**[Insert Local Body Logo]**

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**ITT Part 4:**

**Instructions for Submission of Financial Information**

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Text in red footnotes is provided to guide use of the document and must be removed before issue or publication. Text in square brackets within the main body of the document shows where a Local Body needs to insert content or shows example text which can be adjusted to suit the local context. Once the Local Body has made these adjustments the square brackets should be removed.

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1. **Introduction**
   1. **Purpose of this document**
      1. This Part 4 of the ITT sets out instructions for Bidders regarding the submission of financial information as part of their Tender responses.
      2. This document should be read in conjunction with the Evaluation Strategy in Part 2 Appendix 1.
      3. Bidder must complete a Bid Project Model for each LOT for which it is submitting a response.
   2. **Objectives**
      1. A Bid Project Model and financial information is required for this ITT process, to achieve the following key objectives:

* To ensure that the Bid Project Model provides a solution that aligns with the grant funding available, as identified in Part 2 of this ITT.
* To allow for evaluation of the Bidder's response, in accordance with the Evaluation Strategy, including
  + Confirm the Bidder's costing, financial planning and funding arrangements, and to test the associated assumptions that they have made in their proposed Solution;
  + Enabling an assessment of the risk to the long-term commercial sustainability of the Bidder's proposed solution through sensitivity analysis;
* To form the ‘Project Model’ on award of the Contract, which will (amongst other purposes) enable:
  + Monitoring against actual performance and allow assessment when using the Change Control Procedure under the Contract;
  + Determining whether excess subsidy has been paid during the Contract period (i.e. to assist potential claw-back procedures - as required to meet State Aid requirements).
  1. **Structure of this document**
     1. This Part 3 document is structured as follows:
* Section 1 introduces this document and provides the relevant context for the financial information required
* Section 2 sets out the status and role of the Bid Project Model required in the bid process
* Section 3 describes the Bid Project Model requirements

1. **Bid Model Process**
   1. **Introduction**
      1. This section outlines the processes for Bidder submission of financial information as part of its Tender Response.
   2. **Description**
      1. Financial information ***must*** be submitted by each Bidder in accordance with the overall procurement timetable. The evaluation process includes a direct cross reference of the Bid Project Model with the "operational data" supplied in the Speed and Coverage Template for consistency and for Value For Money.
      2. The Authority will hold a face-to-face guidance session, including discussions around the completion of the Bid Project Model. Alternatively, the Authority will answer any specific clarification questions in relation to the Project Model if they are submitted as formal questions during this ITT process in accordance with Part 1 of this ITT.
      3. Should a Bidder be successful in being awarded the tendered Contract, then the Bid Project Model will become the "Project Model” under that Contract. This Bid Project Model will be subject to contractual change control (see Schedule 6.2) under the Contract.

1. **Project Model Requirements**
   1. **Introduction**
      1. The Bidder ***must*** submit financial information to support its proposed tender solution, as set out in this section.
      2. This Bid Project Model ***must*** show the Bidder's forecasts for its proposed solution, and will be given contractual status for the selected Supplier (the Bid Project Model becomes the Project Model at contract signature).
   2. **Required levels of model input detail**
      1. The Bidder ***must*** complete the Bid Project Model with sufficient granularity to enable the Authority to:

* Understand key cost drivers and their cost behaviours.
* Validate forecast take-up assumptions against implementation milestones and marketing plans.
* Test the sensitivity of the Bidder's commercial proposal to key assumptions in the Bid Project Model (particularly focussing on profitability and overall return).
* Confirm that the Bid Project Model complies with the requirement and amounts of the grant funding available to the Bidder, as per Part 2 of the ITT.
  1. **General Requirements for Bid Project Models**
     1. The following general requirements apply to a Bid Project Model:
* The model ***must*** show calculations and outputs on a quarterly basis.
* The model ***must*** not include any additional Bidder protected or hidden areas
* Bidders ***must*** use Microsoft Excel 2010 or fully compatible versions.
* Ordinarily where the Project Model has a cell with a calculated result, Bidders should NOT overwrite this cell with input data. The input of additional lines, for example for more components on the Cost Book tabs is acceptable.
* More specifically the following tabs on the Project Model must not be directly amended by the Bidder:
  + 17. Cashflow
  + 19. Output
  + 20. Calc sheet
  1. **Guidance for completing the Bid Project Model**

In completing the Bid Project Model, Bidders are guided as follows:-

* + 1. **General**

The "2. Model overview" tab in the bid Project Model includes a diagram that explains how the Bid Project Model is constructed. Bidders are advised to familiarise themselves with this schematic diagram and how their inputs will flow through the Project Model.

* + - 1. The bid Project Model is a discounted cashflow model that compares the net present value (“NPV”) of the subsidy payments to “the gap” (being the NPV of future cash inflows from connected services less cash outflows associated with the network build). **The NPV of the Subsidy Payments must not be greater than the NPV of “the gap”**.
      2. Calculated cashflows are consolidated onto the “17. Cashflow” tab and overall key metrics are summarised and presented on the “19. Output” tab. Data must not be directly entered onto either of these tabs nor should any formulae be amended or over written.
      3. Cost and revenue cashflows ***must*** be determined on a (unit cost or price)\*(appropriate volume) basis. It is down to the Bidder to identify/define appropriate cost components and their associated drivers and enter underlying data accordingly. Similarly the Bidder is to identify/define appropriate wholesale products and their associated prices and volumes and enter underlying data accordingly. Network components and wholesale products as presented in the bid Project Model ***must*** be consistent with those identified in the bidder’s Solution Component and Wholesale Product templates (see below). Bidders are reminded that transparency is a scored criteria within the Evaluation Strategy.
      4. Bidders are advised to start with the two supplementary spreadsheets entitled Solution Component Template and Wholesale Product Template, both of which need to be submitted alongside their Project Model. These will provide key inputs into the Project Model for the Solution Working Design, Network build and in life Cost Books and Wholesale Product Price Book tabs (tabs 4, 8, 12, 15). The Network Build and In Life Cost Book tabs, in particular, must tie back to the technological solution provided. The Bidder must provide evidence that the structures in the SCT are consistent with those structures to be built and costed within the PFM. Bidders need to be absolutely clear in understanding that public subsidy can only be provided for Qualifying Capital Expenditure in accordance with Appendix 2 of Schedule 5.1.
      5. Bidders are required to input into cells that are coloured green, and only in as many of the fields required to model their solution. The Bid Project Model is provided as both a blank document for input purposes and with a worked example to demonstrate its use. Bidders are asked to note that the worked example is merely included to demonstrate how the Project Model flows, and any input is merely illustrative and not to be copied or relied upon. As noted above, cells for input are generally shaded in green, although Bidders may not require all of the lines provided or may need to insert further lines as appropriate for their specific solution. Specific comments relating to individual tabs in the Bid Project Model are included both on tab 2 “Model overview” as well as on the individual tabs themselves.
      6. Embedded notes/comments are also included within some of the input tabs to provide specific guidance as appropriate. Bidders are advised to read these as they complete their Project Model, remembering that any solutions or figures within these notes are illustrative only, and that they must complete the relevant tabs with their own solution components.
      7. The Project Model includes certain checks; Bidders will need to ensure that their Project Model has no errors prior to submission. Key error checks include:

1. Tab 11. Network build cashflows – Build cashflows can ONLY occur in periods marked as being deployment (“D”) periods. Build cashflows included in the post deployment (“P”) period and post term (“PT”) period will not be classed as eligible build costs
2. Tab 18. MPT – ensure that the NPV of the Subsidy Payments is less than or equal to the NPV of the gap
3. Tab 18. MPT – ensure that the cumulative Subsidy Payments are always lower than the cumulative Qualifying Capex. Subsidy Payments can only be made for qualifying capital expenditure.
4. Tab 19. Output – ensures that the contract post deployment period is 28 quarters long and that the total Bidder time line is 80 quarters long
   * + 1. The Authority will accept a Bidder providing explanatory notes in support of their Bid Project Model solution, providing those notes are clear and concise. A Bidder may want to, for example, emphasise certain aspects of their Project Model, particularly if there are alternative solutions proposed or different Stages within the overall programme. Bidders are however advised to ask questions during the procurement if they are expecting to submit explanatory notes to their Project Model.
       2. All figures entered must exclude VAT. Public subsidy paid by the Authority will be exclusive of VAT. The Bidder will be responsible for accounting for VAT (both input and output VAT) outside of this Contract.
     1. **Funding**
        1. The total public funds available are as set out in Part 2 of this ITT. Bidders are reminded that there are no additional funds currently available. Bidders must ensure that their Project Model does not exceed this financial cap or conflict with any timing or other constraints on the availability of the funding. This statement does not preclude the possibility that additional funding may become available during the Programme, and if it is to be utilised under the Contract this would be dealt with under the Change Control Procedure (subject to State aid, procurement law and any additional contractual requirements). Bidders are further reminded that the NPV of the Subsidy Payments cannot exceed the NPV of “the gap”.
     2. **Outputs**
        1. Bidders are expected to review the tabs coloured yellow in order to satisfy themselves that their solution flows through the Project Model and provides the expected outputs, such as project NPV and IRR.
        2. Bidders ***must*** ensure that their solution meets the requirements of the various grant funding subsidies in Part 2.
        3. The Bid Project Model evaluates the bid over a 20 year (80 quarter) period. Bidders ***must*** state and illustrate in the Bid Project Model when this 80 quarter period begins as well as identifying where the deployment phase of the contract ends (i.e. the point that the final M2 milestone is expected to be delivered). The Authority will need to understand and assure the commercial viability of the Bidder's own financial plan throughout this 20 year period, especially as it relates to the funding of the Bidder itself (notwithstanding that the source and timing of the funding of the Bidder is not included in the Bid Project Model other than influencing the weighted average cost of capital and discount rate and is instead specifically covered by the Financial Memoranda).
        4. In order for the Authority to test the sustainability of the Bidder’s commercial proposal, the Bidder ***must*** run a series of sensitivity scenarios using their Bid Project Model. The outputs of these scenarios ***must*** be detailed in the Financial Memoranda. The Bidder ***must*** also provide in their Bid Project Model and/or describe in the Financial Memoranda, any other sensitivity analysis it applies for investment appraisal.

The following scenarios as a minimum must be run:

* Take up is 10% (i.e. ten percentage points) lower than base-case take up. Profile of take-up remains the same.
* Take up is 10% (i.e. ten percentage points) higher than base-case take up. Profile of take-up remains the same.
* 10% increase in all Capex costs
* 10% increase in all Opex costs
* All implementation targets are achieved 6 months later than planned, and take-up is also delayed 6 months, however costs (except those directly attached to take-up) remain as originally forecast.
  + 1. **Financial Memoranda**
       1. In addition to the completion of the Bid Project Model, the Bidder ***must*** provide Financial Memoranda and supporting information to support and explain aspects of their proposal. The minimum Financial Memoranda and supporting information are set out below:
* During periods of negative cashflow, bidders must provide evidence of suitable financial arrangements that are in place.
* Results of the sensitivity analysis as detailed above, including cost behaviours and outputs from each sensitivity, specifically providing a description of those circumstances in which the unit costs identified in the Network build, PMO and In life cost books will change from those presented in the Bid Project Model
* Explanation of customer take-up and churn assumptions specific to this Tender
* Any other Bidder assumptions and constraints that are critical to the completion of the Deployed Services and that underpin the Project Model.
* Confirmation of all relevant financial assumptions that Bidders have made in their solution.
* Confirmation of any cost and revenue deflation or inflation assumptions used in the Project Model.
* A calculation of the leverage at term (see Output tab of Project Model) – which must be calculated in accordance with the Evaluation Strategy.
* Copies of current insurance cover held with a reputable insurer, demonstrating coverage in accordance with the Contract and/or the intended insurances to be established on Contract signature to enable such compliance.
* Bidders must also provide a comparison of the cumulative capital expenditure expected to be required against the cumulative public subsidy paid, in accordance with the proposed Milestone payments, to confirm that capital expenditure always exceeds public subsidy and the ratio of public subsidy to the Bidders own funding is maintained throughout deployment period.
* Bidders must justify the discount rate specified on the General Assumptions tab of the Project Model (with reference to the Bidder’s company weighted average cost of capital and any project-specific adjustment).
* An explanation of why the Bidder considers all of its public subsidy requirement is permissible as capital expenditure under local authority capital rules as defined by the Local Authority CIPFA Code of Practice and Generally Accepted Accounting Principles.
* Where the Bidder intends to utilise subcontractors as part of its supply chain during deployment, the bidder must provide assurance in its Bidder response that it operates robust standard procurement processes (including processes to ensure achieving good value for money and that those contracted in resources have suitable skills and capabilities).
  1. **Public Subsidy Funding Categorisation**
     1. Bidders ***must*** indicate on tab 11. “Network build cashflows” of their Bid Project Model those categories of costs which they believe qualify for public subsidy (marking them as either “Capex non PMO” or “Capex PMO” as appropriate).
     2. For sources of public subsidy as detailed in Part 2 of this ITT, this funding will only be available for qualifying capital expenditure on broadband infrastructure. For claims, audit and reporting purposes therefore, Bidder qualifying expenditure from this source of public subsidy is limited to that which (i) can be reasonably allocated or apportioned to the Contract; (ii) is incremental to the supplier’s cost base that would otherwise have been incurred; (iii) is incurred in accordance with this Contract; (iii) is directly attributable to bringing the wholesale access infrastructure to the location and working condition necessary for its intended use but excluding those costs directly attributable to connecting end user premises to the network; and (iv) is capable of being capitalised under Generally Accepted Accountancy Principles.
  2. **Requirements for Solution Component Template**
     1. Bidders must follow the general requirements for Solution Component Templates as set out below:
* The model must not include any Bidder protected or hidden areas
* Bidders’ must use Microsoft Excel 2010 or fully compatible versions
  + 1. A Solution Component Template must be submitted for any Solution Components or sub-components.
    2. All responses must be completed in the Solution Component Template.
    3. The details submitted on a Solution Component Template must then be used as Network components throughout the Bid Project Model.
  1. **Requirements for Wholesale Product Template**
     1. Bidders must follow the general requirements for Wholesale Product Templates as set out below:
* The model must not include any Bidder protected or hidden areas
* Bidders’ must use Microsoft Excel 2010 or fully compatible versions
  + 1. All responses should be completed as per the instructions provided in the Wholesale Product Template
    2. Information provided in the Wholesale Product Template should be used to populate the Wholesale Product Price Book in the Bid Project Model.
  1. **Requirements for Project Management Tabs (Tabs 5, 9 and 10 of the Bid Project Model)**
     1. Bidders must complete the Project Management Tabs with sufficient detail to allow the Authority to confirm that they are acceptable resources to deploy and capable of capitalisation under local authority CIPFA rules.
     2. Bidders must ensure that the Project Management Tabs are fully completed and include detailed information that as a minimum shows:
* An overview of proposed governance and project management structure.
* FTE days worked per quarter in the evaluation period for all PMO resources -consistent with the overview above.
* Annual salaries and associated daily capitalised labour rate for each resource identified, including calculation of that rate.
* Where resources are contracted as opposed to employed then a daily rate should be provided in lieu of annual salary. If resources are contracted in, evidence will be required to assure the Authority of a robust procurement process and suitable skills assurance.
* A reconciliation from the Project Management Tabs back to the Cost Book tabs within the Project Model.

**Appendix 1 : Project Model**

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| --- |
| **Project Model** |
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| *A worked example is included for information in the file below:* |

**Appendix 2: Statement of Assurance**

**Statement of Assurance**

The Bidder must sign and return to the Local Body as part of its bid the following Statement of Assurance:

*It is hereby confirmed that:*

1. *The processes and core data used to assemble the costs shown in the Cost Book for the Project Model are consistent with the solution costs offered by the Supplier in any similar local authority contracts (e.g. ERDF, Local Authority and/or DCMS funded) of the Supplier. The explanations of variances, if any, have been provided and are accurate and consistent;*
2. *The costs shown in the Cost Book for the Project Model are calculated on a consistent basis to those costs offered by the Supplier when investing in non-"white" areas (as defined under State aid regulations). The explanations of variances, if any, have been provided and are accurate and consistent;*
3. *The Project Model has been prepared in accordance with the expenditure categories prescribed in Schedule 5.1, Appendices 2 – 6.*

**For and on behalf of:** ………………………………………………………………………………………….…………

**Signed:** ………………………………………………………

**Position held:** ……………………………….……………

**(Duly authorised and qualified financial representative of the Bidder)**