



Voluntary Sector Support

Guide to collaborative working models



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 **Community
Impact Bucks**

PROMOTING EXCELLENCE IN VOLUNTARY AND COMMUNITY SERVICES

Consortia delivery of public services – the right model?

In the current climate where grants for service delivery are no longer available, you may think your organisation is too small to bid for forthcoming contracts. However, in most cases not being pro-active in this area may not be the best option. You may decide for example, that to progress future contracts you will need to evaluate who your potential partners might be and how best you can collaborate with them. Where new opportunities exist to market services to commissioners, collaborative working is often cited as being the best delivery option for not for profit organisations.

This guide includes a basic evaluation of the business models and structures that will enable collaborative working and the creation of opportunities for small organisations to continue to be involved in public service delivery.

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1. How to select the Optimum Model of Collaborative Working

Given the need to do something, you must first evaluate the following factors in order to decide what in this specific situation would be the best solution for your organisation. All methods of collaborative working will be the most appropriate in different circumstances. The trick is knowing how to compare the different factors and to evaluate the most commercially viable way forward that will have the greatest chance of winning this particular opportunity.

These factors are:

- 1. Timescale:** The timescale you have in which to prepare a response to an opportunity will dictate what is possible. Forming a new company takes time, as does building relationships and trust. If the advert for the tender opportunity has already been released, these things may not be possible, unless the partners know each other very well and have a strong record of working together. If you are a small organisation it may be better for you to secure sub contracting opportunities with a strong lead partner.
- 2. Capacity:** If the capacity or expertise to deliver at quality and price is not there in the not for profit sector , then clearly there is not much point in forming a consortium exclusively for local partners
- 3. The views of the Commissioners and Procurement:** Although all procurement processes should be open transparent and fair; there is little point in offering a delivery model and solution that you know is unlikely to be of interest to the commissioner.
- 4. Ownership and Control:** In all situations where a small provider is working as a sub contractor , there will be a question as to whether it lacks a degree of control over what opportunities are open to it, and what price it might receive for delivering that service. As a small local provider you must negotiate the conditions that are right for your organisation, or develop a collaborative structure over which you do have a degree of ownership and control.

Other factors to consider

At this point it is worth noting that if collaborative working is being considered for public service contracts then VAT & TUPE may well be factors that will need to be considered further down the line.

VAT

VAT issues might arise, but VAT is a complicated subject and specialist financial advice will need to be sought.

TUPE

If the award of a contract means transferral of staff from another organisation, then TUPE regulations will apply and there may be complicated pensions implications.



Governance

The final decision on any major change rests with your organisations trustees and they have ultimate responsibility for collaborative working arrangements. It is their role to see that the decision making process covers all angles to make the most effective use of funds. Trustees must ensure that their organisation acts legally and that professional advice is taken where relevant.

2. The Basic Models and Structures

The basic models that we will evaluate in more detail in this guide are:

1. Loose network
2. Managing Agent
3. Managing Provider
4. Super Provider –Special purpose vehicle.

Loose network

Most organisations are already part of a loose network of providers. In order to meet a contract need all the agencies could agree to work together and this might then be subject to a written partnership agreement. However, the consortium would not have a separate legal status outside the partners. This would mean that all the providers would have to tender as independent units to the commissioning bodies (such a loose consortium would not be able to tender in its own right because it is not constituted as an independent legal entity)

Within this model it is important that you recognise that as a not for profit organisation you may continue to be at risk of not having the right structures in place to meet the needs of one of its most significant stakeholders ; the one who holds the money that you desperately need. Clarity on the commissioner's contract requirements will be essential.

Managing Agent

Managing agents are often referred to as Prime Contractors. The managing agent is a contract management company that holds the contract with the public sector body and sub contracts delivery to a range of providers. This is the model employed by companies like SERCO to deliver a huge range of contracts.

Managing Provider

The managing provider model is essentially similar to the managing agent, but led by an actual provider who holds responsibility for the contract and allocates work accordingly. The model is common where a national charity takes on the role of prime contractor, in this instance they may have won a contract they have a direct interest in providing but require additional delivery capacity or expertise.



At the local level, two or more charities may choose to follow a managing provider model where one is clearly defined as the contract holder and the other charity (ies) agree to sub contract to it. This is a common form of partnership working but requires agreement on which group will be the lead provider.

It is the lead organisation that would be solely accountable to the Commissioner (e.g. council) as they will be the one reporting and accounting for both finances and project delivery as well as having to 'manage' the partners.

In most cases, one organisation would be the natural and appropriate choice for lead body, but there may always be a perception of unfairness or a power imbalance if one organisation acts as the lead and has the final say on decisions. To overcome this situation a steering group, comprising representatives from all partner organisations could be established to promote transparency.

If it is decided that the model to be adopted is that of one organisation taking lead responsibility, then this structure and the involvement of other organisations could be specified in a contract with the commissioner. It will be important and something commissioners will look for that the lead body has a clear joint working agreement with the other partners. This could include for example, agreement to consult with all partners before any decisions are taken. There would also need to be controls introduced to ensure that the lead body is able to take action against one of its sub contractors in the event of a sub contractor failing to provide the services required.

Super Provider – Special Purpose Vehicle

A group of not for profit organisations could agree to cluster and work together as a super provider.

This may form a natural progression from the fact that organisations are already doing this as a loose network. In order to bid for contracts the super provider must have a **legal status** and this will involve forming and legally constituting a Joint Venture Company or a Special Purpose Vehicle.

The next question is how that contract is managed and how performance is guaranteed. The more partners there are in the new organisation the more rigorous and accountable the management structure needs to be. The solution might be to create a management structure at the centre of the group of providers. This is often referred to as the 'Hub & Spoke' model.

The providers jointly own the hub through an equal share. It could involve anything from two providers to hundreds. Sheffield Wellbeing Consortium is a good example of this model. See link below.

For the consortia to be successful the hub needs to ensure the following functions are delivered.



- *Bidding and tendering to win business*
- *Leadership*
- *Contract Management*
- *Business development & relationship building*
- *Financial management*
- *Data management*

This does not necessarily imply the creation of any new resources beyond registering as a company and forming a new board. All the functions of the hub can be sub-contracted or charged out to members of the consortia. Exactly how that works will depend on the expertise and capacity held by the consortium members.

The consortium needs to be managed by a board of trustees. This needs to be functional, while allowing members to feel a genuine ownership of the democratic process. In order to offset any feelings of conflict of interest, trustee board recruitment might also cover independent members likely to bring in additional skills, these might include:

- *A local authority commissioner*
- *Someone with extensive commercial private sector experience*
- *Someone with financial experience*
- *A solicitor*

Community Impact Bucks working in collaboration with a number of other Buckinghamshire charities has recently set up a subsidiary social enterprise. This new organisation Health watch Bucks has been successful in securing a Bucks County Council tender. If you are thinking of setting up a special purpose vehicle then Community Impact Bucks has the proven expertise to be able to advise you.

3. Conclusion

Not for profit organisations have a lot to gain from collaborative working. Indeed to not collaborate with other providers may effectively mean the same as deciding to close down or at least to deliver your activities without public funding of any kind. Given the appeal to most small and medium sized providers of local accountability and democracy forming consortia is bound to seem like the most appealing option. However, this cannot be entered into lightly or it will fail.

It is also extremely important that once initial momentum has been developed, that it is sustained; otherwise the process will stagnate and potentially collapse altogether.

Ultimately all forms of collaboration have their merits and the needs and views of the commissioner will shape the market at the local level in this regard. What is also important is that all not for profit organisations have an understanding of the options open to them in order to make the commercial decisions that will enable us all to carry on delivering the services we want to deliver



4. Support and Information

If you wish to discuss your own groups particular circumstances or want advice in this area then please contact Community Impact Bucks by e mail info@communityimpactbucks.org.uk or by phone on 0845 389 0389

The following website links contain further valuable background information in this area.

NCVO

<http://www.ncvo-vol.org.uk/advice-support/collaborative-working>

ACEVO

<http://www.acevo.org.uk/commissioning>

Charity Commission

<http://www.charity-commission.gov.uk/publications/cc34.aspx>

<http://www.charitycommission.gov.uk/publications/rs24.aspx>

IVAR (Institute for Voluntary Action Research)

<http://www.ivar.org.uk>

Sheffield Wellbeing Consortium

<http://www.sheffieldwellbeing.org.uk/>

5. Further Support

Community Impact Bucks has produced a number of guides on all aspects of running a voluntary or community organisation that you may find useful.

Guides available include:

Guide to Project Planning

Guide to Funding

Guide to Business Planning

Good Practice Guide to Involving Volunteers

Guide to Sustainable Funding & Finance Options

Q&A Guide to Setting up a Charity

All these guides can be downloaded from the Community Impact Bucks website:
www.communityimpactbucks.org.uk

