordinating role in the delivery of the pilot prize-linked savings scheme announced at Autumn Budget 2018: a new prize-linked savings account offered by credit unions.
- 1.2 The Potential Provider will be required to collect data about participating members' entries into the draws and to run the draws each month in a fair manner.
- 1.3 HM Treasury may be referred to as "the Authority" or HMT hereafter.

2. BACKGROUND TO THE CONTRACTING AUTHORITY

- 2.1 HM Treasury is the government's economic and finance ministry, maintaining control over public spending, setting the direction of the UK's economic policy and working to achieve strong and sustainable economic growth.
- 2.2 The Banking and Credit Team lead on government policy for mutuals, which includes building societies, co-operatives and credit unions.
- 2.3 The aim of current government policy on credit unions is to support them in offering essential financial services to under-served communities. In particular, government aims to support credit unions in offering affordable loans to those who might otherwise turn to payday lenders to meet their financial needs.

3. BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT

- 3.1 From the Autumn Budget 2018, the Chancellor announced a package of measures to support affordable credit and the credit union sector. As part of that package, HM Treasury committed to launch a pilot of a prize-linked savings account, offered by credit unions to current and potential members with prizes funded by Government.
- 3.2 The aim is to support the credit union sector through increased awareness, membership and deposits, while building individuals' financial resilience through rainy-day savings.
- 3.3 Approximately 10-15 credit unions will participate in the pilot. These credit unions will offer prize-linked savings accounts whereby all account-holders across the participating credit unions will be entered into a single prize draw each month. In addition to this there may be additional prize draws, such as quarterly or local draws, as the pilot progresses. Savers will receive on entry into the monthly prize draw for each unit of money (yet to be determined) that they save: the more an individual saves, the higher their chances of winning a

prize. Credit unions will offer the accounts and money saved through the scheme will sit on the credit unions' balance sheets, available to be lent on.

- 3.4 The Authority requires an external supplier to co-ordinate the participating credit unions, collecting data from participating credit unions to run the centralised monthly prize draws and any additional prize draws as required. The supplier will also need to carry out the prize draws in a fair and random way. HMT will finalise the rules of the prize draws in consultation with the supplier.
- 3.5 The supplier will be further required to collect data from the credit unions about the accounts and account holders, including but not limited to: how many accounts are open, average account balance, and demographic information about account holders. The Authority will require participating credit unions to provide this data to the supplier as a condition of eligibility for the pilot. The supplier will share up to date information with The Authority on a monthly basis.

4. DEFINITIONS

Expression or Acronym	Definition
Entry data	Information about which credit union members are eligible for the draw each month and how many entries each member is eligible for.
Evaluation data	Information about the number of accounts open, average account balances, and demographic information about the account-holders which will allow HMT to evaluate the effectiveness of the pilot against its policy aims.
GDPR	General Data Protection Regulations
Headline prize	The single largest cash prize available in the monthly draws.
HMT	Her Majesty's Treasury, The Authority.
Minimum buy-in	The value of PLS deposits which entitles a saver to a single entry to the monthly prize draw.
PLS account	A prize-linked savings account opened by a saver at a participating credit union, whereby the account holder receives entries into a prize draw run by the supplier.
PLS deposit	Money placed by a saver into a PLS account, which sits on the relevant credit union's balance sheet. This may also be referred to as 'shares'.
Prize pyramid	The spread of prizes available within a single draw, encompassing a single headline prize and a range of smaller prizes.

Prize rate	The 'effective interest rate' of the accounts, calculated by taking the total value of all prizes paid out and dividing this by the total value of PLS deposits within the scheme, on an annualised basis.
KYC	Means Know Your Customer
AML	Means Anti Money Laundering

5. SCOPE OF REQUIREMENT

5.1 The scope of the requirement extends to:

- 5.1.1 Collecting entry data from participating credit unions to determine which individual savers are eligible for the draw every month and how many entries each saver is eligible for.
- 5.1.2 Carrying out the calculations to determine the prize pyramid for each draw, based on the entry data, the headline prize and the prize rate.
- 5.1.3 Drawing the prizes each month according to a fair and random process. Running additional prize draws as required by The Authority, for example one-off local or quarterly prize draws.
- 5.1.4 Holding the prize funds on behalf of The Authority and distributing these promptly to prize winners.
- 5.1.5 Collecting evaluation data and reporting this to The Authority on a monthly basis, in order to monitor the effectiveness of the pilot in meeting the policy aims.

5.2 The scope of the requirement does not extend to:

- 5.2.1 Creating branding for the accounts, running a marketing campaign to promote the accounts (The Authority will procure a separate supplier for this).
- 5.2.2 Holding the prize-linked savings account deposits. These will be held by the participating credit unions, available to be lent out to other members of those credit unions.
- 5.2.3 Setting the headline prize and prize rate.
- 5.2.4 Formal evaluation of the success of the pilot in meeting its policy aims. The Authority will procure a separate organisation for this, although the supplier will be required to provide evaluation data to contribute to the evaluation.

5.3 The scope may extend to the following options, depending on the cost of the core requirement:

OFFICIAL

-
- 5.3.1 The Authority is open to different approaches from the supplier to collecting the entry data from participating credit unions. This could be done by using software to extract the data from the credit unions' own banking software, by directly providing the banking software the credit unions use to run the accounts, by asking the credit unions to report their entry data manually to the supplier (ensuring this process was robust and well-audited), or some other way.
 - 5.3.2 Offering the ability to calculate prize number and amounts to target a HM Treasury-set prize rate (based on entry data), rather than delivering specific prize numbers and amounts calculated by The Authority.
 - 5.3.3 Providing additional services to participating credit unions to help them open and run the PLS accounts. For example, handling the on-boarding of new members who want to open a PLS account into participating credit unions, by providing ID verification services and KYC and AML checks.
 - 5.3.4 Providing additional products to the savers themselves, such as an app to encourage participating savers to increase their savings rates.

6. THE REQUIREMENT

- 6.1 The required Contract will be for a two (2) year term commencing upon Contract Award.
 - 6.1.1 The Contract will include a two (2) month extension option for an extension up to but not exceeding 31st March 2021; this option will be taken up at the discretion of the Authority.
- 6.2 Collecting Entry Data
 - 6.2.1 The Potential Provider will be required to co-ordinate a minimum of 10-15 credit unions for an eighteen (18) month to two (2) year pilot period; the pilot duration will be dependent on the pilot launch date following Contract Award.
 - 6.2.1.1 The Authority may ask the supplier to manage the on-boarding of further credit unions into the scheme during the pilot, depending on appetite from Ministers and the sector.
 - 6.2.2 The Potential Provider will be required to collect entry data each month from the participating credit unions.
 - 6.2.2.1 The Authority may also ask the supplier to run additional one-off prize draws, such as a sixth-monthly draw or a

draw which only covers a particular local area. This will entail the collection of further entry data.

- 6.2.3 The Authority is open to different approaches from the Potential Provider to collect entry data from participating credit unions. The Potential Provider may do this by connecting to the credit unions' banking software to draw out the data, by directly providing banking software to the participating credit unions to run the accounts, by asking the credit unions to report their entry data manually (ensuring this process is robust and well-audited), or another way. However this process is managed, the supplier must ensure it is user-friendly for participating credit unions, and must make reasonable resource available to credit unions to assist them in reporting their entry data.
- 6.2.4 The Potential Provider will be required to collect evaluation data from participating credit unions. The Authority will make clear to participating credit unions that providing evaluation data to the supplier is a condition of participation.
- 6.2.5 The Potential Provider will send HMT a 'snapshot' of entry and evaluation data each month, in an easily readable format, which will tell HMT how many accounts are open in each participating credit union, the average balance of accounts (overall and by credit union) and the breakdown of account-holders by demographic.
- 6.2.6 The Potential Provider will be required to comply with GDPR requirements when collecting and holding the entry data and evaluation data.
- 6.3 Running Prize Draws
- 6.3.1 The Potential Provider will be required to run fair and random prize draws each month, using the entry data it has collected. In the monthly prize draws there will be a prize pyramid (i.e. a single headline prize and multiple smaller prizes).
- 6.3.2 The Potential Provider is required to have the skills and experience to calculate a prize pyramid based on a HMT-set prize rate, and a HMT-set headline prize, combined with the entry data. HMT will maintain overall discretion on the prize rate and the size of the headline prize.
- 6.3.3 The Authority will consult the Provider when setting the headline prize and prize rate, as the supplier will hold both the entry data and the skills and experience to model the relationship between entry data, headline prize and prize rate. HMT may vary the headline prize and prize rate over the duration of the pilot.

-
- 6.3.4 The Potential Provider will be required to inform The Authority of its proposed prize pyramid for each month no less than twenty-four (24) hours before carrying out monthly draws.
- 6.3.5 The Potential Provider will further be required to report the identity of the headline prize winners and which credit union they are a member of to The Authority no more than twenty-four (24) hours after carrying out the monthly draw. This will enable The Authority to contact the winners about participating in promotional activity.
- 6.3.6 Where there are additional non-monthly prize draws the supplier will be required to report information to The Authority on the proposed pyramid and the winners, in the same way as for the monthly prize draws.
- 6.4 Paying Out Prizes
- 6.4.1 The Potential Provider will be required to hold the prize funds on behalf of The Authority and manage the payment of these to prize winners after each prize draw. In doing so the supplier will be required to understand and comply with all relevant regulation applying to this activity.
- 6.4.2 The Potential Provider will be required to work with the participating credit unions to verify the identity of winners of headline prizes and pay out the prize to an account of the winner's choosing. This could be their PLS account or another bank, building society or credit union account.
- 6.4.3 Smaller prizes within the pyramid (i.e. non-headline prizes) will be automatically paid into the winner's PLS account by the supplier. The supplier will send a short report to all participating credit unions each month outlining which (if any) of their members have won prizes, and how much each member has won. It will then be the credit union's responsibility to pass this information on to the winning members.
- 6.5 Further Requirements
- 6.5.1 The Potential Provider will report back to the Authority on a day-to-day basis to a named contact within The Authority and will also report to the project's Senior Steering Board within The Authority as required.
- 6.5.2 The Provider will make evaluation data available to a separate evaluator, appointed by The Authority, who will conduct the formal evaluation of the pilot.
-

7. KEY MILESTONES AND DELIVERABLES

7.1 The following Contract milestones/deliverables shall apply:

Milestone/ Deliverable	Description	Timeframe or Delivery Date
1	Contract review meeting to commence.	Within week 2 of Contract Award
2	Supplier to present plan for delivery of the pilot to HM Treasury's Senior Steering Board.	Within week 6 of Contract Award
3	Proof of concept for the calculation of a prize pyramid based on a prize rate, a headline prize and a given set of entry data.	Within week 6 of Contract Award
4	All participating credit unions are plugged in to the supplier's method for collecting entry and evaluation data, and are ready to open accounts.	Within week 12 of Contract Award
5	First set of prizes awarded.	Within weeks 16- 20 of Contract Award

8. MANAGEMENT INFORMATION/REPORTING

- 8.1 The Potential Provider will report on a day-to-day basis to a named contact within HMT and will also report to the project's Senior Steering Board within HMT as required.
- 8.2 The Authority will provide all funds for prizes. This will likely amount to no more than £1.5 million over the duration of the pilot period.
- 8.3 The Authority will reach out to the credit union sector to make them aware of this pilot and how to apply to participate. The Authority will, with the Provider's assistance, design the application criteria for participating credit unions and collect applications from credit unions. The Authority will consult the supplier when finalising the list of participating credit unions but will maintain final say.
- 8.4 The Authority need to receive regular monthly updates on how many accounts are open, average balances (overall and per credit union) and the demographic breakdown of account holders.

9. VOLUMES

- 9.1 The Potential Provider will be expected to co-ordinate at least 10-15 credit unions, covering at least 5,000 – 10,000 account holders.

-
- 9.2 The number of account-holders is expected to increase continuously throughout the Contract duration.
- 9.3 The Potential Provider may be asked to on-board additional credit unions during the life of the pilot. This will be done with the prior agreement from the Provider.

10. CONTINUOUS IMPROVEMENT

- 10.1 The Potential Provider will be expected to continually improve the way in which the required Services are to be delivered throughout the Contract duration.
- 10.2 Changes to the way in which the Services are to be delivered must be brought to the Authority's attention and agreed prior to any changes being implemented.

11. SUSTAINABILITY

- 11.1 Not applicable.

12. QUALITY

- 12.1 Not applicable.

13. PRICE

- 13.1 Prices are to be submitted via the e-Sourcing Suite, Attachment 4 – Price Schedule excluding VAT and including all other expenses relating to Contract delivery.
- 13.2 Prices must remain firm for ninety (90) days after the closure of the event.
- 13.3 Bids should cover the following:
- 13.3.1 Cost of on-boarding per credit union;
 - 13.3.2 Cost of developing or acquiring IT systems to run prize-linked savings accounts and collect entry data from credit unions;
 - 13.3.3 Cost of conducting each monthly prize draw and distributing prizes to winners and;
 - 13.3.4 Inclusive of all costs associated with the Contract.

14. STAFF AND CUSTOMER SERVICE

- 14.1 The Supplier shall provide a sufficient level of resource throughout the duration of the Contract in order to consistently deliver a quality service.
- 14.2 The Potential Provider's staff assigned to the Contract shall have the relevant qualifications and experience to deliver the Contract to the required standard.

- 14.3 The Potential Provider shall ensure that staff understand the Authority's vision and objectives and will provide excellent customer service to the Authority throughout the duration of the Contract.

15. SERVICE LEVELS AND PERFORMANCE

- 15.1 The Authority will measure the quality of the Supplier's delivery by:

15.1.1

KPI/SLA	Service Area	KPI/SLA description	Target
1	Delivery quality	Credit unions to find the provider's method of data collection user-friendly and be able to operate it competently. I.e. No credit unions are to drop out during the pilot due to IT or issues caused by the process of providing data to the supplier.	98%
2	Delivery quality	Credit unions to be able to lend out deposits in the prize-linked savings accounts as they would with all other accounts. All credit unions to be able to lend out PLS account deposits.	99%
3	Delivery quality	HMT to receive regular monthly updates on how many accounts are open, average balances (overall and per credit union) and the demographic breakdown of account holders.	99%
4	Delivery timeliness	Provider to run a prize draw at an interval set out during discussions with HMT, but will be no more than every month.	99%
5	Technical	Prize draws are not to be delayed by any technical issues.	99%
6	Delivery timeliness	Provider to get credit unions ready to open accounts no more than four (4) months after winning the contract. Unless a	99%



		later date is specified by the Authority.	
--	--	---	--

- 15.2 The Authority agrees to work with the Potential Provider to resolve service failure issues. However, it will remain the Potential Provider's sole responsibility to resolve any such service failures.

16. SECURITY AND CONFIDENTIALITY REQUIREMENTS

- 16.1 The Potential Provider will be required to take all reasonable measures to protect the security of data it holds about participating credit unions and their members. The Provider will be required to comply with GDPR at all times.

17. PAYMENT AND INVOICING

- 17.1 Payment can only be made following satisfactory delivery of pre-agreed certified products and deliverables.
- 17.2 Before payment can be considered, each invoice must include a detailed elemental breakdown of work completed and the associated costs.
- 17.3 Invoices should be submitted to: InvoiceQueries@hmtreasury.gov.uk.

18. CONTRACT MANAGEMENT

- 18.1 Attendance at any Contract Review meetings shall be at the Supplier's own expense which will be arranged by the Authority.

19. LOCATION

- 19.1 The location of the Services will be carried out at the winning Potential Provider's offices and at the offices of participating credit unions as required. Occasionally, the Authority may make available meeting rooms and event spaces although this cannot be guaranteed.