

Action Plan Template:

Developing a hub and spoke consortium

Document A: Introduction and step-by-step guide

The **Action Plan Template** explains the steps to develop a **hub and spoke consortium**. This consortium model is also known as the 'formal' or 'special purpose vehicle' model. A definition of this model can be found in the NCVO introductory guide, [Collaborate to Compete](#).

This template is designed with consortia bidding for public services in mind but can be used by consortia for other funding such as grants or joint trading.

In essence, the building of a consortium is no more than a project management exercise carried out between representatives of prospective consortium member organisations. This guide and template can help you complete the project. The sixteen steps take you from identifying potential members, through to setting up a legal entity and winning and delivering contracts.

Introduction

Before you start, here are some quick pointers for using the template.

Use Both Documents

- Document A: Introduction and step-by-step guide
- Document B: Template (*an adaptable Word document*)

Be flexible

The template is only a recommendation – you can adapt or add to the number of steps to suit your circumstances. In reality, many of these steps are tackled at the same time rather than in sequence.

How will you make decisions?

This template is to help you allocate the responsibilities and actions involved in developing a consortium. This template is only a recommendation – you can adapt or add to the number of steps to suit your circumstances. In reality many of these steps are tackled at the same time rather than sequentially.

Use SMART tactics to test the strength of your decisions. Make sure they are:

- Specific
- Measurable
- Achievable
- Realistic
- Time-scaled

Allow sufficient time

Consortium development is therefore a time-intensive and a managerially demanding activity. We recommend that in building a completely new consortium arrangement groups allow for a period of between six and nine months from start to finish. If you are looking to bid for a contract, make sure you have planned with this time frame in mind.

Involve your trustees

The decision to set up a hub and spoke consortium is one for the trustee board to take. Every organisation should ensure that trustees are informed and involved in discussions at each stage.

Further support and advice

NCVO offers advice, training and consultancy for developing and managing consortia. For further support, comments or questions contact psdnetwork@ncvo-vol.org.uk or see further information on the NCVO website at www.ncvo-vol.org.uk/commissioning/consortia.

Step-by-step Guide

The steps below outline the process of completing the template in Document B.

Step 1: Identify potential partners

Make contact with potential partners and propose to explore working in a consortium. Invite them to meet.

Often something happens to trigger the intention to develop a consortium. This could be knowledge of a future larger or more complex contract opportunity, or the confidence that delivering services together will improve quality and impact for service users. Trustees and senior managers from each partner organisation need to be clear about what is motivating your intention to work together and to make sure your partners can help you achieve the right outcome.

You need to consider the reputation, financial resilience, relationship, size, service delivery track record and 'overall business capability' of each potential partner. Consider how working in partnership will increase the quality and impact of your work. Are the partners you are about to approach [your chosen partners: delete] the most appropriate ones to achieve this?

You also need to **explore** the different consortia models available. Is the **lead agency model** most suitable for your needs? Or is the **hub and spoke model** also worth exploring? Refer to the Action Plan Template: Developing lead agency consortia (on <http://www.ncvo-vol.org.uk/advice-support/public-service-delivery/consortia-subcontracts/consortia-and-mergers>) or read our explanation of consortium models in [Collaborate to Compete](#).

Approach all the partners to gauge their interest and commitment. **Invite** them to a first formal meeting to discuss potential strategy and outcomes for the consortium. Invite chairs, treasurers and chief officers.

In addition, consider whether an independent **broker** would be helpful to support fair and effective discussion between partners, especially in shaping your outcomes, helping you examine your current business operating environment, and independently examine your alternative ways forward. All partners starting from the same point of understanding is crucial.

Step 2: First meeting

This first meeting could last up to a day, or it could be stretched into consecutive meetings. Be sure to give yourselves enough time, there is a lot to explore at this stage. It is crucial that there is an informed and effective **chair**. This meeting requires sharing information, exploring options, and agreeing next steps.

The meeting should cover:

- The drivers for developing the consortium, reflecting external factors (for example government policy or purchasing decisions) and internal factors (for example desire to grow and improve service quality).
- The business environment – availability and key features of potential funding (for example scale of contracts and procurement timescales). It is often useful to have a representative from the purchasing authority present at this meeting to confirm their policy and procurement intentions

and answer questions.

- The meeting should seek to agree **strategy and objectives** for the consortium; so that all members are confident its objectives are relevant and are achievable. This can be broad principles rather than detailed strategy at this point.
- Introduce different models of consortia, or similar examples. Facilitate discussions around each of these models. Are they appropriate? What are the legal, financial and practical implications of each? What are the operational business advantages and disadvantages of each?
- Outline the steps required to develop the chosen model.

Step 3: Prepare board report for all partner boards to consider

The **board report** for the trustees must summarise the information and decisions of the first meeting, which has been carried out in the previous step. It should:

- Give background information about the drivers to develop a consortium.
- Introduce the consortium model of choice and the main reasons for this model, and outline the expected role of the lead in relation to the other partners.
- Provide information on the potential partners.
- Present the proposal to form a consortium **working group** who will take the consortium plans forward.
- Seek a representative(s) from each organisation to sit on the consortium working group who will be 'mandated' to make decisions on behalf of their Board and report back progress to their board.
- Present outline analysis of the risks and benefits of developing the consortium.
- Propose to seek funding to support the consortium building activity if needed.

Step 4: Form a consortium working group

Once all the partner boards have considered the above report and supported its proposed resolutions, a meeting of the delegated **working group** representatives needs to be organised.

This first meeting should achieve the following:

- Draft a Terms of Reference or Membership Agreement document, which the group then needs to consider, amend, adopt and sign.
- Agree meeting frequency and standing items for the agenda.
- Appoint a chair, vice chair and secretary.
- Consider implementing a **consortium development action plan**, such as the one outlined here, using SMART analysis. The group should look at the 16 steps to be undertaken and whether any further steps should be added.
- Agree responsibilities and estimate timelines.

In effect the working group becomes the project group to achieve the action plan. The group's purpose is to take all steps necessary to form the consortium of choice and to ensure it is operationally 'fit for purpose' in line with agreed objectives (for example, able to win and deliver contracts).

Step 5: Potential members' audit and action plan

All members of the consortium will need to be ready and able to deliver against the **demands of a contract**. If members are not, the contract could be at risk – or you may not win the contract at all.

To ensure all members are contract-ready each organisation must produce an **audit**. This will demonstrate their governance, business, and operational standing against key areas. For example, operational policies, financial standing, suitable insurance. Further down the line (**step 7**) once organisations have successfully completed the audit and action plan, they should apply for full consortium membership. By beginning the audit and action plan early, organisations have time to prepare for the later membership application.

In order to ensure prospective members are contract-ready, the audit needs to match the business thresholds that are required to win and deliver a contract. These thresholds are known as a **pre-qualification questionnaire (PQQ)**. This is a process all bidding organisations need to go through to prove their business suitability, and aids in assessing their ability to deliver a contract. It tests their 'fitness for purpose', which is made up of a range of aspects such as financial resilience, service track record, governance arrangements, reputation, amongst others.

Public sector funders (commissioners) will ask that the consortium hub can pass a PQQ. They also have the right to ask that all members of the hub are individually able to pass PQQ thresholds. For smaller organisations this may not be possible (and this may be a key reason for them seeking to shelter under a consortium). You should therefore find out whether the commissioner plans to ask for an individual PQQ assessment, or will assess the consortium as a whole, combined entrant.

To find out as much information as possible, you should:

- Meet with commissioners to discuss the PQQ process and whether their procurement procedures ask them to evaluate hub members individually or collectively. If they are planning individual evaluations, this could exclude smaller organisations from delivering those contracts. However, if you discuss this situation with commissioners, they may consider changing their policy (although they do not have to). If you encounter any problems during this stage, please contact NCVO for support and advice on psdnetwork@ncvo-vol.org.uk or 020 7520 2411.
- Obtain a sample PQQ on which to base your audit tool and ask potential commissioners if the PQQ questions and thresholds are liable to change. You may also add further aspects to the PQQ to ensure each partner is able to fulfil the objectives of the consortium; for example, quality and innovation. Speak to an independent broker or established consortium to help flesh out key questions.
- While carrying out individual audits, hub members may encounter problem areas, or questions they cannot answer, these should become action points to address. These action points should be shared, in order to help each other build capacity to compete as a consortium. Developing capacity building plans is a good idea if a number of organisations need development support.

Step 6: Develop a business plan

Co-develop a **consortium business plan** to:

- Set out the direction of the consortium over the next three-to-five years.
- Represent a collective statement of intent for the consortium's stakeholders.
- Act as a key document to promote the consortium's work and to support bids for funds and tenders for contracts.

- Set out the areas of service the consortium will seek to deliver; for example, youth or older people's services. It is important that the process for revising and widening the scope of service is outlined here too.
- Explain how the governance of the tender development process and contract delivery process will be managed.

Developing a **business plan** will also provide the rigour that is needed to examine and build on existing markets and services, analyse competitors, and identify strengths, weaknesses, opportunities, threats and risks. It may also support the development of operational budgets and set down a capacity building action plan.

There are a number of common methods for **assessing business risks and opportunities**. Further guidance is widely available on the internet. Some of the methods include:

- SWOT analysis (Strengths, Weaknesses, Opportunities, Threats)
- PESTLE analysis (Political, Economic, Sociological, Technological, Legal, and Environmental).

[Charity Fundraising](#) recommends that a business plan should include:

- Aims and objectives
- Services, and how the need for these has been identified
- Supporters – who are the key stakeholders and how will they support the organisation?
- Organisation framework, management and human resources
- Finance – costs and potential income sources
- Option appraisal/sensitivity analysis
- Assumptions, dependencies and risks
- Service monitoring and evaluation
- Policies.

Step 7: Membership application process

Once organisations have completed their **audit** and **action plan** they can be invited to apply for membership of the consortium.

Opportunities for **additional** organisations to become consortium members, and eligibility to join, depend on the consortium's objectives. Many hub and spoke consortia want to recruit a large number of member organisations, as this brings strategic strength and flexibility, especially when tendering and delivering larger and more complex public service contracts.

If you want to expand, or want that option for the future, you need to decide the following:

- Eligibility criteria for potential members – use the previous audit tool to make sure everyone meets the same standards
- Target organisations
- Geographic reach
- Process for using the audit tool and capacity building support to bring-on organisations which aren't yet contract-ready.

The **application criteria** should include:

- Basic information and contact details.
- Eligibility criteria – you may wish to have two tiers of eligibility:
 - Standards for **full membership** for those organisations immediately able to deliver on a contract.
 - Standards to **associate membership** suitable for those organisations the consortium is happy to help develop into being full members.
- Declaration – to be signed.

Once criteria are set, an **application procedure** should be devised. In the spirit of equality even the founding members should apply to join the consortium.

If you are seeking to expand the consortium’s membership you may wish to produce a **membership prospectus** which will outline the following:

- Purpose and values.
- Legal and delivery structure (including management of internal competition).
- Funding and exchequer.
- Business risks.
- Representation.
- Application standards and key policies.
- How to apply.

Step 8: Business branding

The consortium working group needs to agree a **business name** for the hub and to think about how this brand will impact the public, service users, staff, purchasing authorities and potential consortium members.

Brand image is important and some working groups employ graphic designers to help design their logo and publicity material (see www.3sc.org for an example). Most importantly your working group needs to agree a business name before registering the new hub organisation at Companies House.

Step 9: Registration

The consortium must be **legally incorporated** to reduce liabilities for directors and trustees. The legal model you select should be decided after considering all the 'purposes, activities and features' of the consortium. For example, if you wish to access charitable grants from grant-making foundations and trusts you need to adopt a legal model in which this is possible.

Depending on your structure, you need register the consortium hub with the appropriate regulatory organisation(s) such as [Companies House](https://www.companieshouse.gov.uk), the [Charity Commission](https://www.charitycommission.gov.uk) and/or the [CIC Regulator](https://www.cicregulator.gov.uk).

NCVO recommends you seek appropriate **legal support** to ensure you choose the correct model of incorporation for your purpose, and that the due legal process is conducted to implement the chosen form effectively.

Step 10: Investment applications

The working group may consider applying for inward investment in the form of grants or loans in order to provide the costs of:

- **Building the consortium** – legal, marketing, consultancy, capacity building, launch meetings, and so on, as you move towards forming the consortium hub.
- **Development and operation** – prior to winning tenders and/or contracts the consortium working group will need to attract inward investment to cover these real 'start up' costs.

It is recommended that you speak to relevant commissioners to see whether they are interested and able to provide this investment into the start-up costs. Many local authorities do provide investment and in-kind support. Also explore grant-funding websites such as [Funding Central](#), and read more about social investment on [KnowHow Non Profit](#).

Step 11: Managing internal competition

Development of hub protocols, memorandum of understanding or consortium agreement.

Operational protocols are agreed procedures required to determine how the hub and its members will behave in a business sense towards each other when working in the consortium. For example, if there are more member organisations interested in delivering a contract than necessary, how the hub decides which the best organisations to co-develop the tender are.

Rather than make decisions each time the consortium comes across an operational problem like this, it is better to think through problems that might arise and establish protocols to guide future business operations. This way, all consortium members know what the 'rules' are from the outset. Issues you need to cover in your protocols include:

- Business confidentiality
- Communications
- Dispute resolution
- Intellectual property
- Tendering, and the role of the **contract management team** (step 16)
- **Tender alert system** (step 13) and how tender opportunities are communicated
- What happens if protocols are breached?

Most consortia legally formalise these protocols through either a **memorandum of understanding** or **consortium agreement**. A solicitor should be engaged to help create a clear, relevant, and capable document. A consortium agreement will make protocols legally binding between consortium members, acting as a contract. This is particularly important when consortia are delivering public service contracts and therefore taking on substantial contract risks; far less agreeable than those under either grants or service level agreements.

Step 12: Marketing strategy and materials

Building on the initial work carried out developing the hub brand; develop a **marketing strategy** for potential commissioners, funders, and potential members, users, and other stakeholders. This is where it pays to have involved commissioners and stakeholders from the beginning, as they share information

about your consortium with others and develop confidence in the consortium

When creating your marketing strategy, NCVO recommends using the following prompts:

- Product – what are you selling?
- Philosophy – what are your values?
- Price – how much are you asking for?
- Promotion – how will you advertise it?
- Place – how will you distribute your services?
- People – what numbers do you need to work?
- Physical evidence – what proves your value?
- Processes – how can you be easy to purchase from?

(From [*The Art of Raising Money*](#), NCVO 2010)

It is wise to look at the marketing methods of other organisations, and see which can be adopted and adapted. Common ways of marketing consortia include:

- Organising launch events
- Attending exhibitions and funding fairs
- Registering a domain name
- Developing a website
- Developing marketing and exhibition materials.

Step 13: Develop tender alert systems

The hub usually has the responsibility to research tender opportunities and alert its members to them. Some consortia include this subject in their **memorandum of understanding** or **consortium agreement**, which can require member organisations to alert the rest of the hub to opportunities as they become aware of them.

Professional **tender alert systems** are also available to purchase for an annual fee, which can inform the hub of tenders relevant to its expertise and geographic reach.

Public bodies advertise their contracts via their own websites or specific online tendering **portals**. See NCVO's [Guidance on finding contract opportunities](#) for other methods of finding contracts. A mixture of the methods outlined here often bears the best fruit.

Step 14: Hub development – making the hub contract-ready

By this stage the hub members have undergone substantial development and have collectively formed the hub itself. While hub members have separately undertaken an audit, the hub is a new entity and needs to be tested collectively to ensure it is tender-ready.

Return to **step 5** and test whether the new hub is able to pass the audit. It will therefore be likely to pass the PQQ and deliver a contract effectively. Is governance robust enough? Do you have the right level of insurance? Does the hub have a bank account?

This step involves a substantial amount of work, which can challenge a hub that has little resources available for development. Conduct this development in-line with the policies, procedures and

governance set out in the hub protocols, using the audit to create an action plan for this work. Reference to this development work should already be reflected in the consortium's business plan.

Step 15: Procedures for co-developing tenders

The working group must establish a **procedure for co-developing tenders**, which can be set out in the operational protocols. This process must reflect the manner in which commissioners conduct their tendering; ie using their timescales; whether the PQQ is separate or incorporated into the tender stage, and so on.

The procedure should be recorded and made available to all consortium members so they can follow them when opportunities arise. As tender timeframes are frequently very short, and often begun with little notice, it is crucial the consortium is able to respond to opportunities promptly and efficiently. People need to know what their role will be (also see **step 16**).

The procedures should:

- Start with a description of the tender alert system and how this is to operate.
- Detail the practical steps that need to be taken once an opportunity arises, including:
 - o How the tender is to be co-developed to reflect the commissioners needs and best score against tender appraisal criteria.
 - o How the consortium's unique selling points can be highlighted.
 - o How service delivery responsibilities are allocated to each of the members.
 - o How the contract is to be managed (including reporting relationships and mechanisms from those who directly deliver the services to the directors of the Consortium Hub organisation) and coordinated over its life.
 - o How the tender is to be costed and priced.
 - o Nominate a lawyer to check the draft contract and prepare any required legal documentation.
 - o Test scoring the draft tender against the tender appraisal criteria
 - o Carry out a SWOT analysis of the tender and identify the business and financial risks involved.
 - o Development of contract specific contingency plans.
- Detail the steps to be taken to ensure the tender is signed off and submitted.
- Any pre-procurement engagement with commissioners or FAQ submissions (questions you can ask to clarify points on a tender which aren't clear).
- Subcontracting and referral structures.
- Preparation for pre-contract and mid-term negotiations – what are the bottom-line and key deliverables?
- Detail processes for recognising and managing internal competition and who should be involved in the bid. This should reflect the protocols in the memorandum of understanding or consortium agreement

Note the above list isn't comprehensive. You should consider exactly what subjects need to be agreed in advance, and what can be worked out during the bidding process. The important thing is to designate responsibility so decisions can be made effectively when they need to be taken.

It is upon these agreed responsibilities that each of the members then determines their costings and prices for their part in the consortium's tender offer and upon which the overall cost and price of the tender is calculated.

Step 16: Delivering a contract

While preparing your tender you should identify and record the responsibilities for each organisation to deliver or oversee aspects of the contract terms and quality. This is to ensure the consortium continues to operate and develop as appropriate.

A **contract management team** should be established to manage the different aspects of a contract, such as:

- Frontline deliver
- Back-office, exchequer and referral
- Relationship management with the purchasing organisation
- Monitoring (including monitoring delivery costs and surplus), contract compliance and quality management.

This management role should be discussed and agreed while the tender is being developed, and throughout the bid preparation process. The **contract management team**'s first responsibility will be to clarify any outstanding issues in the contract (this sometimes involves further contract negotiations), organise its signing, and put into place the necessary sub contracts to formalise the consortium arrangement.

On-going responsibilities of the contract management team include:

- Ensuring all progress reports are coordinated into one report, and acting on areas on non-delivery.
- Ensuring all consortium member trustee boards are kept fully informed of progress throughout the life of the contract.
- Develop systems, such as gathering relevant data to prove impact.
- Research changes in service user needs and gather service satisfaction feedback, as well as monitoring any shifts in policy at both national and local level.
- Coordinate and manage communications – both internally and externally, together with day-to-day relationships with purchasers.

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Whilst every effort is made to ensure accuracy of the content, no responsibility can be accepted for errors or omissions. The content is for general guidance and is not a substitute for specific legal advice.

Should you have questions or comments on the use of this tool, please contact Fiona on psdnetwork@ncvo-vol.org.uk or 020 7520 2411.

Further support and resources are available for developing consortia on the [NCVO website](#).