Site Characterisation Delivery Partner

Economic & Financial Standing

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*Note: Within this document, the term “Consultant” applies to companies or individuals working in the capacity of consultant, contractor or supplier for the Site Characterisation Delivery (SCDP). The term “Client” shall be read to mean “Nuclear Waste Services” and “NWS”.*

**Contents**

[1 Purpose 6](#_Toc199854520)

[2 EFS Assessment - Structure 6](#_Toc199854521)

[2.1 EFS Tests and Thresholds 6](#_Toc199854522)

[3 Approach to JVs 7](#_Toc199854523)

[4 Reliance on a Nominated Entity 7](#_Toc199854524)

[4.1 Reassessment 8](#_Toc199854525)

[5 International Bidders 8](#_Toc199854526)

**Tables**

[Table 1: Bidders Mandatory Information 6](#_Toc199854254)

[Table 2: EFS Tests and Thresholds 7](#_Toc199854255)

Abbreviations and Definitions

|  |  |
| --- | --- |
| COP | Conditions of Participation |
| EFS | Economic & Financial Standing |
| JV | Joint Venture - An association of two or more companies or organisations, with the objective of pooling their resources for the purposes of bidding for and delivering the SCDP opportunity. The Joint Venture would be unincorporated, and members will be jointly and severally liable for the performance of the contract. |
| Nominated Entity | An entity which is put forward by the Bidder, or a member of a JV which is to be relied upon to pass the EFS assessment. |
| Prime Contractor | A corporate vehicle that is a Bidder in its own right. |
| SCDP | Site Characterisation Delivery Partner |
| SPV | Special Purpose Vehicle - is a company which is formed by an organisation, or multiple organisations, to bid for the SCDP opportunity. |
| Workshare | Refers to the percentage of SCDP capability/scope delivered by a member of a JV in a single year. |

Purpose

This document is intended to provide potential Bidders with an opportunity to review draft proposals for the SCDP Economic & Financial Standing (EFS) assessment which will form part of the Conditions of Participation (COP)/supplier qualification stage. All ratios, measures and thresholds are subject to change, feedback is welcomed on initial proposals.

EFS Assessment - Structure

The SCDP EFS assessment will seek to ensure that Bidders have sufficient financial strength to deliver the proposed contract. The assessment will require Bidders to provide the following mandatory information:

|  |  |  |
| --- | --- | --- |
| **Mandatory Information** | **Information Purposes Only\*** | **Pass/Fail** |
| The last **Two years** of Financial Statements\*   * To be provided by the Prime Contractor, all members of a JV/consortia and any Nominated Entities | **X** |  |
| The calculation and inclusion of requested EFS Tests set out in the next table for the Bidder, all members of a JV, and any Nominated Entities |  | **X** |
| For JV Bidders only, details of the % Workshare of each member of the JV (in cases of JV Bidders | **X** |  |

Table 1: Bidders Mandatory Information

*\*Two years of audited company statutory accounts in line with filing timeline requirements contained in the Companies Act 2006, or overseas equivalent if appropriate.*

EFS Tests and Thresholds

The assessment will comprise the following ‘EFS Tests and Thresholds’ with Bidders required to meet the stated tests and thresholds for the last two financial years (excluding the Dun & Bradstreet Risk Indicator which will be based on an up-to-date assessment) to ‘Pass’ the assessment:

|  |  |  |
| --- | --- | --- |
| **EFS Tests** | **Thresholds** | **Calculation Required** |
| **Turnover Threshold:**  *Assesses whether winning the contract could have such a material impact on the organisation that it could struggle to deliver the contract successfully.* | **Minimum annual turnover of (>£81.6m)\***  Equivalent to 1.5x the estimated annual contract value or above | N/A – actual turnover values are required |
| **Operating Margin:**  *Provides an insight into how much profit a company makes after deducting for variable costs of production. A healthy operating margin demonstrates ability to pay for its fixed costs.* | **>2%** | Operating Profit  ~~---------------------------~~  Total Revenue |
| **Net Asset Value:**  *Provides an insight into the financial health of a company and understand the risk level of a bidder, a high net asset value suggests a strong financial position.* | **>0** | Total Assets – Total Liabilities |
| **Net Debt / EBITDA:**  *Shows how many years it would take to repay net debt if EBITDA remained constant and was used in full to repay financial debt.* | **<3.5** | Net Debt  ---------------------------  EBITDA |
| **Acid Ratio:**  *A liquidity ratio which measures an organisation’s ability to use Cash and other assets it can quickly translate into cash to meet short-term liabilities falling due.* | **>0.8** | (Current Assets – Inventory)  ----------------------------  Current Liabilities |
| **Net Debt + Net Pension Deficit / EBITDA:**  *Used as a financial metric to assess a company's financial leverage and overall debt burden relative to its earnings.* | **<5** | Net Debt + Net Pension Deficit  ----------------------------  EBITDA |
| **Dun & Bradstreet (D&B) Risk Indicator Score:**  *An overall measure of a business' financial health.* | **<3 – Higher than Average Risk** | N/A – Risk Indicator score is generated on a standard D&B report |

Table 2: EFS Tests and Thresholds

***\*****Where the Bidder is a JV, the members combined turnover will need to meet the stated turnover threshold. Additionally, each member would need to have a turnover equivalent to the % workshare envisaged e.g. member 1 will deliver 10% of the anticipated Workshare and will therefore need to have a turnover of at least £8.16m (10% of the turnover threshold).*

Approach to JVs

Where the Bidder is a JV, the audited company statutory accounts or abbreviated accounts and financial statements (as applicable) shall be provided for each member of the JV with the EFS of each member to be assessed separately in accordance with the stated evaluation criteria. For the Bidder to achieve a “Pass” score, each individual member must pass the EFS Tests and Thresholds.

Bidders must also clearly state the % Workshare of each entity within the JV as this will be used for the turnover test. NWS will reserve the right to audit this percentage allocation of work within the JV.

Where the Bidder will establish a SPV, the audited company statutory accounts or abbreviated accounts and financial statements (as applicable) shall be provided for the SPV with the SPV to be assessed in accordance with the EFS Tests and Thresholds. It is assumed that the SPV will not pass the EFS Tests and Thresholds given it will be newly incorporated. Accordingly, where a SPV solution is to be put forward, reliance on a Nominated Entity will be a prerequisite.

Reliance on a Nominated Entity

If a Bidder, or any of its constituent members, is unable to pass the EFS Tests and Thresholds outlined (e.g. in cases of a newly or soon to be established company, or is unable to meet one or more of the outlined criteria), then it may instead opt to demonstrate suitable EFS by providing confirmation that a Nominated Entity which does satisfy the Mandatory Information and EFS Tests and Thresholds, is willing to guarantee the performance of the Bidder. A Nominated Entity must be identified in the original COP submission.

Nominated Entities must complete and submit the necessary Mandatory Information and EFS Tests and Thresholds in respect of its own financial status. In such circumstances, the Nominated Entity's financial status will be assessed against the EFS Tests and Thresholds, and these must be passed. The Nominated Entity will also be required to pass any questions relating to mandatory or discretionary exclusions. Additionally, a primary obligor guarantee from the Nominated Entity (a form will be set out in the COP), and a signed letter of support will be a condition precedent to the Bidder being deemed to have passed the EFS requirements. For a JV, any guarantee from a Nominated Entity will be on a joint and several basis with the members of the JV.

Reassessment

The EFS Tests and Thresholds will be repeated with updated information at evaluation of final tenders and contract award. Should a Bidder fail the EFS Tests and Thresholds on the repeated tests they shall be disqualified from the procurement unless, within 10 Business Days, they are able to put forward a Nominated Entity who passes the EFS Tests and Thresholds and is willing to provide the required form of guarantee.

Where a previously relied upon Nominated Entity fails the EFS Tests and Thresholds on a repeated test, the relevant Bidder shall be disqualified from the procurement unless, within 10 Business Days, they are able to put forward an alternative Nominated Entity who passes the EFS Tests and Thresholds and is willing to provide the required form of guarantee.

The SCDP Contract will include default termination triggers should the financial health of the successful Contractor and/or any Nominated Entity guarantor fall beneath specified financial thresholds.

International Bidders

All Bidders will be required to respond to the EFS financial questions using Pounds Sterling, using the applicable exchange rate from XE.com on a to be specified date. Financial statements can be provided in the native currency. Financial statements, and any supporting evidence are to be submitted in English.