

# 3

# Consortia

This worksheet looks at the strategic questions involved when an organisation decides it needs to develop a collaborative approach in order to stay in the SP market and is considering whether a consortium might be the way forward. It looks at the pros and cons for smaller SP providers, issues to be considered and other available resources. Worksheet 4 covers the issues involved in establishing a consortium in more detail.

## AT A GLANCE

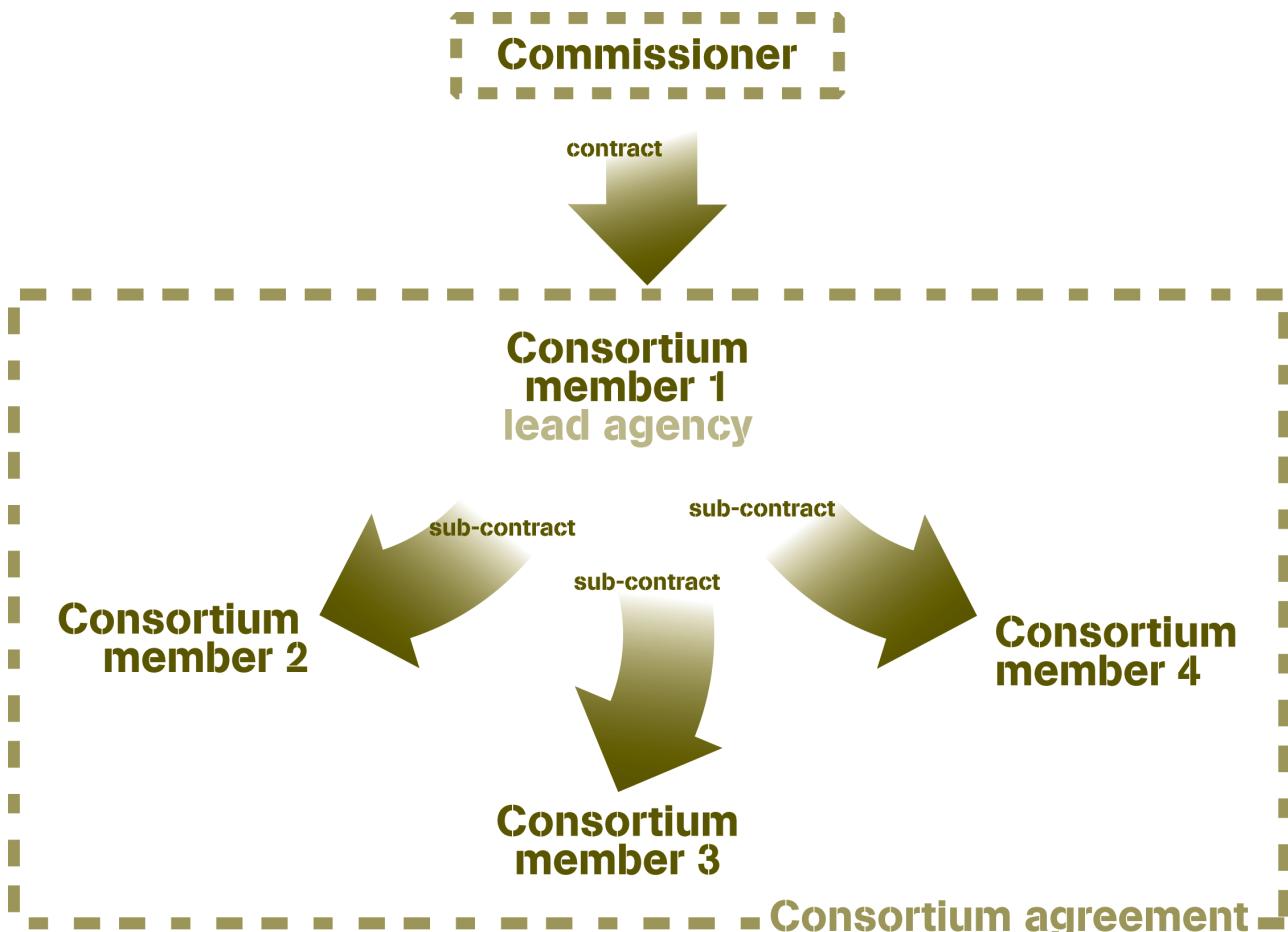
- Setting up a consortium can be time and resource intensive and is also high risk
- The rewards if it works, however, are greater
- Developing a consortium requires organisations to take decisions, and act, quickly
- You need to ask two questions – do you have the capacity and resources? Is it worth it?

## Types of consortium

The word consortium can be confusing, not least because there is no hard and fast definition, and also because it can mean different things to different people/organisations in different sectors. The Oxford English Dictionary describes it as a '*partnership, association. Now more specifically an association of business, banking or manufacturing organisations.*' So, broadly speaking, it is '*an association of two or more organisations with the objective of participating in a common activity or pooling their resources for achieving a common goal*' (Wikipedia).

Within the context of SP, three distinct forms of consortium are emerging:

- The model developed by DISC in Lancashire, where one larger organisation acts as lead contractor and then sub-contracts to a large number of smaller providers, providing a shared infrastructure of information management and quality control. In many ways, this appears to be simply an extended version of the large/small partnership described in worksheet 2. What sets it apart is the number of smaller partners (twelve) and the



relatively small share of the contract that DISC is delivering itself (a third). Given that almost all consortia operate on a lead agency/sub-contractor model, the distinction between a large/small partnership model and a consortium is a continuum, not an absolute division;

- A group of organisations of varying sizes in which one takes on the lead agency role and sub-contracts to partners, but where there is an additional layer of project governance set down in a *'consortium agreement'* (or similar document). These arrangements tend to be more of a partnership of equals, and may well be led by one of the smaller partners;
- A model in which a group of organisations set up a new organisation (a special purpose vehicle) through which to bid and contract with the commissioners.

Worksheet 6 looks in more detail at these three different forms of legal model.

It would be useful for you to talk with your local commissioners and procurement professionals to find out what they mean by the term, *'consortium'*.

## Advantages of a consortium approach

A consortium approach can:

- create real synergies, resulting in new and better services, more effective delivery, and a chance to learn from each other and share good practice;
- preserve local networks and expertise, to a greater extent than is possible with most large/small partnerships. Consortia can minimise the collateral damage of contracting and procurement on wider local services and the voluntary sector, while maximising the amount of funds retained and re-circulated within the local economy;
- include non-service delivery agencies (e.g. Councils of Voluntary Service) to help provide a service offer more integrated into local networks, delivering better outcomes in terms of social integration. This can also be a way of recruiting infrastructure and monitoring capacity;
- create a vehicle for future collaborative bids or a model for use with differing blends of partners;
- be sold as more rounded, credible and rooted than services provided by incomers.

## Disadvantages of a consortium approach

- Developing a consortium bid is hard work because you're doing two difficult things at the same time. You have to:
  - develop a fully-fledged working partnership. There are no off-the-shelf models. Partnerships have to be built from the ground up by the people concerned; and
  - develop a service model which comes across as a coherent, rather than patchwork, operational unit and a bid good enough to succeed against organisations with teams dedicated to new business development.
- The level of capacity and resource required – often against a tight timetable – may put this option out of your reach;
- It is a high-risk strategy. Partners in a consortium can't be part of other competing bids. It is, therefore, a one-shot option, unlike large/small partnerships where small partners can be part of more than one bid, providing they can find partners who will agree to this. You need to be confident that by going down this route you can develop a stronger bid collectively than would be possible if your organisation partnered with a larger lead contractor.

## Issues

- One agency takes the lead contractor role, unless you are setting up a special purpose vehicle. This can be onerous and the costs the lead agency will incur have to be understood up front by all of the partners and recognised in the consortium agreement. Worksheet 6 sets out the details of this role;
- Large doesn't have to lead. The lead agency doesn't have to be the largest member of the consortium. Does your organisation want to take on this role, or might it be drafted into it? What if all of the members of the prospective consortium are too small to take on lead agency responsibilities?
- Forming can be slow and difficult. Forming a consortium can be a slow and potentially difficult process (see worksheet 4). Membership is a big issue. You need a group of organisations that can work with and trust each other, and share values. You also, however, need to bear in mind that one of the aims of forming the consortium is to win a contract in a highly competitive market. If you don't win the contract, you can't achieve any of the consortium's other aims;

- Why us? When selecting your partners, there has to be an element of commercial calculation. You need to look at the partnership's strengths from a commissioner's perspective. What blend of competences and experience might attract them? Some will be looking for specific experience, of delivering a single access gateway or of managing TUPE. How does your preferred line-up score against these criteria? As with so many of these issues, the better you understand the commissioner's likely approach, the easier it is to decide on the right strategy for your organisation – and the right partners for your partnership;
- Some will miss out. The corollary of these selection decisions is that inevitably some agencies will be left out. What are the implications for existing networks, competition for this contract and future relationships?
- Speed is the essence. Developing a consortium requires organisations to move fast and take key decisions quickly. You have to ensure that your board has bought into the overall direction. You need to rehearse the sort of compromises you might need to make at an early stage. Otherwise there is a risk the whole process may stall if a key partner finds at a later stage that its board has fundamental concerns about the project.

## Other resources

NCVO had published two short case studies of the DISC consortium in Lancashire: one from the lead agency's point of view and one from the commissioner's. These are a useful and readable way to familiarise yourself with some of the issues in consortium building – as well as those that follow on from a successful bid – from a real life example.

*Case Study: DISC – Developing Initiatives And Supporting Communities.*

*Case Study: Lancashire County Council – Supporting People.*

See [ncvo-vol.org.uk](http://ncvo-vol.org.uk) for more details.

## About Collaborate

Collaborate was a year-long project run by hact, funded by Communities and Local Government and delivered in partnership with Sitra and NHF, featuring six partnerships in Suffolk, Liverpool, Durham, Rotherham, Redbridge and Southend. The project aimed to demonstrate how diversity can be maintained and particularly how smaller SP providers could thrive within the emerging SP environment, by developing collaborative approaches to tendering and delivering services, between themselves and with larger organisations. Hact helped project partners in two ways:

- Through practical help and facilitation, working through some of the issues involved in developing collaborative models;
- Through financial support of the costs of building capacity of some of the smaller partnership members, as well as some of the legal and expert support costs.

In exchange, all the participating organisations contributed to an evaluation and facilitated learning process between the partnerships, so their insights could be shared with the wider sector.

## About hact

Hact pioneers housing solutions to enable people on the margins to live independently in thriving communities. We use our expertise and resources

to identify emerging issues, test ideas, support multi-agency solutions and share learning that changes policy and practice.

## About this resource kit

This resource kit has been produced as one of the ways of sharing the learning from the Collaborate project. It consists of eight worksheets, which provide information about strategic development, different collaborative approaches, how to influence procurement processes, developing collaborative bids and implementation issues (see list below).

Though focused on small providers, the learning has relevance for all in the SP sector. Hact doesn't intend to suggest that collaboration is the only option for small SP providers. Some may choose to leave the market. Others might persuade local commissioners to exempt them from the normal commissioning process.

For many providers, however, SP is a vital part of their income and leaving the market is not an option. Sooner or later, their service will be subject to reconfiguration and tendering, probably as part of a much larger contract. Some form of collaboration may represent their best chance of staying in the market – and possibly in existence. It may also, if the experience of some successful Collaborate partnerships is a guide, be a stimulus to developing better services and ensuring a diversity of provision for service users.

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## Collaborate resource kit

Worksheets:

- 1 A strategy for change
- 2 Large/small partnerships
- 3 Consortia**
- 4 Developing positive relationships
- 5 Influencing the process
- 6 Legal issues
- 7 Writing the bid
- 8 Implementation