Preparing to Collaborate
To Access EU Funding

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Workshop Objectives

By the end of the workshop participants should be:

- Familiar with different consortium models: loose consortium with a lead body, super provider etc
- Able to carry out an option appraisal on consortium models and gage suitability of models for their project
- Familiar with the process of developing a consortium
- Familiar with the key success factors for consortium/partnership development
- Able to conduct a risk audit of a partnership project
- Familiar with where to access seed corn funding for a consortium development project

The Collaboration Spectrum

Networks/ Partnerships ⇨ Loose consortia ⇨ Formal consortia ⇨ Mergers

There are a number of possible collaborative models:

- Informal network
- Loose consortium structure with lead body (Managing Agent or Managing Provider)
- Formal consortium set up as a new company
- Merger

Informal network

<u>Key features</u>

- ☐ Informal partnership working
- ☐ No separate legal status outside of the members
- ☐ Possibly partnership agreement
- ☐ Members separately bid for and manage own funds
- ☐ Doesn't address rationalisation agenda

<u>Description</u>

Service providers could decide to collect into a loose network. In other words, all the agencies would agree to work together and this might be subject to a written partnership agreement, but the network wouldn't have a separate legal status outside of the partners (though it could be constituted as an unincorporated association).

This would mean that all the providers would have to tender as independent units to the commissioning bodies (such a loose arrangement would not be able to tender in its own right precisely because it is not constituted as an independent legal entity).

Within this scenario each member of the network could then contribute some of its contract income (and possibly other resources) towards the operation of some form of support body or organisation, in return for which they would receive general support, help with quality assurance etc. This would be a form effectively of outsourcing some of the key functions of individual providers to the support body.

Loose consortium structure with lead body

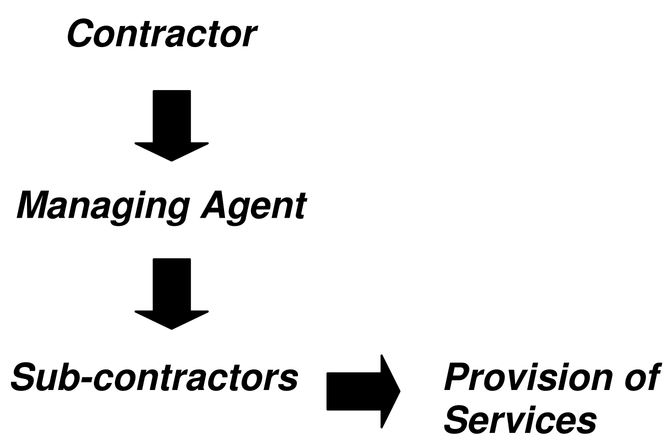
<u>Description</u>

Service providers could come together to form a consortium and then agree to work through one of those organisations as a so-called "lead organisation or agency."

There are 2 variants to the lead body:

- ***Managing Agent***

A managing agent is defined as an organisation that does not provide direct services to service users, but which acts as a channel for funding, sub contracting this funding to frontline provider organisations that do offer direct services.



Key features

- Loose consortium with managing agent functioning as lead organisation
- Need available managing agent that can hold contracts and distribute sub-contracts
- Managing agent charges management fee

Case Study: 3SC

7 not-for-profit organisations, including The Social Investment Business, National Youth Agency and London Learning Consortium, came together to create a Limited Liability Partnership that can function as a Managing Agent, bidding for a wide range of public sector contracts at a national level and then sub-contracting these to a distributed supply chain.

'We don't deliver contracts, but we do deliver results.

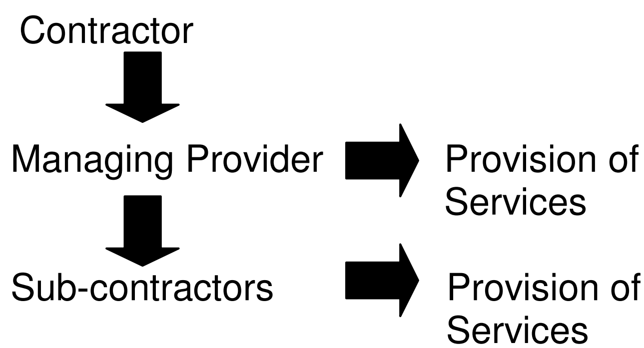
3SC acts as an enabler for the sector. By supporting delivery organisations through effective contract, performance, and quality management, we enable our partners to focus on delivering high-quality services to the communities they know best. We reinvest our profits in capacity building organisations to improve services, increase efficiency and provide a greater level of return to commissioners, customers and society.' **(http://3sc.org/about)**

Set up in 2009, 3SC won £36 million of contracts through the Future Jobs Fund in its first year of operation.

Almost 2,000 organisations have registered to deliver services in collaboration with 3SC.

□ Managing Provider

A managing provider is defined as a hybrid of managing agent and provider, i.e. an organisation that sub contracts an element of funding but also deploys the rest directly to deliver services to service users.



<u>Key features</u>

- Loose consortium with managing provider functioning as lead organisation
- Managing provider some of the funding to deliver own services and to manage contract
- Distributes rest to other consortium members

Case Study: Youth Consortium Sheffield

Youth Consortium Sheffield is a loose consortium of over 20 local providers of services to children and young people. It is led by Zest (Netherthorpe & Upperthorpe Community Alliance), a major Community Development Trust in Sheffield. Zest is a managing provider, delivering some of the contracted services but also sub-contracting to the consortium members.

It has won around £2m of contracts for Positive Activities, Targeted Youth Support Services and work with NEETs.

http://youthsheffield.co.uk/

Formal consortium set up as a new company

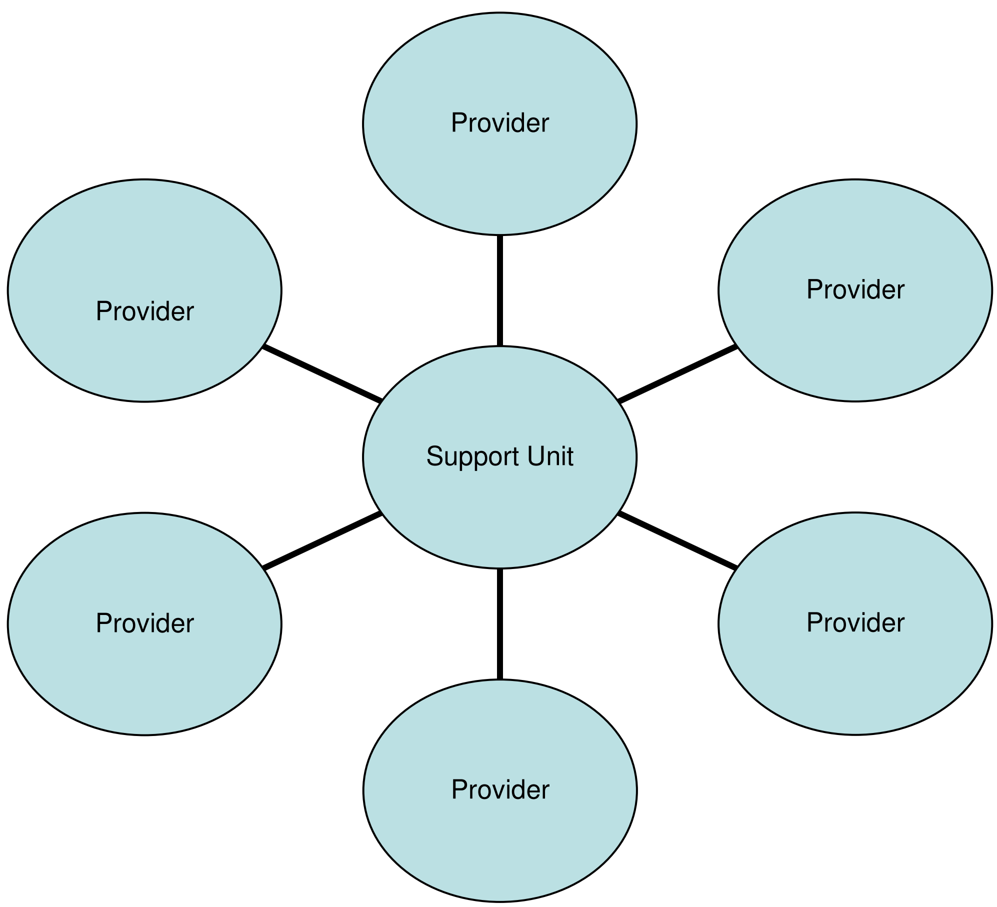
Key features

- Formally constituted as an independent legal entity
- Collaborating organisations become members of the company
- Hub & Spokes internal operating structure

Description

A formal consortium involves providers coming together to establish a partnership that is then formally constituted as an independent legal entity (e.g. as a company limited by guarantee, and possibly with charitable status). The partner organisations become members of the company that is created, establishing a single point of contracting.

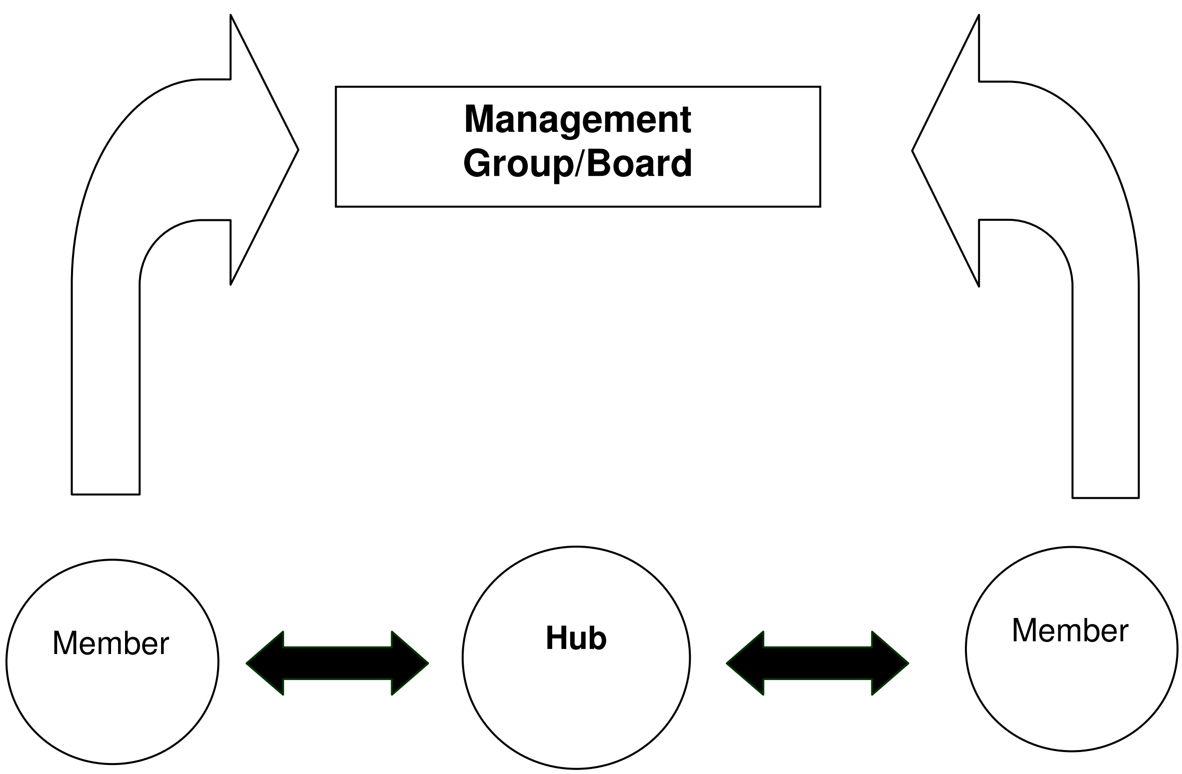
The internal operating structure of a formal consortium of this nature is based upon a "hub and spokes" model.



The hub is the central management unit that carries out certain executive functions on behalf of the membership network and also provides certain support and development services for the member organisations. This hub is sometimes described as a “Support Unit”. The spokes, on the other hand, are the various member organisations.

The hub is an internal mechanism that acts as the intermediary between funders/regulatory bodies and grass roots service providers.

The Hub as an internal mechanism



Intermediary Infrastructure

Commissioning bodies

Contracting Infrastructure/Hub

Grass roots providers

Case Study: Greater Together

Greater Together is the name of a consortium of providers of services for children, young people and families in Lancashire.

The following extract from the *Greater Together Membership Prospectus* summarises the consortium model:

The joint venture will be organised as a formal consortium that will be collectively owned by its members.

It will be established as a separate legal body with the provider organisations taking up membership of this body. The defining features of this model are as follows:

- *Member organisations comprise (by clear majority) the consortium's governing body/Board, alongside representation from key external stakeholders and independent perspectives, including the local authority*
- *The consortium creates a single funding portal/point of contracting (i.e. the local authority and other commissioning bodies/funders commission/contract with the new legal entity which will be responsible for setting up and managing sub-contracts/SLA's with individual consortium members)*
- *It operates through a hub and spokes structure (the hub being the central infrastructure that acts as the executive engine of the consortium, including negotiating and sub-letting contracts, while the spokes are the various individual member organisations/providers (**http://www.younglancashire.org.uk/webfm_send/671)***

Established in 2011, Greater Together has won its first contract, worth £750k, to deliver targeted youth support services.

It has over 50 organisations in membership.

Merger

There are 2 main forms of merger:

- ☐ The dissolution of 2 or more separate bodies and transfer of the assets and undertakings of those bodies to a newly created joint body

- ☐ The dissolution of one or more bodies and absorption into another body (this could be described as an 'acquisition' or take-over)

Merger is the most formal mode of collaboration.

Case Study: Advice Sheffield

Established in 2007, Advice Sheffield is a consortium of social welfare advice providers that has secured over £2m of contracts to deliver advice in children's centres and GP surgeries.

Of late, the consortium has been driving a merger agenda. There are 28 advice providers in Sheffield, all of which are members of Advice Sheffield. Notwithstanding the added value that the consortium structure offers, many of these providers are not sustainable in their own right. In July 2012 three of the consortium members - Castle Advice Service, Sharrow Citizens Advice Bureau and Woodseats Advice Centre – merged to form Sheaf Citizens Advice Bureau.

Closer working through the consortium structure laid the foundations to enable this merger to take place.

It is anticipated that this will be the first of several mergers within the consortium membership.

Exercise 2: Consortium Models Pros & Cons

Possible evaluation criteria:

- ☐ Potential of the model to assist the consortium to get up and off the ground (start up)?
- ☐ Likelihood to encourage buy-in from the stakeholder constituency that forms the potential membership base (internal stakeholder perceptions)?
- ☐ Attractiveness to funders/commissioners (buyer perceptions)?
- ☐ Control and mitigation of risk (risk management)?
- ☐ Assuring and improving the quality of what is being delivered (quality assurance and improvement)?
- ☐ Enabling providers to innovate (innovation)?
- ☐ Potential for consortium sustainability over the long-term (sustainability)?

Model	Pros	Cons
Loose Network		
Loose Consortium with Managing Agent		
Loose Consortium with Managing Provider		
Formal Consortium		

Pros and Cons of the Different Models

Model	Pros	Cons
Loose Network	Builds on existing patterns of partnership working Path of least resistance	Doesn't address rationalisation agenda Doesn't create economies of scale No critical mass No joint bargaining power Procurement agencies are less likely to support it
Loose Consortium with Managing Agent	Builds on existing contract management/accountable body infrastructure Less vulnerable to fluctuations in output performance Risk is 'managed' by managing agent Could be perceived as "less risky" by funders at outset Embedded track record through lead body profile	Infrastructure may not be available Sub-contractors not in control Sub-contractors do not get to agree management top slice Risk of institutional baggage associated with managing agent – perceptions of sub-contractors More difficult to establish separate identity and brand Managing agent may not understand nuances of service profile of sub-contractors
Loose Consortium with Managing Provider	Builds on existing contract management/accountable body infrastructure Less vulnerable to fluctuations in output performance Risk is 'managed' by managing provider Could be perceived as "less risky" by funders at outset Embedded track record through lead body profile	Infrastructure may not be available Sub-contractors not in control Sub-contractors do not get to agree management top slice Risk of institutional baggage associated with lead body – perceptions of members More difficult to establish separate identity and brand Inherent tension within *Managing Provider* function
Formal Consortium	Optimal ownership and control by members Members agree 'internal resource allocation ratio' (i.e. contract management top slice) Easier to create an independent, clearly defined identity and brand No risk of institutional baggage associated with lead body – perceptions of members	Some members want "money without management" Difficult to establish effective accountable body infrastructure from standing start No established track record as *de facto* new entity Could be perceived as "more risky" by funders at outset Support infrastructure vulnerable in early stages due to unpredictability of output levels Can still get Support Unit/hub acting as independent entity, dictating to members

‘Consortium Readiness Test’

Individual organisations might find it helpful to use this test to gage their readiness for working as part of a consortium.

First stage – Organisational Outlook

- Is your organisation experiencing financial difficulties that are likely to persist for more than merely a short-term period?
- Are you struggling with general management capacity?
- Are you struggling with specific business development capacity, including writing bids/tenders and managing funding agreements/contracts?
- Are you threatened by rival organisations potentially or actually competing for your resources?
- Do you need to diversify your service offer and income mix?
- Are you finding that what you are offering is too specialist or narrow and that this is preventing you from securing broad-based funding?

If your answer to one or more of these questions is ‘yes’, then you should explore consortium-working as a possible way forward.

Second stage – Individual Attitudes

- Do you (and the other leaders within your organisation) have a long-term vision of where your organisation could get to?
- Are you prepared to share information with collaborators in an open and honest manner, without being too protective of your own commercial and wider business interests?

- Are you prepared to work through the challenges posed by the different styles, approaches and operating values adopted by individuals in partner organisations?

- Are you prepared to work through and manage potential conflicts of interest between individuals/organisations in a professional and pragmatic way?

- Are you open to new ways of doing things?

- Can you genuinely commit to change?

If your answer to these questions is 'yes', then you should be suited to working within a consortium structure.

Once you have determined that you are ready for consortium-working the task is then to work out whether you can join or assemble a viable consortium. This task would involve looking at both sides of the market:

- Demand (e.g. what are the commissioners [including statutory agencies, communities and individuals] wanting to purchase?
- Supply – who are the capable [diligent] and appropriate [providing the right sort of offer] suppliers?

Overview of the Consortium Development Process

The seven-step process, which is shown below, gives an overview of the steps needed to develop a typical consortium – and usually takes between four to six months. The exact journey will depend on the model under development. For example, for models that don't require incorporation, step 6 isn't necessary.

The expectation is that the steps will involve the usual elements of a business planning process such as

- Market overview and market strategy development
- Developing service offer/ proposition
- Production of business plan
- Development of delivery supply chain

By the end of the development process, all being well, you should have;

- A consortium structure fully equipped to deliver your required project
- A good network of developed relationships and trust between partners.

STAGE 1. GETTING STARTED	→	STAGE 2. IDENTIFYING ISSUES

STAGE 3.
BUSINESS STRATEGY FOR JOINT TENDERING

STAGE 4.
PRODUCING
CONSORTIUM
DOCUMENTATION
[with working group]

STAGE 5 .

RAISING FINANCE FOR DEVELOPMENT PHASE
[with working group]

STAGE 6

INCORPORATION
[with Working Group]

STAGE 7.
LAUNCH
MEMBERSHIP DRIVE
[company/lead body]

Consortium Key Success Factors

The factors that contribute to the success of consortia can be characterised as either demand or supply side factors.

Demand-side success factors

Commissioner commitment

A chief contributor to success is the local commissioner being keen to explore new ways of commissioning services and seeing a joined-up approach amongst voluntary sector service providers as a key part of this. This could be motivated by a whole range of issues: a reduction in funding leading the commissioner to want to bundle up separate contracts into a single, larger package of funding, so as to save on administration and transaction costs; a perception that current service delivery is too fragmented or incoherent; a desire to bring new, more niche providers into the supply chain and so on.
Without such commissioner commitment being in place at the outset of the process, it is certainly not impossible for a voluntary sector consortium to succeed, but the collaborators would need to put a lot of time and effort into a robust, medium- to longer-term commissioner influencing strategy in order to nurture the necessary commitment.

Commissioners' attitude to change and risk

Related to this is the attitude to change and risk amongst commissioners. There are a number of barriers facing consortia inherent in the way that services are traditionally commissioned. These can range from formally constituted consortia struggling to demonstrate that they meet the PQQ thresholds relating to track record and financial standing (simply by virtue of being new organisations), to there simply being insufficient word space available in PQQ and tender proposal forms to describe adequately and therefore do justice to a joint approach involving several different service providers.

Commissioners need to be prepared to flex existing commissioning arrangements in order to better accommodate consortium bids. Also, there is often an imbalance of risk in the commissioning arena, with small voluntary organisations being expected to meet challenging PQQ thresholds and typically to compete with larger private sector bidders for contracts. There needs to be recognition amongst commissioners that the balance of risk needs to be adjusted and that voluntary sector consortia can play a pivotal role in achieving this adjustment.

Market opportunities

Clearly there needs to be sufficient openings (whether current or impending) in the commissioning and procurement market to justify the time and effort involved in developing a consortium. This is a routine part of demonstrating the feasibility and business case for the consortium initiative.

Supply-side factors

There are also a host of factors on the supply side, i.e. on the voluntary sector collaborators side of the equation.

Entrepreneurial aptitudes

There is a series of what might be described as ‘entrepreneurial’ qualities or aptitudes that the collaborators need to possess. These include:

- **Vision**: being able to ‘see the wood for the trees’ and having a clear sense of what is achievable in the long term.

- **Leadership and drive**: certain people need to lead and drive the consortium development. One of the dangers of a formal consortium that is jointly owned by all the collaborators is that a ‘leadership vacuum’ can emerge; a sense that ‘because we are all equally responsible, no one of us is!’ In this scenario the individuals involved need to be clear about committing to lead on and undertake certain tasks that will move the process forward.

- **Resilience**: inevitably, like any new business venture, the consortium will hit stumbling blocks, things won't go to plan and there will be set-backs – a bid for working capital fails, negotiations with commissioners seem to stall etc. In these instances the collaborators will need to have sufficient staying power to bounce back and keep things moving forward.

Access to finance

There is a clear link between access to development and working capital at different stages of the business life cycle (though especially at start-up and early implementation stage) and ultimately the success of consortia in winning contracts and delivering high quality services.

Typically, there is a lot of work to get through in establishing a consortium from scratch – plans to be written, policies to be developed, systems to be put in place. All this requires some level of resource.

One option is for the collaborators to commit in-kind resources by agreeing to undertake certain tasks (a collaborator agrees to lead on writing the consortium business plan, for example), though it is usually difficult to get everyone to agree to this, often because the collaborators have limited internal capacity themselves.
A preferable way forward is to source actual cash investment. This could come from a number of channels:

- the collaborators agreeing to commit small amounts of working capital/seed corn funding from their own coffers (but this can be problematic for small organisations with limited resources);
- sourcing development grant funding from the Lottery or a Trust/Foundation;
- securing seed corn funding from a commissioner/public body;
- negotiating a loan investment from a social investor.

Access to appropriate business support

Collaborators who are able to access appropriate, specialist business support or external consultancy are also likely to increase their chances of success. Securing relevant expertise can help the partners to fast-track certain aspects of the development and implementation process, especially those of a more technical or complex nature.

Learning from other consortia and linking into consortium-related networks is also a key ingredient in the recipe for success. This enables the collaborators to learn from what works, and, just as importantly, understanding *what doesn't*.

CASE STUDY – DESTA HAMMERSMITH AND FULHAM

Desta Health and Social Care Consortium was incorporated in February 2011 and registered as a charity in July 2011. It operates across eight London boroughs: Brent, Ealing, Hammersmith & Fulham, Harrow, Hillingdon, Hounslow, Kensington & Chelsea and Westminster and had thirty-seven member organisations at January 2012.

In June 2011, Desta won its first NHS contract for £670,000 to deliver the Expert Patient Service. By October 2011, Desta had completed its first TUPE transfer, put in place a GAD- certified comparable pension plan and commenced delivery with eight partner organisations across three boroughs.

Desta was established by CaVSA Hammersmith & Fulham (CaVSA), the local Council for Voluntary Service which, as part of an earlier consortium of local organisations, had secured £0.5m BASIS Big Lottery funding to set up four voluntary sector consortia by August 2013.

There was already an excellent relationship with local PCT commissioners who had approached CaVSA about developing a partnership of voluntary sector organisations with a lead body. The PCT was looking for a single provider to deliver an aggregated service with an annual contract value of £337,600 across three London boroughs. Previously, the PCT had had contracts of

£16,000pa with many small voluntary organisations that commissioners had directly supported. These were located in one borough and, individually, would not have had the capacity to bid or to manage a tri-borough service.

Shani Lee, Head of Partnerships and Commissioning, was appointed as the lead for consortium development in CaVSA. She came with background experience in voluntary sector economic development and business support, including partnerships and other informal consortia. It gave her an understanding of the kind of tensions around equality between organisations and the need, on one hand, to support smaller bodies, and on the other hand to manage risk and liability for larger organisations. Shani is also deeply committed to a diverse voluntary sector ecology – as were the commissioners – and the importance of small niche providers. The challenge was to develop a single point of contracting that would allow small organisations to participate, and that would also manage risk.
Armed with a checklist of issues, Shani attended a workshop delivered by Neil Coulson for the Procurement Champions Network at ACEVO in June 2010. The 'hub and spokes' structure of the formal consortium model addressed many of her (long) list of issues. The consortium is owned and controlled by its members, with each member having an equal vote; the trustees are compelled to act in the interests of the consortium membership as a whole. At the same time, the consortium is run by a democratically-elected strategic board which provides strong leadership, governance and collective intelligence and is supported by professional business and contracting expertise through the hub.
Much of Shani's role involves relationship building. For example, the Health Commissioners were already very positive about working with a consortium but Shani had to ensure that they understood that the 'hub and spokes' model would meet their needs, and responded to their concerns about risk management and quality assurance. Regular updates took place with, roughly, fortnightly phone contact and brief meetings every six to eight weeks for about a year, prior to the invitation to tender.

Local voluntary sector organisations required surprisingly little persuasion of what they stood to gain through a collective approach. Smaller bodies in particular understood that they needed to be part of larger structures in order to engage with wider opportunities. In several cases trustees had mandated their senior management to support the consortium's development. Other organisations were happy that CaVSA was setting this up, and were happy to be approached to join once the consortium was established. On the whole, larger organisations found it more difficult to adapt to a joint approach, although they recognised the needs and benefits for individual organisations of operating as part of a consortium.

Conducting a Risk Audit

Risk analysis within the context of an emerging consortium relates directly to the risks that are facing the consortium venture (it is not about the risk facing individual agencies).
Risks might include:

- failure of consortium to progress to next stage (i.e. become formally established);
- failure of consortium hub, once established, to 'produce the goods' i.e. win contracts;
- failure of consortium to perform against contracts, once secured, due to underperformance on quality/quantity;
- local autonomy and reputation are compromised;
- financial risks e.g. cash flow problems caused by late contract payments etc.;
- no funder buy-in;
- contract top-slice is a deal breaker.

An example of the risks identified at one development workshop include:

- reputational risk to members;
- won't win any contracts;
- everyone falls out;

- poor performance;
- financial risk to members (low?);
- VCS factionalism, alternative partnerships;
- failure to secure the initial investment;
- tokenistic support from the state;
- beholden to state;
- commitment not maintained;
- communication failure;
- no work to win (e.g. if commissioners keep it all in house);
- lack of focus;
- poor governance/lack of transparency.

In the guidance associated with Accounting and Reporting by Charities – Statement of Recommended Practice (SORP 2000, issued October 2000) the following main types of risks facing charities are identified:

- Governance risks – e.g. inappropriate organisational structure, difficulties recruiting trustees with relevant skills, conflict of interest.
- Operational risks – e.g. service quality and development, contract pricing, employment issues, health and safety issues, fraud and misappropriation.
- Financial risks – e.g. accuracy and timeliness of financial information, adequacy of reserves and cash flow, diversity of income resources, investment management.
- External risks – e.g. public perception and adverse publicity, demographic changes, government policy e.g. employment law

and regulative requirements of particular activities such as fundraising or the running of care facilities.

With all the risks that are identified it is necessary to outline a strategy to cope with it. This will involve two main approaches:

- Trying to prevent or minimise the chance of the risk occurring in the first place (preventative)
- Trying to counteract or reduce the effect or impact of the risk if and when it does occur (curative)

Risk register

Risk descriptor	Likelihood Likelihood 1 = negligible, 2 = very low, 3 = low, 4 = medium, 5 = high, 6 = very high, 7 = extreme	Impact 1 = minor, 2 = significant, 3 = damaging, 4 = grave	Overall gross risk/ severity Ranking (likelihood score x consequence score)	Strategy/control procedures	Net/residual risk

The SORP 2000 guidance highlights the following main ways of dealing with risks:

- the risk may need to be avoided by that activity (e.g. stopping work funded through a fragile, short-term funding source);
- the risk could be transferred to a third party (e.g. a trading subsidiary, outsourcing or other contractual arrangements with third parties);

- the risk could be shared with others (e.g. a joint venture project);
- the charity's exposure to the risk can be limited (e.g. establishment of reserves against potential loss of income, phased commitment to projects);
- the risk can be reduced or eliminated by establishing or improving control procedures (e.g. internal financial controls, controls on recruitment, personnel policies);
- the risk may need to be insured against (this often happens for the residual risk, e.g. employers liability, third party liability, theft, fire); or
- the risk may be accepted as being unlikely to occur and/or of low impact and therefore will just be reviewed annually (e.g. earthquake damage in the UK or loss of a single cash donation of £10 a year).

Risk mitigation is aimed at reducing the 'gross level' of risk identified to a 'net level' of risk that remains after appropriate action is taken. This identification of 'gross risk', the control procedures put in place to mitigate the risk, and the identification of the residual or 'net risk' is often scheduled in a risk register.

Opportunities for Accessing Start up Funding

Community Services Pre-feasibility Grants – up to £10k

These grants are available for any organisation that wishes to deliver a public service, or (if already delivering a public service) – a 'new' public service.

A key programme aim is to support start-up consortia and to date about 10 consortia have been supported through the fund. Where a consortium is new, a member organisation can apply to hold the funds on behalf of the partnership.

The funds can be used to pay for the development costs of setting up a consortium. As a rule of thumb, up to half the funds can be allocated internally – i.e. within the partnership – provided that they are used to pay for 'additional' staff time.

More information about the Fund can be found here:

http://www.sibgroup.org.uk/communityrights/

http://mycommunityrights.org.uk/community-right-to-challenge/grants/

As part of their application, organisations are encouraged to fill out an online 'Contract Readiness Checker'

http://www.contractreadinesschecker.org.uk/