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Tender

Procurement of Fund Management Services for North East Mezzanine and Loan Fund

THE NORTH EAST FUND LIMITED

F02: Contract notice

Notice identifier: 2024/S 000-034209

Procurement identifier (OCID): ocds-h6vhtk-04b046

Published 22 October 2024, 4:11pm

Section I: Contracting authority

I.1) Name and addresses

THE NORTH EAST FUND LIMITED

Fifth Floor, West One, Forth Banks

NEWCASTLE-UPON-TYNE

NE13PA

Email

tenders@northeastfund.org

Country

United Kingdom

Region code

UKC22 - Tyneside

Companies House

10441614

Internet address(es)

Main address

<https://www.northeastfund.org/>

I.3) Communication

The procurement documents are available for unrestricted and full direct access, free of charge, at

<https://www.northeastfund.org/business-guidance-support/>

Additional information can be obtained from the above-mentioned address

Tenders or requests to participate must be submitted electronically via

<https://www.northeastfund.org/business-guidance-support/>

I.4) Type of the contracting authority

Other type

Company Owned by Local Authorities

I.5) Main activity

Economic and financial affairs

Section II: Object

II.1) Scope of the procurement

II.1.1) Title

Procurement of Fund Management Services for North East Mezzanine and Loan Fund

Reference number

TNEFL/2024/03

II.1.2) Main CPV code

- 66100000 - Banking and investment services

II.1.3) Type of contract

Services

II.1.4) Short description

The North East Fund seeks to appoint a professional, FCA authorised fund management organisation to deliver an SME investment fund which will make predominantly debt-based investments in revenue-generating SMEs based in the North East of England. The fund will address the persistent market gap in the provision of relatively small amounts of growth finance for SMEs in the North East of England, including unsecured loans and mezzanine / quasi-equity investment. In so doing, it will help to unlock regional growth, build confidence in the SME business base and ensure the region is a great place to start-up and scale-up a business.

The Fund has the working title of "Later Stage / Mezzanine Fund" but its final name will be agreed with the appointed fund manager.

TNEFL expects to make an initial commitment of investment capital to the Fund of £35m, which will be invested over an Initial Investment Period of c.5 years - equating to an average annual investment by the Fund of £7m during its first five years of operation. This quantum of investment, and the Fund's investment policy is consistent with and will address the funding gaps identified by a market evaluation exercise which was undertaken during the first half of 2024.

In a significant development compared to previous regional investment funds, the profile of this Fund has been developed with a view to facilitating a more 'patient capital' approach to investment - by making provision for the initial 5 year investment period to be followed by further periods of new (and follow-on) investments which can potentially

extend to a further 10 years. This period of up to 15 years in which the Fund can make both new and portfolio investments will be followed by a Realisation Period of up to 10 years, giving a potential contract duration of 25 years in total.

This will enable the manager to provide support over a longer period than previous funds, which should be beneficial for the Fund's investee companies and should also help to maximise the financial returns to the Fund, particularly in relation to mezzanine or quasi-equity investments as it will allow for a longer holding period of share options or warrants, which should give a greater prospect of achieving additional upside liquidity from those instruments.

Although the fund is required to be deployed predominantly via amortizing debt instruments (which must comprise 80% of the Fund's investment by value), it also has the scope to take equity positions where appropriate in companies with high growth potential and thereby to target a good number of potential high-cash-multiple / equity returns.

The Fund is also required to complete a number of smaller loans, of an average value of £70k. This will enable the Fund to help those SMEs which are seeking to achieve more modest organic growth and are not suited to equity investment but which require a loan (perhaps with a short capital repayment holiday) to help them take-on new contracts and bridge the gap between delivering them and receiving payment from new customers.

The Fund's returns, and potentially other sources of capital which may be available to TNEFL (for example, from the regional legacy funds overseen by NEA2F) will be used to facilitate the extension of the Fund's investment activity after the initial investment capital commitment of £35m is fully invested.

II.1.5) Estimated total value

Value excluding VAT: £16,700,000

II.1.6) Information about lots

This contract is divided into lots: No

II.2) Description

II.2.2) Additional CPV code(s)

- 66122000 - Corporate finance and venture capital services

II.2.3) Place of performance

NUTS codes

- UKC - North East (England)

Main site or place of performance

The North East of England, being the seven Local Authority areas of: Northumberland; North Tyneside; South Tyneside; Newcastle; Gateshead; Sunderland and County Durham.

II.2.4) Description of the procurement

Please see Section II.1.4 above for a summary of the contract and the Information Memorandum, which can be downloaded from The North East Fund's website, for details.

The procurement process will be conducted in accordance with the Public Contracts Regulations 2015 (as amended) using the Competitive Procedure with Negotiation as detailed in Regulation 29 of those Regulations.

The purpose of this procurement is to procure the services of an FCA regulated fund manager. As outlined in Section II.1.4 above, the contract is expected to have an initial duration of 10 years and can be extended by up to a further 15 years, to 25 years in total.

Please note that the contract value stated in this Contract Notice is an estimate based on assumptions regarding: the fund management fees tendered; the overall quantum of capital which will be committed to the fund; the duration of the contract and the profile of exits from and impairments to portfolio companies. As such, the ultimate fees paid under the contract could be lower or higher than the estimated contract value stated in this Contract Notice.

II.2.5) Award criteria

Price is not the only award criterion and all criteria are stated only in the procurement documents

II.2.6) Estimated value

Value excluding VAT: £16,700,000

II.2.7) Duration of the contract, framework agreement or dynamic purchasing system

Duration in months

300

This contract is subject to renewal

Yes

Description of renewals

The contract can potentially last for 25 years, based on its being extended during its term, which will initially be for 10 years but - subject to performance, market demand and availability of capital - is expected to be extended by at least 10 years, on the basis set out in the Information Memorandum and draft contract documents.

II.2.10) Information about variants

Variants will be accepted: Yes

II.2.11) Information about options

Options: No

Section III. Legal, economic, financial and technical information

III.1) Conditions for participation

III.1.1) Suitability to pursue the professional activity, including requirements relating to enrolment on professional or trade registers

List and brief description of conditions

Participants must be authorised and registered with the Financial Conduct Authority, or must be able to explain how they will become authorised in time to deliver the contract - as detailed in the Selection Questionnaire.

III.2) Conditions related to the contract

III.2.3) Information about staff responsible for the performance of the contract

Obligation to indicate the names and professional qualifications of the staff assigned to performing the contract

Section IV. Procedure

IV.1) Description

IV.1.1) Type of procedure

Competitive procedure with negotiation

IV.1.4) Information about reduction of the number of solutions or tenders during negotiation or dialogue

Recourse to staged procedure to gradually reduce the number of solutions to be discussed or tenders to be negotiated

IV.1.5) Information about negotiation

The contracting authority reserves the right to award the contract on the basis of the initial tenders without conducting negotiations

IV.1.8) Information about the Government Procurement Agreement (GPA)

The procurement is covered by the Government Procurement Agreement: Yes

IV.2) Administrative information

IV.2.2) Time limit for receipt of tenders or requests to participate

Date

22 November 2024

Local time

12:00pm

IV.2.3) Estimated date of dispatch of invitations to tender or to participate to selected candidates

4 December 2024

IV.2.4) Languages in which tenders or requests to participate may be submitted

English

IV.2.6) Minimum time frame during which the tenderer must maintain the tender

Duration in months: 6 (from the date stated for receipt of tender)

Section VI. Complementary information

VI.1) Information about recurrence

This is a recurrent procurement: No

VI.4) Procedures for review

VI.4.1) Review body

High Court of England & Wales

London

Country

United Kingdom