Action Plan Template: Developing a lead agency consortium


The Action Plan Template explains the steps to develop a lead agency 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 bidding for public service contracts in mind but can be used by consortia looking to access 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 partner organisations. This guide and template help you complete the project. The twelve steps in this guide take you from identifying potential partners, through to setting up the legal arrangements and winning and delivering contracts.
**Introduction**

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

**Use Both Documents**
- Document B: Template (an adaptable Word document)

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

**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 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 consortia on the NCVO website.
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 NCVO Template Action Plan for Lead Agency Consortia (on http://www.ncvo-vol.org.uk/advice-support/public-service-delivery/consortia-subcontracts/consortia-and-mergers) Or, you can 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 consortia. 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 (most suitably the chair or chief officer from the proposed lead agency). 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.

If you want to proceed, consider writing a formal board report for trustees. The responsibility for entering into consortium and merger arrangements lies with charity trustees/board members and should not be made at chief officer level without board approval.

**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 (step 2, above). 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 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 and agree the steps they want to take to build their consortium, and if any should be added.
- Agree any initial responsibilities and estimate timelines.

In effect the working group is a ‘task and finish’ project group whose purpose is to take all steps necessary to form their 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: Prepare to conduct due diligence or develop and implement membership application procedures

The working group must check that each of the partner organisations is 'fit for contracting' in the eyes of both the commissioners and each of the partner organisations. There are two ways of achieving this.

One way is to undertake a business process known as 'due diligence'. The process of due diligence involves a detailed investigation into each of the potential partners. This investigation is to ensure all prospective partners are well run and present no financial, legal, reputation, strategic and operational risks to the consortium.

We recommend Due Diligence Demystified which gives a comprehensive list of issues to explore. From this list, the working group needs to determine which questions the board should consider in their due diligence process. The questions, and therefore the depth of inquiry, must be the same for each organisation.

An alternative approach is to develop a membership application procedure based upon the standards set out in relevant pre-qualification questionnaires (PQQ). PQQs are the business tests set by public sector funders (commissioners) for those bidding to win contracts.

The lead agency will need to pass the PQQ set by any commissioner. The commissioner will also ask for the names of those organisations being subcontracted (the consortia partners) by the lead agency. Importantly, the commissioner can also ask the subcontractors (consortia partners) to pass all or some of the PQQ standards. You therefore need to:

- Speak to relevant commissioners to see what they are likely to ask of subcontractors. NAVCA’s A bridge between two world’s on Intelligent Commissioning provides helpful guidance and examples of how commissioners have been approached and engaged.
- Develop a membership application process which ensures all subcontractors can pass these standards – and therefore will enable the consortia to pass the PQQ.

PQQs cover much of the same ground as due diligence but are directly relevant to tendering. The working group’s task here is to establish a consortium membership application form based on PQQ and to establish membership application procedures.

Whichever process you adopt, it is important to test organisations’ readiness early on in the development process so action plans can be set in place to address failings and gaps in capacity. As tender deadlines can be short, having all consortia partners business ready is essential.

Step 6: Prepare second board report

As custodians of their organisation’s resources and responsible for the legal conduct of its business, trustees carry responsibility for ensuring that due diligence, or membership application processes are effective.

A report must therefore be prepared for consideration by each board:

If using the due diligence option the report should:

- Outline the need for due diligence and recommend how and when it will be conducted.
- List the recommended questions to be asked of all partner organisations.
- Seek board approval for this approach and due diligence content.

And for the membership application process it should:

- Introduce the membership application form and procedures.
- Highlight any work needed to achieve compliance with the requirements of the membership application for.
- Highlight how membership is to be further promoted to a wider group of organisations.

### Step 7: Conduct due diligence exercise and prepare board report

The due diligence findings must be collated into a final report about each organisation. Any areas that fail to pass the requisite standards will need to be highlighted, and actions taken to redress. This must be done as soon as possible so the consortium is as contract-ready as possible. Sometimes due diligence reveals that prospective partners are not ‘fit for purpose' and present too high a risk to be part of the consortium venture.

Once the due diligence work is completed a third board report must be prepared for consideration by all the partner boards. Using the evidence from the due diligence process the boards must individually decide whether or not to agree to form the consortium.

To do this the boards require a report from the working group that:

- Summarises and analyses the due diligence findings
- Recommends whether to proceed with the consortium
- Explains the reasons behind their recommendations
- Explains reasons behind the exclusion of any potential partners from the consortium.

Only if there is an acceptable balance of risk and reward should the boards agree to proceed with consortium development. Some weaknesses identified by due diligence may be easily addressed, whilst others may reveal higher levels of risk and either prevent the formation of the consortium or prevent one or more member organisations from proceeding.

### Step 8: Consortium agreement or memorandum of understanding

The next step is to create a either a consortium agreement or memorandum of understanding between the organisations. The intention with a consortium agreement is to create a legally binding contract between the partners whilst a memorandum of understanding (MoU) is usually recognised as being no more than a ‘gentleman’s handshake’ although it can be made legally binding. Seek advice from a solicitor to ensure the document has the effect you intend.

The document should:

- Clarify the purpose of the consortium business arrangement.
- Specify which organisation is to be the lead agency.
- Identify the partner organisations.
- Identify the responsibilities to be carried by each of the partners.

The document can also cover:
- Activities.
- Duration.
- ‘Non-disclosure' (business confidentiality) standards and process.
- Communications and publicity.
- Quality standards.
- Decision making process.
- Declarations of interest.
- Means of liaison.
- Costs, assets and payments.
- Intellectual property rights.
- Monitoring process and monitoring as a lever to payment.
- Issues of non-compliance and conflict resolution.

See NCVO’s guidance note on developing Joint Working Agreements for a more detailed outline of the process of creating a joint working agreement, and recommended content.

**Step 9: Develop a business plan**

Some lead agency consortia choose to co-develop a consortium business plan for the following reasons:

- To set out the direction of travel for the consortium over the next three to five years.
- To represent a collective statement of intent for the consortium’s stakeholders.
- To act as a key document to promote the consortium’s work and to support bids for funds and tenders for contracts.
- To 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.
- To explain how the governance of the tender development process and contract delivery process will be managed (see steps 11 and 12).

Developing a business plan will also provide the rigour that is needed to examine and build on the consortium’s existing markets and services, analyse its competitors, and identify its real 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. Guidance for all is widely available on the internet. These methods include:

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

Charity Fundraising recommend 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 10: Market your offer and develop tender alerts**

Once the consortium has been formed and its business plan and procedures are in place, it is now in position to **market** itself to prospective purchasers.

A multi-faceted approach should be adopted, including social media, a branded website, networking events and proactive engagement with commissioners. Some consortia employ professional graphic designers to help them develop marketing materials to appeal to the public and prospective purchasers of their services.

There are professional **tender alert systems** which consortium hubs can purchase for an annual fee which informs you of tenders relevant to your expertise and geographic reach. Although it is likely that the lead agency organisation will already have established tender alert systems sometimes these need reviewing to be suited to the consortium’s business intentions. Public bodies also advertise their contracts on their own websites. See NCVO’s **guidance on finding contract opportunities** for other methods of finding contracts.

The lead agency has the responsibility to research tender opportunities and alert its members to them. However some consortia include this subject in their ‘Memorandum of Understanding’ or Co0nsortium Agreements which can require member organisations to alert the lead agency and fellow consortium members of opportunities to tender as they become aware of them.

**Step 11: Procedures for co-developing tenders**

The process for developing tenders should follow the standard procedure of the lead agency. The working group should review to see what alterations are appropriate for a consortium context. An **action matrix** should be used to designate responsibilities individuals for each task in tender development. The tasks in the action matrix include completing / deciding:

- What the objectives are
- Writing and checking tenders
- Developing the service design
- Developing costings and exchequer process
- Identifying and managing business and financial risks
- Developing contract-specific performance management and contingency plans
- Relevant legal preparation
- Any pre-procurement engagement with commissioners and the submission of any clarifying questions on the tender
- Subcontracting and referral processes for service users
- Preparation for pre-contract and mid-term negotiations. What are the key deliverables?
- Signing off the final tender for submission. The lead agency board representative should sign the tender off on behalf of their organisation and the wider consortium, before submitting it to the commissioners for their appraisal.

**Note** the above list isn’t comprehensive, and you should consider exactly which items need to be practically agreed in advance of all bids, 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
This process should relate to, and further develop, the consortium’s consortium agreement or memorandum of understanding. Around a specific contract heads of agreement or sub contracts should be established to ensure the specific risks and responsibilities of the contract are 'ring-fenced' and effectively managed by the relevant partners. As performance management and operational procedures are likely to vary from one contract to another, arrangements for service reporting and contract compliance will need to be specifically agreed and set out in the sub contract. This should reflect the requirements of the main contract with the Commissioners.

Performance management systems need to be developed and agreed. This need to include:
- What aspects of process and delivery should be performance managed.
- How and what service delivery will be gathered, aggregated and reported through a single consortium reported.
- How contract compliance be conducted and what will it involve for each of the partners.

**Step 12: Managing the contract**

A contract management team should be established in advance to manage the different aspects of a contract:
- Frontline delivery
- Back-office, exchequer and referral
- Relationship management with the purchasing organisation
- Monitoring (including delivery costs and surplus), contract compliance and quality management

The role of the contract management team should be discussed, fully developed and agreed during the bid preparation process. Once the award of contract has been made to the consortium the Lead agency’s team’s first responsibility should be to agree, negotiate and sign the final contract with commissioners. They will then finalise the sub contracts with the delivering consortium members.

On-going responsibilities of the lead agency with the support of the contract management team should include:
- Oversight of the collection, quality and presentation of monitoring and performance information.
- Coordination of contract compliance requirements.
- Identifying and ensuring redress for any performance failures or quality variations.
- Ensure member trustee boards are informed and engaged in a timely and effective manner with the decision making and progress of the consortium and its contract delivery.
- Commission, develop and manage appropriate databases to ensure transparent, accessible and appropriate information required to deliver the contract effectively.
- Research and share information in changes in service user needs.
- Gather service satisfaction feedback.
- Monitor any shifts in policy at both national and local level.
- Coordinate and manage communications, both internal and external.
- Maintain relationships with the purchasers including negotiation of any proposed variances to the contract.
- Market the success and work of the consortium.
Written with the assistance of Collaboration Benefits CIC
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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.