Joint Bidding Guide

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Welsh Government

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2. Joint Bidding Policy	*For senior executives service owners and procurement teams* Outlines the latest policies relating to joint bidding for the buy side. It has 7 review steps and 4 implementation steps for consideration.
3. Buy Side Preparation	*For project sponsors* Introduces the Welsh Government's Supplier Qualification Information Database (SQuID) and the procurement context for joint bidding. It contains a procurement assessment model for joint bidding to help the procurement team and advise on appropriate selection criteria.
4. Preparing to Advertise	*For sponsors and procurement teams* Emphasises that future visibility of larger opportunities, together with the use of Prior Information Notices, are important to allow potential consortia to be created or enhanced to be able to effectively compete.
5. Consortium Pre Formation	*For leaders of potential consortia* Highlights the importance of a potential consortium's initiating organisation to map and explain its major goals, competencies and culture to potential partners.
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8. Opportunity Registration	*For procurement teams and leaders of potential consortia* Explains some of the challenges in configuring information within public sector registration systems for consortia. The registering organisation might not be the eventual Lead Body, depending upon the consortium's structure for the opportunity.
9. Opportunity Assessment	*For leaders of potential consortia and bid managers* Gives an overview of the opportunity screening and matching process with checklists and templates for assessing how to proceed and the resources needed to prepare a competitive bid.
10. Configuring Your Consortium	*For leaders of potential consortia and bid managers* Covers some of the cultural matches and soft skills needed to create trust within a potential consortium as well as techniques for partner configuration.
11. Governance and Compliance	*For leaders of consortia, bid managers and procurement teams* Highlights 11 key areas needing consideration when creating a consortium, ranging from creating a collaboration agreement to headline commercial issues such as payment schedules and the split of costs, revenues and profits/surpluses. An annex deals with Intellectual Property.
12. Risk Planning	*For leaders of consortia, bid managers and procurement teams* Introduces a joint bidding risk planning and management process that integrates the risk management processes of the buy side with the supply side, creating a Master Project Risk Plan. It also recommends using a risk gate approach to proceed along the key stages of bidding.
13. Estimating and Pricing for Consortia	*For leaders of consortia and bid managers* Explains how to create joint estimates starting with understanding a consortium's relevant cost base. Emphasises the need to understand full economic costing and whether all overheads are relevant to a consortium, depending on resource use and activity/capacity planning. Introduces the concept of market driven target costing.

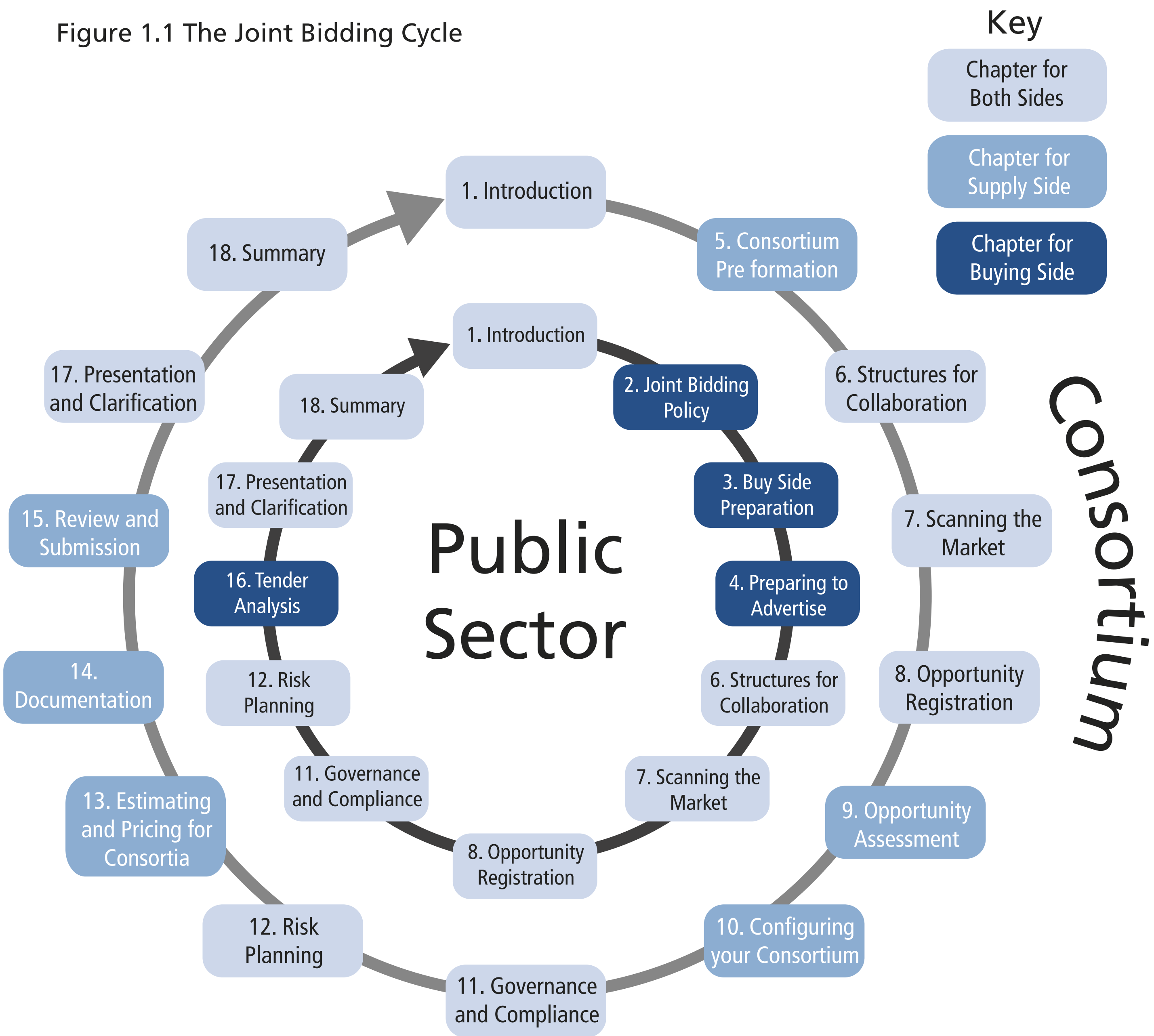
Chapter	Overview
14. Documentation	*For bid managers and consortia support teams* Gives a robust approach for creating a bid plan by working in reverse chronological sequence back from the submission deadline with milestones and how to prepare typical documentation using an example.
15. Review and Submission	*For leaders of consortia and bid managers* Deals with some key steps needed for review and submission including timetabling review meetings, how to manage such meetings and assembling a final pre-submission checklist for the Bid Manager.
16. Tender Analysis	*For sponsors and procurement teams* Explains some additional evaluation steps for the buy side's tender assessment team. It covers how to overcome perceptions of risk and an approach to managing potential contingencies.
17. Presentation and Clarification	*For sponsors, consortia leaders and bid managers* Recommends how to design and ask objective questions potentially at interview post submission. Contains a joint clarification checklist.
18. Summary	*For all readers* A brief overview of the manual and recommendations to work towards the principles of BS 11000 Parts 1 and 2 for Collaborative Business Relationships.
Glossary	*For all readers* A comprehensive glossary of the key terminology for joint bidding and collaboration. Readers should refer to this for specific definitions.
Appendix A – Further Reading	*For all readers* A reading list for parties interested in collaboration and joint bidding.
Appendix B – Case Studies	*For all readers* Contains a range of recent case studies and highlights key observations and lessons learnt about joint bidding and delivery. Many case studies are cross referenced within the main text.

1. Introduction

This is a guide on joint (or consortium) bidding, prepared for buyers and suppliers. It is structured as a practical toolkit in 18 short chapters. Each chapter is designed to be relatively self contained covering a particular stage in the planning, preparation and bidding cycle as shown in Figure 1.1.

Please note that the information set out in this and subsequent chapters of the guide is not legal advice and is not intended to be exhaustive – contracting authorities should seek their own independent advice as appropriate. Please also note that the law is subject to constant change and advice should be sought in individual cases. This document is correct as at May 2013.

Figure 1.1 The Joint Bidding Cycle



Chapters are written for the key people involved in each stage of the procurement cycle:

Buy Side

- Senior executives responsible for implementing relevant procurement policy.
- Service owners sponsoring the project or service that needs procuring.
- Public sector procurement teams.

Supply Side

- The leaders of small businesses, third sector enterprises and charities who want to work together to prepare and win joint bids, working as consortia.
- Consortia Bid Managers.
- Consortia bid support teams.

You are encouraged to familiarise yourself at a high level with all of the manual, since increasing awareness of the issues faced by both buyers and suppliers will improve collective understanding and effectiveness. It is a practical tool-based guide for use in helping your team contribute to successful tendering and joint bidding and in understanding the opportunities and challenges met by others working within the procurement cycle.

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2. Joint Bidding Policy

This chapter is for public sector executives and procurement teams. Collaboration in procurement, both buy-side and supply-side is becoming increasingly prevalent and important in driving the best value from procurement expenditure. Whilst there is a need for rigour in processes and agreements on both sides, this guide is concerned only with supply-side collaboration, i.e. two or more potential suppliers tendering jointly for a public sector contract.

2.1 Determine if your organisation needs to consider a joint bidding policy

Your organisation may need to consider developing a joint bidding policy for procurement. This can either be a stand-alone policy or an extension of an existing policy. Such a policy may well help you to deliver increased *Value for Money* (VfM) in procurement and enhance your *Sustainable Procurement* strategies.

One of the main challenges for SMEs is the size of some of the work packages being tendered by the public sector. These may be larger than SMEs or third sector organisations can fulfil separately, but if they come together to form consortia this can be of benefit to you as it will increase the competition for larger contracts.

Even when contracts are manageable for Social Enterprises, charities and SMEs, they often perceive that they will be unable to compete as single entities for larger tenders. This may be due to:

- in-built challenges to joint tendering within procurement processes, selection questions and acceptance thresholds commonly-set;
- your buyers perceiving that there is increased risk to joint bidding and consortium delivery; and
- your buyers making assumptions about SMEs' or social enterprises' capability to deliver larger contracts.

Research carried out to develop this guide showed that SMEs are keen to grow their share of contract awards from the public sector by value[1]. Suppliers also want greater opportunity to bring innovative solutions to the public sector – meaning that opportunities for improved service delivery, and economic development, may also be realised[2]. It is also recognised that there is scope for public procurers to better engage with and know SMEs[3].

Establishing a joint bidding policy would allow your organisation to address some of these opportunities and set out how you intend to encourage a more diverse supply base.

1 Project Interviews.

2 NHS All Wales Procurement Strategy 2007-2010.

3 Opening Doors – The Charter for SME Friendly Procurement by Value Wales 2008.

2.2 Allocate a Joint Bidding Champion role to a senior manager within your organisation, to ensure full support for the changes needed

In a guide by the Social Enterprise Coalition (in relation to local government procurement) it was recommended that, if the organisation is serious about supporting Social Enterprises, commissioning bodies should appoint a senior figure known as the *Social Enterprise Champion* with responsibility for ensuring the potential of social enterprise is maximised. The champion is advised to be a mentor for staff to create a better understanding of social enterprise, and to ensure that any policies, agreements or mechanisms that provide support for social enterprises are upheld[4].

Such a senior sponsor role would be very useful to encourage and promote joint bidding, and buyers should consider appointing a Supplier Development or Joint Bidding champion, or allocating this role to an existing senior manager such as the Head of Procurement, or member of staff.

This is analogous to the role of Senior Executive Responsible (SER) for the commissioning organisation in BS 11000-1:2010 Collaborative Business Relationships – Part 1: A Framework Specification. Annex A has some key steps adapted from this standard.

2.3 Define the specific potential benefits of joint bidding for your organisation

The advantages to suppliers of bidding as consortia are well documented and include[5]:

- Sharing relevant skills, experience and expertise in a way that complements one another in terms of the tender and in relation to delivery.
- Accessing experience or competencies that they might not otherwise have in terms of service delivery and which they cannot afford to buy in just to secure the contract.
- Shared development costs – which might represent a significant reduction in overheads in relation to the contract.
- Risk associated with entering a particular marketplace is spread across the partners.

There are also significant potential benefits from consortia delivery to the Public Sector including[6]:

- Improved responsiveness;
- Reduced overheads;
- New and innovative ideas;
- Dynamic network of suppliers;

[4] The Social Enterprise Guide for people in local government, Social Enterprise Coalition.
[5] Tendering for public sector contracts (Scotland).
[6] The Networked Enterprise: Competing for the Future through Virtual Enterprise Networks, Ken Thompson 2008.

- Access to non-commercial partners (Universities and colleges for example);
- Access to innovation funds (for which only the smaller SMEs might be eligible); and,
- Local economic development through growth of the local supply base.

2.4 Define the potential and benefits of your procurement on local economic and community development

Your unique role and power as a public sector buyer to shape markets and communities is increasingly understood. In challenging economic conditions your bargaining power as a public sector buyer greatly exceeds the bargaining power of your local suppliers, especially SMEs[7].

Both *Sustainable Development* and *Sustainable Procurement* are seen as vitally important and it is Welsh Government policy that:

"Equal weight must now be given to not only on 'what', but 'how' this 'public money' is spent. Sustainable procurement is recognised as the best practice approach for Wales, ensuring that maximum value is achieved for the Welsh pound by delivering the maximum social, economic and environmental benefits"[8].

In its December 2012 Procurement Policy the Welsh Government stated that in carrying out procurement activity the public sector will[9]:

- Define 'value for money' as 'the optimum combination of whole-life costs in terms of not only generating efficiency savings and good quality outcomes for the organisation but also benefit to society and the economy, whilst minimising damage to the environment.' (Principle 3)
- Ensure that the 'delivery of added value through Community Benefits policy must be an integral consideration in procurement.' (Principle 4)
- Continue to embrace all the principles of Opening Doors – the Charter for Small and Medium sized Enterprises. 'Public bodies should adopt risk based, proportionate approaches to procurement to ensure that contract opportunities are open to all and smaller, local suppliers are not precluded from winning contracts individually, as consortia, or through roles within the supply chain.' (Principle 5)

In 2004 the EU issued a code of practice on improving access for SMEs to procurement contracts[10]. It explicitly refers to the benefits of joint bidding in Clause 1.2, keeping selection criteria proportionate in clause 4.1, and allowing sufficient time for drawing up tenders in clause 7.

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7 The Midas Proposition – Enhancing the role of Small and Medium size enterprises through Collaborative clusters, David E Hawkins of the Institute for Collaborative Working, Sept 2011.

8 https://www.buy4wales.co.uk/PRP

9 Welsh Government Procurement Policy, December 2012 – see http://wales.gov.uk/

10 European Code of Best Practices Facilitating Access by SMEs to Public Procurement Contracts, EU publications, 2004.

2.5 Establish if Social Enterprises and/or SMEs are underrepresented or under performing in bidding and winning contracts from your organisation

In preparing this handbook the research team asked a representative sample of senior procurement professionals in Wales the following questions. Given the recommendations of the Welsh Government as well as the advantages mentioned above, it is recommended that you consider these questions for your own organisation:

1. How many Social Enterprise/SME bids do you receive? As a percentage is this a fair representation of bids, in keeping with your sustainable procurement policies?
2. How many Social Enterprise/SME bids do you award by number and by value? As a percentage is this a fair representation of bids in keeping with your sustainable procurement policies?
3. Are Social Enterprises and/or SMEs under represented in bidding for or winning certain types or scale of contracts? Why is this?

There was limited quantitative data available from procurement teams to respond to these questions but a range of observations and views were expressed based on experience with receiving such bids.

We recommend that you carry out more formal measurement of the extent to which bids are being received from Social Enterprises, SMEs and consortia, and whether these organisations are being awarded contracts, along with the outcomes delivered. Principle 9 of the Welsh Government's Procurement Policy states that 'in accordance with good management practice, procurement performance and outcomes should be monitored to support continuous improvement, and examples of good and poor practice openly shared.'

2.6 Gather and learn from case studies of successful joint bidding

There are many examples demonstrating how businesses, social enterprises and SMEs have adopted collaborative structures for procurement and are bidding as consortia. Opportunities for further reading around joint bidding appear at the end of this guide in Appendix A, and a series of case studies are provided in Appendix B. These case studies illustrate very clearly some of the advantages, opportunities and potential pitfalls involved in joint bidding, for all parties involved.

2.7 Establish if there is a business case for supporting Joint Bidding, formalise organisational support and initiate your joint bidding development plan

In reviewing your procurement policies aligned to the new 2012 Welsh Government's procurement policies you may want to consider these three questions:

1. Do Social Enterprises and/or SMEs under-perform in your tenders? If so why?
2. What constraints and barriers could be addressed through joint bidding?
3. Are there any major reasons why supporting and enabling joint bidding is not appropriate for your organisation?

2.8 Assess how a Joint Bidding policy needs to fit alongside your other legal duties and organisational policies

The Welsh Government has long been committed to placing sustainable development at the heart of policy and decision making, including procurement, and this is enshrined in the Government of Wales Act 1998. Local Authorities have powers to promote Economic, Social and Environmental well-being under the Local Government Act 2000. For those organisations whose functions are not largely devolved, it is a legal requirement, under the Social Value Act 2012, to achieve both value for money (VfM) and sustainability through procurement. Irrespective of the legal framework operating in your sector it is good practice to think about value in broader ways and over longer timeframes than you may have done previously[11]. Principle 3 of the 2012 Welsh Procurement Policy states that 'value for money' should be considered as the optimum combination of whole-life costs in terms of not only generating efficiency savings and good quality outcomes for the organisation but also benefit to society and the economy, whilst minimising damage to the environment.'

There are a number of important issues regarding consortia and competition law, the avoidance of collusion and anti-competitive practices. These are reviewed in Chapter 6 Structures for Collaboration and it is recommended you read this for information to help in your assessment of joint bids. The onus on compliance rests with the sell side but it is important for the buy side to be aware of the issues.[12]

2.9 Consider whether to implement the new British Standard BS 11000 in your organisation

It has been suggested that the best way to achieve and deliver social benefits is to ensure that they are woven consistently through each stage of procurement. That means thinking about them right at the outset.[13]

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[11] Public Services Social Value Act 2012 published by the Social Enterprise Coalition.

[12] Working in a consortium – A guide for third sector organisations involved in public service delivery, published by The Cabinet Office December 2008.

[13] Delivering social benefits through public procurement: A Toolkit, Investment Strategy Northern Ireland, February 2010.

The same argument applies to joint bidding. It will have implications from the very start to the very end of your procurement and delivery cycle and may also extend it at either end. This is recognised in the new British Standard on Collaborative Working BS 11000-1:2010 and you are encouraged to review this standard as an example of best practice.

BS 11000 also answers many of the questions around joint planning, working and project exit. It is already being adopted by major UK Government agencies such as Network Rail and the Ministry of Defence and the standard will become increasingly referenced in larger public sector contracts.

You might consider whether the new standard could improve your own organisation's capabilities as the Intelligent Client, as an integrated team and in responding to the policy changes required by the Welsh Government stated above.

2.10 Identify the impact of Joint Bidding on your Procurement Processes

Subsequent chapters in this handbook will describe how joint bidding needs to be reflected in your entire procurement process. Here are some high-level recommendations:

1. Before procurement commences you should consider investing in "supplier development" activities such as "meet the buyer". (See Chapter 7 Scanning the Market)
2. In the advertising stage you should allow more time to accommodate the partner searching, selection and consortia formation activities amongst social enterprises, charities and SMEs. (See Chapter 4 Preparing to Advertise)
3. In the selection phase you should consider taking into account the turnover, skills and capabilities of all members of the consortium rather than just the consortium leader. (see Chapter 3 Buy Side Preparation)
4. You may need to think about each of your selection questions, whether SQuID or project-specific, and ensure that the question itself and the guidance to bidders is worded in a way that allows a consortium to bid.(See Chapter 3 Buy Side Preparation, Chapter 4 Preparing to Advertise and Chapter 16 Tender Analysis)
5. In the contracting stage you will need to consider adapting to different types of contract to address the consortium's shared risk and shared liabilities. (See Chapter 12 Risk Planning, Chapter 16 Tender Analysis and Chapter 17 Presentation and Negotiation).
6. As a procurement leader, you may wish to work towards accreditation to BS 11000-1:2010 and over time encourage your suppliers and bidding community to do the same. It will take time but the benefits should outweigh the collective investment.
7. If you commit to this new approach you will enhance your value for money, achieve more of your sustainability goals, support your local and regional business community, increase innovation, improve job sustainability, help to create new supplier job opportunities in your region and improve the economy of Wales.
8. Wales has a high proportion of good quality, enthusiastic and hard working small businesses, social enterprises and charities. They should be viewed as significant strategic assets to help your organisation and your community.

2.11 Create a Joint Bidding Implementation Plan

Having carried out the assessments described in this chapter you should be in a position to write down an implementation plan for promoting more joint bidding.

This might include the following sections:

- Consultation and re-design of all relevant:
  - policies;
  - processes, procedures and guidelines;
  - oversight and governance;
  - training, websites and documentation; and,
  - technology and other required infrastructures.
- Activities needed to address:
  - supplier development;
  - procurement and contracting; and
  - contract communications and monitoring.

2.12 Summary

The steps described above and summarised below can be grouped into *Review* steps (1-7) and an *Implementation* steps (8-11):

1. Determine if your organisation needs to consider a Joint Bidding policy.
2. Allocate a Joint Bidding Champion role to someone in your organisation to ensure full support for the changes required.
3. Define the specific potential benefits of joint bidding for your organisation.
4. Define the potential benefits of your procurement on local economic and community development.
5. Establish if Social Enterprises and/or SMEs are under-represented or under-performing in bidding and winning contracts from your organisation.
6. Gather and learn from case studies of successful joint bidding.
7. Establish if there is a business case for supporting Joint Bidding, formalise organisational support and initiate your joint bidding development plan.
8. Assess how Joint Bidding policies fit alongside your other key organisational policies.
9. Consider whether to implement the new British Standard BS 11000 in your organisation.
10. Identify the impact of Joint Bidding on your Procurement Process.
11. Create a Joint Bidding Implementation Plan.

Annex A – Initial Awareness Steps from BS 1100-1:2010 Collaborative Business Relationships

Action Step	Comment	Criticality
Appoint your Senior Executive and Sponsorship Team (Cl 3.1)	It is essential that you have executive level sponsorship and select someone with overall responsibility – the Senior Executive Responsible (SER).	Essential
Define and authorise your policy for allowing joint bidding (Cl 3.2)	You will need to upgrade your policies to allow for joint bidding. For example, assess how your policies on procurement, Value for Money (VfM), and sustainability are impacted.	Essential
Identify which key objectives your suppliers will support (Cl 3.3)	Which key objectives are going to be delivered using your suppliers? Can joint delivery by consortia achieve this?	Recommended
Create a list of areas where SMEs working as joint delivery partners can add value (Cl 3.4)	List by key area where SMEs working as joint suppliers can add value to your organisation. For example: growing capacity, shared savings, required technologies, logistics, facilities, knowledge and reputation.	Recommended
Map your current relationships with SMEs to assess whether existing teams can partner for larger projects (Cl 3.5)	Who do you already know and work with? How do you work together? Is the relationship already working effectively? What is the potential for building stronger bonds for working on larger projects with current SME suppliers?	Recommended
Will you need to update your policies and development plans? (Cl 3.6)	Build on the analysis in step 3.2 above.	Essential
Create an initial joint bid risk assessment (Cl 3.7)	This is important. You can start with a basic list of headings to collate your initial list of risks. It will then develop as you progress and integrate with that of the joint bidding team.	Essential
Outline a project action plan (Cl 3.8)	A master project plan for delivery is needed – start with an outline.	Essential

Action Step	Comment	Criticality
List existing procedures that need upgrading for joint working (Cl 3.9)	From 3.2 and 3.6 above it is essential that you create a list of procedures to be upgraded before you commence joint working.	Essential
Start to create a Relationship Management Plan (RMP) (Cl 3.10)	Similar to a Supplier Development Plan a Relationship Management Plan should become an important part of your future joint working toolkit.	Recommended

Note – (Cl 3.X) is adapted from the relevant clause reference in BS 11000-1: 2010 Collaborative Business Relationships, A Framework Specification. It has been adapted for the buy side to help plan for joint bidding from consortia.

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3. Buy Side Preparation

This chapter is for public sector project sponsors and procurement teams to use in preparing for a procurement exercise. It is about how the buy side can prepare tender documents and processes to enable joint bidding. This preparation is critical, because once a contract has been advertised it becomes very difficult, often impossible, for procurement managers to take account of problems that may arise as a result of a consortium bid, in order to avoid any allegation of preferential treatment.

Figure 3.1 High Level Procurement Cycle for Joint Bidding and Working

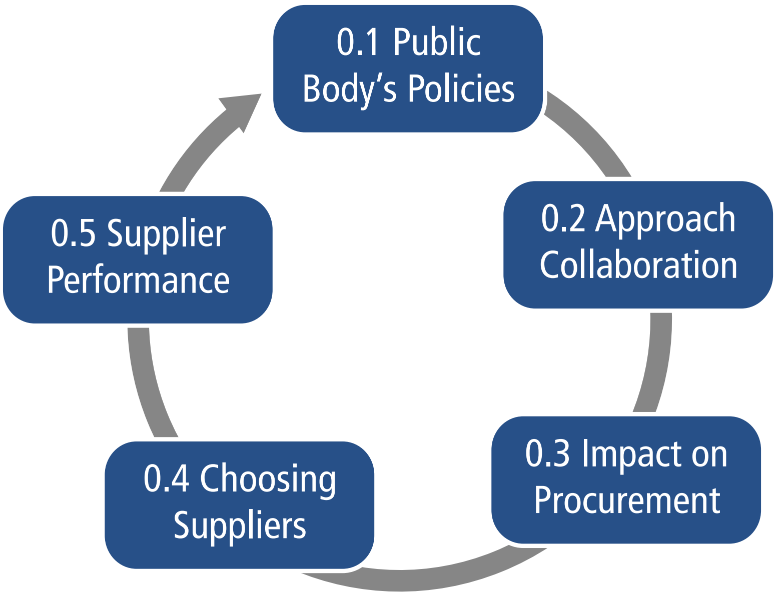


Figure 3.1 is the high level procurement cycle for joint bidding and collaborative working. As described in Chapter 2 on Joint Bidding Policy, your organisation's mandate, policies and leadership will determine your approach to collaboration (step 0.1 above). Hence your organisation is either supportive of collaboration, starting the journey, or you may have reasons not to foster joint working as good practice (legal, mandate, policy, practices or by instruction). This is termed your *collaboration maturity* (steps 0.2 and 0.3 above).

Ultimately your chosen suppliers' performances will impact your policy and your leadership's views on joint bidding and working (steps 0.4 and 0.5 above). A good experience will reinforce the cycle; a poor experience could break the cycle.

Clearly you cannot rule out consortia bids at step 0.4 but it is likely to be a more challenging proposition if collaboration is neither internally encouraged nor understood in appropriate detail. This guide is designed to help.

3.1 Organisational context

As well as your collaboration maturity you will need to consider the impact of encouraging consortium bids on your capacity for procurement and contract management activities. The remainder of this chapter deals with means of making the procurement process work efficiently and effectively. It is possible that contract management would be more onerous for a consortium, especially if things go wrong. However, with a well-managed consortium delivering as expected the extra workload may not be higher. The key to success will be in ensuring that contract management data is collated within the consortium, and that robust governance, and dispute resolution processes are in place. In essence you will be dealing with a single entity. Please see Chapter 11 for more details.

3.2 Procurement Context

You may want to assess your procurement and tender strategy in the following context, using a *segmentation of business relationships*[1] methodology adapted from BS11000-1:2010.

What are the project or service's key characteristics on the following scales?

- **Timeframe of delivery** – short to extended;
- **Project Complexity** – readily specified to complex;
- **Size** – scalable delivery to unique and one-off;
- **Core need** – Product driven to service driven;
- **Overall performance risk** – low to high;
- **End user contact** – not-end-user-facing to critical-to-end-user; and,
- **Location** – specific location to multi-location.

Figure 3.2 is a procurement assessment model for joint bidding. It is a useful and simple approach to considering whether to encourage joint bidding for a particular procurement[2]. The colour coding (behind the continuum arrow) is to help you assess whether the project is suited to joint bidding:

- **Green –** It is suitable for joint bidding.
- **Amber –** Joint bidding is acceptable but further project specific guidance may be needed.
- **Red –** The high scale of complexity and/or risk makes the project most suited to a prime contracting or single source procurement short-list because major risks are likely to be transferred.

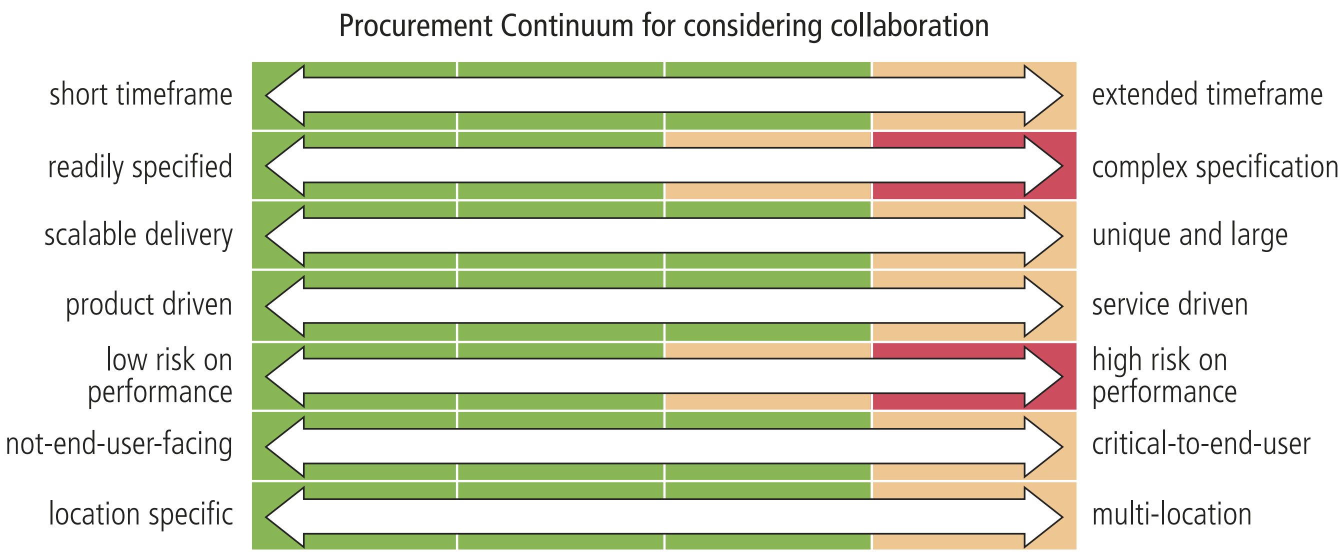
Tailor your own model. Although this model is relatively simple to use, it is very powerful for helping you assess the procurement approach with your Sponsor. You may want to choose your own procurement attributes, tender strategy and joint bidding 'traffic lights' to help you tailor your own decisions. Annex A has 4 examples to illustrate how the model can be used.

[1] BS11000-1:2010 Part 1, Clause 3.5 – Identification and segmentation of business relationships.

[2] This is an adaptation of a model in the International Infrastructure Management Manual 2002.

It is recommended that you create your decision model at the earliest possible stage and share your findings with potential suppliers in your early communications. This allows potential bidders to decide whether to bid as a consortium[3], not to bid at all or work via a prime contractor.

Figure 3.2 The Procurement Assessment Model for Joint Bidding



3.3 Setting the selection and award criteria

Most Welsh public sector organisations have committed to using the Supplier Qualification Information Database (SQuID) questions and approach in their procurement processes as standard. The risk-based guidance on choosing the most appropriate SQuID questions for your procurement is comprehensive and this joint bidding guide does not replace it. Instead it covers some additional factors that you need to consider when designing your questionnaires to ensure that you are not inadvertently precluding suppliers from bidding as consortia. Choosing the right SQuID questions and award criteria is only part of the story. It is also vital to set transparent and proportionate thresholds of acceptance and optimise your scoring and weighting models to achieve the outcome you need.

[3] The 2012 Welsh Procurement Policy states in **Principle 5 Open, accessible competition** – *public bodies should adopt risk based, proportionate approaches to procurement to ensure that contract opportunities are open to all and smaller, local suppliers are not precluded from winning contracts individually, as consortia, or through roles within the supply chain*.

3.4 Assessing the Financial Standing of a Consortium

There is an historical perception, often promoted by buy side financial teams[4], that qualifying in or out of a tender should be heavily dependent on three traditional financial measures relating to each separate business: turnover; profit; and the balance sheet. These can then form ratios and benchmarks, some of which may be backed up by evidence from third party credit agency references. Consortia require more careful consideration because your analysis needs to be based on the financial standing of the whole consortium rather than separate businesses.

Depending on the type of contract, and the type of consortium that might bid for it, you may decide to seek aggregated data on the financial stability and track record of the consortium members. This has the advantage of requiring the consortium members to share relevant information and establish the control networks needed to make the consortium delivery a success. An aggregate picture of financial stability is useful when a consortium is made of up similar organisations coming together to extend their capacity. If, however, consortium members are performing different roles in the overall delivery, some members may be more "critical" to success than others, such that if they were to fail it would cause the whole project to fail. Similar problems might arise where a consortium is established to increase coverage (for example in different geographical areas), where there may be specific risks associated with the failure of a member in one area. In these cases, separate analysis of finance and capability might be more appropriate, with especial attention paid to the "weakest link".

The problem is that when advertising a contract you may not know what type of consortium might bid, so you will need to allow yourself some flexibility in the model that you decide upon, think through how you would handle each possibility and decide upon an assessment method which would treat all bidders fairly. Guidance is given in Annex B on how you can assess an overall picture of financial stability.

3.4.1 Use of Credit Reference Agencies

The SQuID guidance sets out some of the risks inherent in using credit reference agencies. There are additional pitfalls where joint bids are concerned. A credit reference agency will often have limited access to comprehensive company information for small firms that are allowed to file abbreviated accounts at Companies House[5]. The credit reference agency will therefore tend to lower an individual supplier's credit rating. Therefore using a credit reference agency may not help you assess the actual *hybrid* financial standing of a consortium. In many

4 In the Victory Consortium case the longevity of the new charity was a major issue with traditional procurement assessment approaches, despite Victory being set up by 12 organisations with good quality individual track records. The Consortium has adapted is joint bidding approach to working via a Lead Member.

5 Abbreviated accounts do not include a profit and loss statement but can be filed by small organisations. Small organisations can still have a multi-million pound turnover. See the Companies House website for thresholds.

other sectors, especially the private sector, it is the purchaser which is subject to credit reference because it holds the cash and funds the supply side. See Annex B for potential approaches to consortia financial analysis. Guidance from the Cabinet Office recommends that a credit check can be useful, but should not be used on its own to select or exclude a bidder[6].

3.4.2 Performance and profit

The SQuID guidance covers the importance of not making an automatic link between profitability and financial strength. There are many factors that influence the profitability of a business and not all of these would put your project at risk. For example, where on-going service is not critical and payment is made after delivery, the risks of financial failure are low. In this situation the SQuID guidance suggests you may not need to carry out a financial check. High profitability does not always equate to strong performance and good value-for-money, and vice versa.

When assessing the profitability of a consortium you may need to consider data from each consortium member. The SQuID question allows consortia to present an aggregate (hybrid) figure, but you may need to be able to analyse this yourself. Annex B suggests a methodology for doing this, applicable most readily to a consortium of similar members, as described above.

Annual operating profit can only come from cumulative higher prices for a fixed level of overhead and wages (scenario 1) or a market driven price with lower overhead and wages (scenario 2). The only other influence of note is capacity management (see 3.4 later):

- In scenario 1 public sector customers are likely to be paying more than the market rate you could achieve using smaller suppliers.
- Scenario 2 is a common commercial approach offered by smaller businesses which are operating efficiently.

In the interests of customer service and work continuity small businesses are sometimes pressured to absorb additional work during the project. In contrast, larger organisations often expect additional payments under variation clauses to maximise their billings. There are a few exceptions but these are relatively infrequent due to the internal commercial and managerial pressures to boost income within larger businesses.

In scenario 2, a small business could effectively have donated its profits upward to its customer through absorbing additional work without charging. This small business has also lost the opportunity to earn its profit elsewhere because it has supported its existing customers. It may also be investing in training, development, certifications, sponsorship and supporting good causes which all impact its retained surpluses[7]. This is often the case for charities and many social enterprises.

6 Procurement Policy Note 02/13 – Supplier Financial Risk Issues. Cabinet Office website.

7 The 2012 Welsh Procurement Policy states in **Principle 4, Community Benefits** – *delivery of added value through Community Benefits policy must be an integral consideration in procurement.*

In summary, a smaller organisation may well have saved you substantial costs. If it had absorbed additional work for the customer's benefit it may not actually have made a profit. If you qualify out such smaller entities, especially when they are working as consortia, you are likely to drive up prices supporting the higher profits, dividends and salaries of larger businesses. Due to the nation's economic structure, much of the financial benefit could go outside of Wales. This can also drive smaller high quality organisations out of business which will impact the local economy, sustainability and local income streams[8].

3.4.3 Balance Sheet Analysis

There is no simple linkage between a company's balance sheet and its financial stability – it is only one indicator. The SQuID guidance for bidders covers this point. Likewise, when assessing the liquidity of a consortium you will need to consider data from each consortium member, or to understand an aggregate (hybrid) figure that has been provided by the consortium in response to the SQuID question. Annex B suggests a methodology for doing this.

As stated in 3.4.2, your potential supplier's annual operating profit only comes when the total price paid for your goods and services exceeds the supplier's annual cumulative direct and indirect costs. Annual operating profit, after taxes and dividends, improves a supplier's capital and reserves on its balance sheet.

Ignoring long term loans and similar funding instruments, the other major element of the capital and reserves side of the balance sheet is the share holdings. Shareholdings tend to be nominal for a small business, especially a younger business trading for less than 2 years, and are complex to assess for consortia. Charities and social enterprises tend to have no shareholdings at the headline level. Therefore it is retained profits or surpluses that drive the balance sheet.

The other side of the balance sheet indicates some valid aspects of cash, stock, work in progress, accounts payable and accounts receivable. However, many of these line items are driven by customer behaviour on the phasing of payments. Hence prompt payment helps.

Acid Test Ratio. The SQuID recommends using an Acid Test Ratio for a basic assessment approach[9]. For a consortium, it should be possible to calculate a combined Acid Test Ratio or use its lead member's accounts depending on its proposed structure. See Annex B for an explanation about a consortium's Acid Test ratio.

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8 The 2012 Welsh Procurement Policy states in **Principle 3, Economic, Social and Environmental Impact** – *Value for Money should be considered as the optimum combination of whole-of-life costs in terms of not only generating efficiency savings and good quality outcomes for the organisation, but also benefit to society and the economy, whilst minimising damage to the environment.*

9 SQuID question FS.GEN.05 asks for an Acid Ratio test and the data source. Annex B has a modified approach for consortium assessment. The Acid Ratio is also known as the Liquid or Quick Ratio.

3.5 Capacity

The SQuID guidance, under Capacity and Capability, explains the need to consider all *relevant* turnover of bidding entities at the selection stage, and also to consider the timescales of the contract, before setting any turnover thresholds in relation to contract value. For consortia this may mean you have to consider an aggregate figure. Annex B gives some examples of how you might set criteria against relevant capacity over relevant timescales for different types of procurement.

3.5.1 Capacity and Economy of Scale

It is commonly perceived that larger businesses should be more efficient at capacity management. This is often termed their economy of scale, when resource utilisation is extremely high, typically 85+%. Smaller businesses tend to have a lower breakeven point, typically between 50 and 60% of capacity in manufacturing and 65+ % in services[10]. They can achieve this because they often have lower pro-rata overheads and less expensive management structures with fewer tiers. This drives the following options.

Increase SME profits. If joint bidding allows smaller organisations to increase their capacity utilisation, individually and collectively, they can make significant profits for the same productivity as the larger organisation[11].

Lower prices. You may be able to achieve better value-for-money and lower prices by allowing a consortium of SMEs to compete on larger bids. It may also be possible to negotiate a joint saving arrangement for profits above an agreed trigger threshold.

Better capacity-based risk. A network of smaller organisations may well be scalable in terms of its local capacity. This means there is less capacity-based risk than contracting with a larger firm. In general the larger firm can only increase its local capacity by sub-contracting more work. This often means that even more small local businesses enter the prime contractor's supply chain. In this case SMEs may have:

- To lower their prices within the supply chain, hence reduce local profits.
- Challenges with adverse terms of payment, especially payment periods.
- Inappropriate levels of risk transferred down to them with little input into the joint risk plan for the project.

10 These were the typical results found when applying good quality analysis and Activity Based Costing models to many firms in Yorkshire as part of the Yorkshire Forward Virtual Enterprise Programme between 2003 and 2009.

11 The 2012 Welsh Procurement Policy states in **Principle 8, Supplier Engagement and Innovation** – *dialogue with suppliers should be improved to help get the best from the market place, to inform and educate suppliers, and to deliver optimum value for money.*

- Less direct contact with the sponsor because the prime contractor maintains that important relationship.
- Less opportunity to offer added value or to absorb additional work because the prime contractor is more likely to charge the customer and add a substantial mark up as it holds and manages the headline contract. In general, if the prime contractor does not charge you, it will not pay the small business either. This all becomes contractual rather than collaborative.

It is important to state that not all prime contractors operate this way[12]. The enlightened ones work as strategic partners and support Welsh businesses. The key is to promote supply chain transparency as part of the procurement selection and award processes. Therefore capacity may need to feature far more prominently in the assessment process[13].

3.5.2. Proven Delivery Capacity and Capability

For project-based procurements (services etc), an alternative way to treat capacity is to consider the *proven delivery capacity* of a business or consortium instead of relying on overall company turnover over relevant activities and timescales. You are essentially asking your potential supplier (or suppliers in the case of a consortium) to calculate the total value of the work completed successfully in your area of interest. There is no SQuID question that covers this, as the answer will always be project-specific, so you would need to write your own. In some cases you may be able to set higher capacity thresholds against this. Thresholds can be much higher than the 40% that has traditionally been applied to many contracts. Limits of as much as 90% may not pose a risk for some types of work. For a consortium this would mean that aggregated *successful* delivery capacity amongst all parties could be considered. As the consortium's track record grows it will gradually increase the size of the opportunities it can be considered for. A worked example of this is provided in Annex B.

The SQuID question CG.GEN.03 also includes a sub-question allowing a bidder that does not meet a specific capacity threshold to explain how it can extend its turnover and/or manage larger contracts. Working via a consortium is one option for this.

Newly-formed consortia may have little (if any) joint experience to offer a client, but may be very experienced as separate organisations. It is important that questions are asked in such a way that all relevant experience can be included. You may also need to consider how to ensure that a consortium has management processes in place to manage the risks specific to delivering through a consortium. This may be best explored at tender stage, where you will have to seek information about project governance from all tenderers. Chapter 11 gives more detail on consortium governance.

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12 In the Jones Bros and Balfour Beatty case the good quality of relationships and mutual benefit of working collaboratively worked well for both the parties. This is clearly the intent of the public sector when it awards prime contracts. Performance visibility is important. Procurement teams should ask for 'upward' references from the Prime's previous suppliers.

13 See the Yorkshire Forward Case for an explanation on how minimum proven capacity can prove useful in assessing a consortium's delivery potential.

3.6 Summary

This chapter introduced a model that can be used to assess when a consortium could be successful in delivering against a specific procurement. It also includes worked examples in Annex A. It is suggested that complex projects with high risks on performance are the main drivers for moving towards a prime contracting approach. It is recommended that you pilot this approach and review its effectiveness.

It was recommended to use the SQuID system as a consistent approach to planning your procurement.

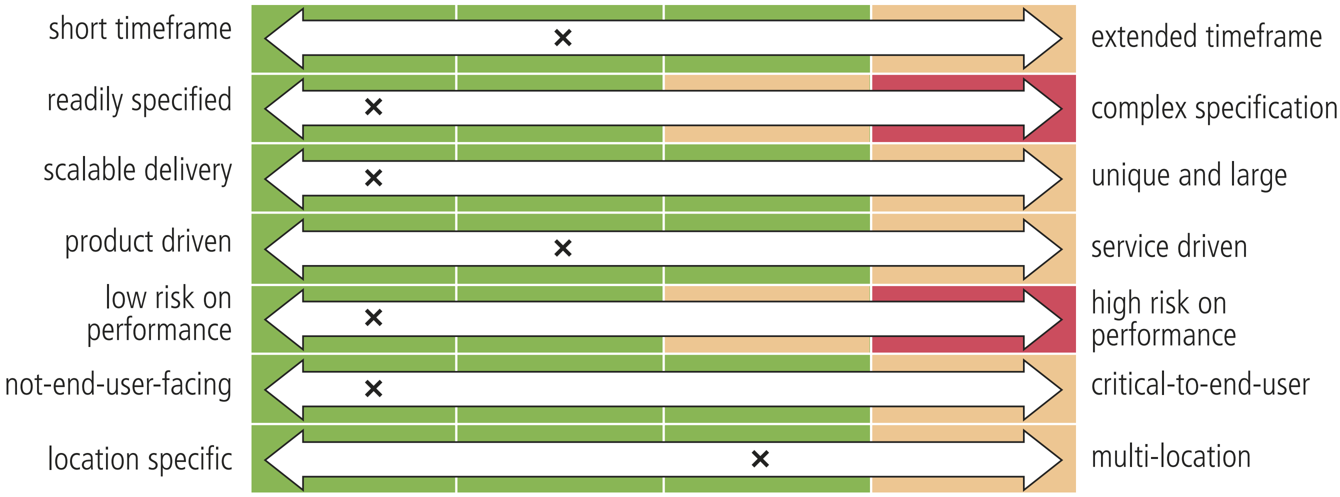
A detailed explanation of the challenges with traditional financial analysis for dynamic consortia was given along with hybrid models that can be used for assessing aggregate financial performance in Annex B.

Annex B also contains an explanation of the use of proven and aggregated capacity for consortia.

Annex A – Four Procurement Examples

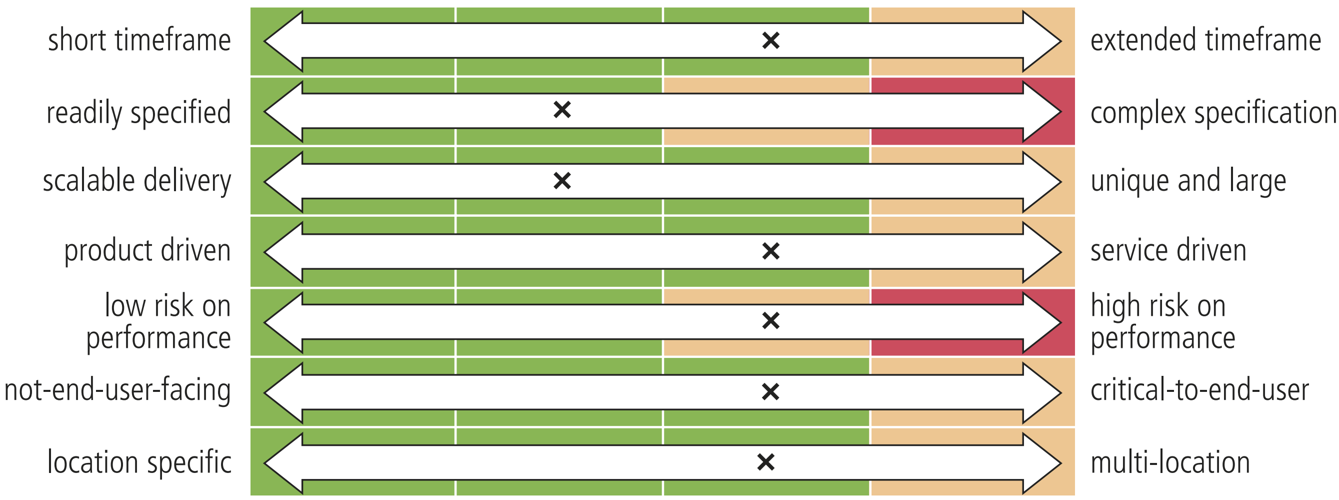
Example 1 – A Window Cleaning Framework. In this window cleaning example, suited to consortia: there is time to prepare a framework tender; it is readily specified; it is entirely scalable; it is part service (time and location) but uses cleaning products; it is low risk on performance; it does not directly interface with end users (apart from access restrictions) and it is needed at many locations for a council.

Procurement Continuum for considering collaboration



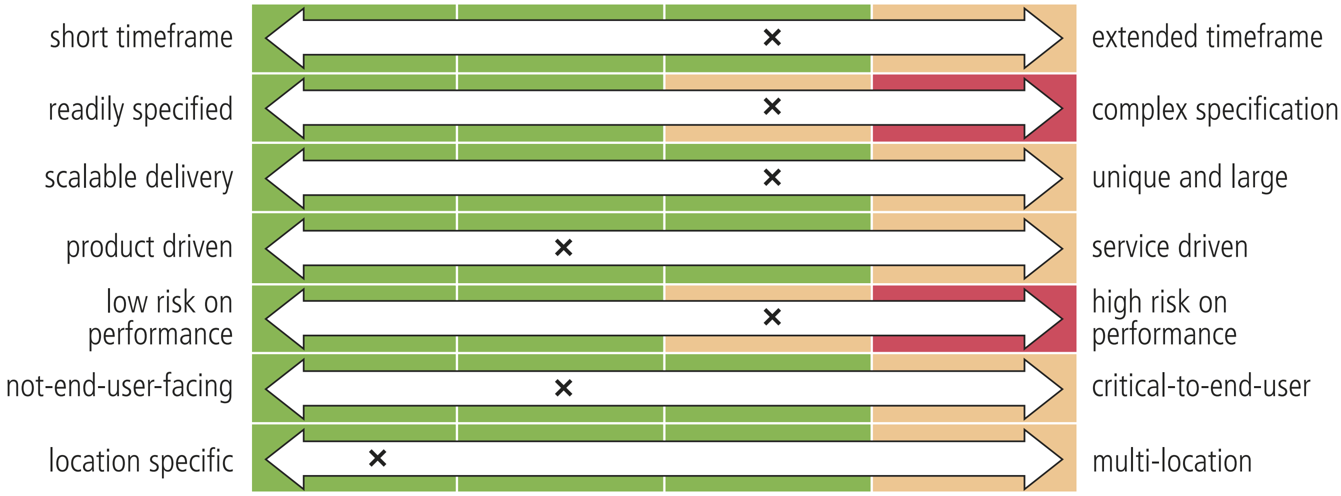
Example 2 – Supply Teachers Framework. In this supply teacher example, suited to consortia: there is time to prepare a framework tender; it is clearly specified; it is scalable; it is mainly service driven (time and location); it is a reasonable risk on performance (qualifications and experience); it directly interfaces with end users (with CRB access restrictions) and it is needed at many schools for a council.

Procurement Continuum for considering collaboration



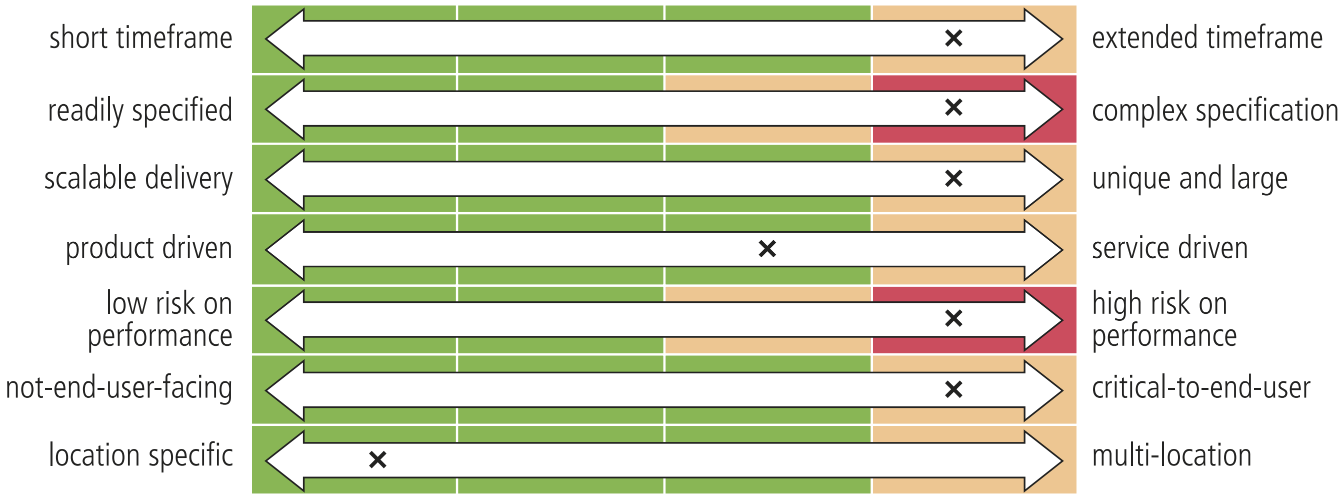
Example 3 – New Primary School with a £4m estimated budget. In this primary school example, suited to consortia: there is time to prepare a tender; it is clearly specified; it is unique but small; it is mainly product driven (time and location); it is a medium risk on performance (completion date and spec); as a new build it does not directly interface with the end users and it is needed at a single location for a council.

Procurement Continuum for considering collaboration



Example 4 – A new £20m hospital wing. This hospital wing example is not suited to consortia: there is time to negotiate with the board; it has a complex specification; it is unique and large; it is mainly service driven (needed in a working hospital); it is a high risk on performance (completion date and spec); it is important to work around the end users; and it is location specific. SMEs could offer to participate as a supplier network working for a prime contractor.

Procurement Continuum for considering collaboration



Annex B – Consortia Financial Modelling

If you have asked each member of a consortium to provide you with financial data as part of the tender process you may find the following useful as a means of assessing the overall financial stability of the consortium. The SQuID question set now includes wording that allows consortia to carry out this analysis for you, including details of the working. This is a better option, as it would be difficult for you as a buyer to assess the degree of inter-organisational trading where one part of a consortium has acted as a sub-contractor to another during the financial year in question, for example.

As stated earlier in this chapter, aggregating data on financial performance is most appropriate when members of a consortium are working together to increase collective capacity. Where, instead, a consortium exists to fulfil different elements of a contract and some of these are more critical to overall delivery than others, a separate analysis of financial stability may be more appropriate, with special attention paid to the "weakest link". If you are not able to predict the type of consortium that may bid, and risks of failure are high, then you would need to ensure that your model is flexible enough to allow for either aggregated or separate analysis.

B1 Consortium's Hybrid Profit and Loss Statement

Profit and Loss	Member 1	Member 2	Member 3	Total*
Turnover	A1	A2	A3	A_T=A1+A2+A3
Purchases	B1	B2	B3	B_T=B1+B2+B3
Direct Costs	C1	C2	C3	C_T=C1+C2+C3
Overheads	D1	D2	D3	D_T=D1+D2+D3
EBIT	E1	E2	E3	E_T=E1+E2+E3

Table 3B.1 A 3 Member Consortium's Hybrid Profit and Loss Statement

* Notes

1. X_T is the consortium's total for row X.
2. Where possible the total should be adjusted for any inter organisational trading between the proposed members. This avoids double counting which potentially enhances the consortium's figures. Where members have already worked as a consortium, there is a high likelihood of inter organisational trading.
3. The Hybrid Profit Before Interest and Tax (EBIT) is E_T and therefore $E_T = A_T - (B_T + C_T + D_T)$

B1.1 Consortium EBIT Test

The SQuID Earnings Before Interest and Tax (EBIT) test in question FS.GEN.04 can work for a consortium as it is a bidding entity. For a combined (hybrid) model it is E_T. If a lead member model is used it can also be E1. You may well need to consult with the bidding party and/or ask for the supporting evidence on a Hybrid Profit and Loss Statement.

B2 Consortium's Hybrid Balance Sheet

Balance Sheet	Member 1	Member 2	Member 3	Total*
Fixed Assets (F_T)				
Fixed Assets	F1	F2	F3	F_T=F1+F2+F3
Current Assets ($CA_T = G_T + H_T + I_T + J_T$)				
Accounts receivable	G1	G2	G3	G_T=G1+G2+G3
Cash at Bank	H1	H2	H3	H_T=H1+H2+H3
Short term investments	I1	I2	I3	I_T=I1+I2+I3
Other CAs	J1	J2	J3	J_T=J1+J2+J3
Current Liabilities ($CL_T = K_T + L_T + M_T$)				
Accounts payable	K1	K2	K3	K_T=K1+K2+K3
Taxation	L1	L2	L3	L_T=L1+L2+L3
Other CLs	M1	M2	M3	M_T=M1+M2+M3
Long Term Liabilities ($LTL_T = N_T + O_T$)				
Loans	N1	N2	N3	N_T=N1+N2+N3
Other LTLs	O1	O2	O3	O_T=O1+O2+O3
Capital and Reserves ($CR_T = P_T + Q_T + R_T + S_T$)				
Share capital	P1	P2	P3	P_T=P1+P2+P3
Reserves	Q1	Q2	Q3	Q_T=Q1+Q2+Q3
Profit & Loss Account	R1	R2	R3	R_T=R1+R2+R3
Other CRs	S1	S2	S3	S_T+S1+S2+S3

Table 3B.2 A 3 Member Consortium's Hybrid Balance Sheet

** Notes

1. The balance sheet equation is ASSETS = LIABILITIES + CAPITAL. Therefore the check is $F_T + CA_T = CL_T + LTL_T + CR_T$
2. It may be possible to adjust for inter organisational trading between the consortium members but a balance sheet relates to the entities' positions on a single day at the end of the trading year. As this is likely to only involve a month's inter organisational trading, the impact is relatively small and generally affects G_T and K_T.
3. Any co-owned assets in F_T are going to be proportionately valued and so no inter member adjustments should be necessary.
4. A co-owned venture between the members, such as a limited liability partnership, can be included as an additional 'virtual' member (M4) because at the end of the financial year it may hold significant assets and/or liabilities. In this case the Hybrid Balance Sheet needs to be altered for trading between the venture and its members to avoid double counting.

B3 Consortium Acid Ratio Test

For the 3 member consortium example the Acid Ratio test is calculated as follows:

$(G_T + H_T + I_T) / CL_T$ = Acid Ratio

The SQuID Part 2 guidance about the acid test (FS.GEN.05 of the SQuID question set) recommends that in normal circumstances you should expect this ratio to be more than 1 (or 100+% if expressed as a percentage). However, read the guidance for more detail as there are often legitimate short-term reasons for the figure to fall below 1. If necessary, adjust for inter organisational trading.

B4 Consortium Capacity Modelling

The SQuID Part 2 comments that turnover can be a useful and simple measure of capacity to deliver but there are more issues to be considered. It is strongly recommended that your procurement team reads the relevant section.

It also explains that the historical approach of using an upper bound of 40% of turnover is not necessarily appropriate to use ‘across the board’. It is more appropriate to consider a relevant threshold appropriate to scale of the contract. Here are some examples to consider:

Single contract done in less than a year. For a single contract where a percentage (X%) is to be applied, allow it to be applied to A_T after adjustment for inter organisational trading i.e. the threshold should = X% x A_T. This is only relevant for a contract carried out in a single accounting year.

Multi-year contract. If it is a multiple year contract, such as a 3 year contract, then the number of years needs to be taken into account. The consortium’s bid ceiling should then be 3 x X% x A_T for a 3 year contract, after adjustment for inter organisational trading.

Multi year framework to be tendered in lots. If you are using lots to break down a framework then you need to be prepared to short-list based on the number of framework suppliers. For example, a single lot on a 5 year contract is worth £10m. You want to have 5 suppliers in the lot. Your predicted annual spend is therefore £10m/5 years = £2m per annum per lot. At the procurement stage you assume an even split amongst the 5 shortlisted framework suppliers. Therefore the anticipated annual spend is averaged at £2m/5 = £0.4m per supplier, per annum. You have decided to publish the opportunity with a statement that the annual spend with each successful supplier is not expected to exceed 40% of its annual turnover. Therefore you are looking at a consortium having a collective turnover of more than £0.4m/ 40% = £1m per annum for its aggregated turnover A_T, adjusted for inter organisational trading. This is for each lot. As you cannot predict who will be shortlisted, you need to allow a single consortium to apply for any lot, providing its turnover is more than the relevant threshold per lot. It can be successful on multiple lots. As each lot is a separate tender you cannot retrospectively apply a 40% threshold across the framework.

Risks in creating lots. There are risks associated with using the above approach to lots. You cannot easily justify limiting the number of lots to which a company can apply because this can be challenged on fairness and value-for-money grounds. Nor can you predict the amount of work that might be awarded downstream to one supplier within a multi-supplier lot. So it is possible that one smaller bidder, or consortium, may end up being asked to deliver within many lots. One potential solution to this might be to raise the turnover thresholds as a result. For example, you might consider applying a threshold of 40% of the total value of the lot, or framework. However, in attempting to address the risk of one smaller supplier becoming over-committed, you may be defeating one of the key objectives of running a multi-lot framework – to increase opportunities for smaller firms and consortia[14]. Therefore you will need to think through the likely scenarios and decide on the most appropriate turnover thresholds.

Collective Proven Capacity – a fast track and intense project. Here you have more discretion but you are advised to use the 'Guidance to assess implications of contract failing' table in SQuID Part 2 as an initial assessment. As described in 3.4.2 you may wish to use a 'cut off' based on a relatively high percentage of the consortium's capacity. In some cases it could be up to 90%. Capacity is different to historic turnover and therefore a different approach is needed[15]. For example, a consortium has shown it can successfully complete a £250k project in 3 months. It is a special purpose consortium that focuses on your type of project but has only done one a year, due to the availability of opportunity rather than its tendering success. You have a £900k project required in 12 months. You are therefore looking at an allowable capacity for a consortium of (£900k/12 months)/90% = £83k per month. The consortium has already demonstrated it can work at a rate of £250k per quarter, which is £83k per month. You could reasonably tender based on 90% of proven monthly capacity not annual turnover. The consortium should be able to apply.

A basic services contract. Here your assessment is resource driven, not turnover constrained. If you are asking for a practical delivery plan, an operational methodology and nominated capable resources then you may not need to set a turnover threshold at all. It is still recommended that you refer to the SQuID Part 2 Risk Table for contracts failing.

[14] The 2012 Welsh Procurement Policy states in **Principle 5 Open, accessible competition** – *public bodies should adopt risk based, proportionate approaches to procurement to ensure that contract opportunities are open to all and smaller, local suppliers are not precluded from winning contracts individually, as consortia, or through roles within the supply chain.*

[15] See the Yorkshire Forward case study as a practical example.

4. Preparing to Advertise

The buy side has a critical role in preparing for and publishing tender opportunities. These range from small projects up to projects that must comply with the EU rules on advertising. With timely preparation and consideration for the supplier community, your procuring team can have a major influence on promoting open accessible competition for your opportunity. The EU principles of transparency and fairness apply to all procurement, not just those contracts that fall within their direct remit.

As stated in the 2012 Welsh Government's procurement policy – *public bodies should adopt risk based, proportionate approaches to procurement to ensure that contract opportunities are open to all and smaller, local suppliers are not precluded from winning contracts individually, as consortia, or through roles within the supply chain*.[1]

To deliver you maximum value, organisations considering operating as consortia will appreciate the following considerations.

4.1 Create future visibility of Tender opportunities

A consistent challenge for teams wanting to create consortia is a limited time horizon for responding to prequalification and tender adverts[2]. Larger opportunities need to comply with the EU and UK procurement regulations but these are the minimum recommendations for timescale. Table 1 in Chapter 14 on Documentation is written for the supply side. It should give you an appreciation of the many steps required to respond professionally to a larger tender.

4.2 Better use of PINs

> *"By publishing a PIN and seeking supplier feedback pre-Invitation to Tender (ITT), you can be better informed and so can write more realistic and suitable specifications. The EU Directives allow you to publish annual PINs in the Official Journal ... Do this as soon as possible after the budgetary year begins with the exception of works categories, where PINs should be published once the go ahead for the procurement has been given in principle."*
>
> *"Early engagement with suppliers on specific procurement projects and programmes also brings benefits. Through this process, a detailed understanding of your requirements and the market's likely response can be developed. Greater mutual understanding facilitates effective and efficient outcomes and demonstrates value for money (VfM) gains."*
>
> OGC on Early Market Engagement, 2006

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1 Under Principle 5 of the December 2012 Welsh Public Procurement Policy, the public sector is advised to advertise all contracts over £25k on www.Sell2Wales.co.uk in addition to meeting EU rules on advertising.

2 In the report 'Barriers to Procurement Opportunity Research', March 2009 many SMEs considered that the average tender period was too short and often involved them working over key holiday periods such as summer and Christmas.

Good practice for major procurements is to use the Prior Information Notice (PIN) as far as possible in advance of the actual advertisement[3]. A well constructed PIN will save time and effort downstream for the Sponsors, procurement and the bidding team. PINs also give the best opportunity for potential consortia to do their background collaborative preparation and development well in advance of your tender. This means that they can assess whether they are likely to submit a tender or self deselect, saving everyone future time and effort.

4.3 Team Project Planning

Procurement Specialist's responsibilities. As the procurement expert, you should be an advocate for effective project planning, and encourage the use of clear language in every project's business case and procurement specification. Explain to your Sponsor the need for a realistic tender period and why truncating procurement timescales e.g. using the EU's Accelerated Procedure, with insufficient planning, works against getting best value bids and may increase the collective project risk[4]. Promoting a clear specification with simple language and timely preparation will help potential consortia compete for your project.

Sponsor's responsibilities. Work closely with your procurement teams as early as possible in your project's preparation. Involve procurement executives in preparing the project's proposed business case. Together you can prepare a good quality business case, a precise specification (outcome-based if possible), a realistic budget and suitable risk contingencies. Work with your procurement team to use the project specific Procurement Assessment Model, as described in Chapter 3 on Buy Side Preparation. The outcome will indicate whether or not your project lends itself to being completed by a consortium. If so, then ask your procurement team to use the advert to specifically welcome bids from consortia.

4.4 Allow time for responses

Pre formed consortia can usually respond as quickly as any other organisation. However, new consortia, created and tailored specifically for your opportunity, need time to configure. Allowing sufficient time for response will enable newly configured consortia to prepare joint bids. These joint bids can potentially offer you better value for money and an innovative and effective tailored solution, with community benefits and sustainability.

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[3] Principle 5 of the December 2012 Welsh Public Procurement Policy requires the public sector to proactively publish its forward contract programmes.

[4] Chapter 12 on Risk Planning explains to all parties the need to develop good *Master Project Risk Plans*.

4.5 Summary

- Advanced notices using the PIN are strongly encouraged.
- Develop the Procurement Assessment Model from Chapter 3 to help you decide whether you will accept consortia bids.
- Working as an integrated team, your Sponsor and procurement colleagues can prepare a high quality project and procurement plan. Where appropriate, state that consortia bids are encouraged and allow sufficient time for a good quality response.

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5. Consortium Pre-formation

At the outset, it is essential that you can describe your own organisation in clear unambiguous terms. There are some excellent publications on how to do this[1]. Many of these publications use the following common terms:

- What are your major goals – sometimes called your mission and vision?
- How will you achieve these goals – often termed your strategy?
- What are you really good at – your key competence?
- What is your style of working with your customers and colleagues – your organisation's culture?

It is recommend that you work with your organisation's leaders, customers, staff and suppliers to prepare your mission, vision and strategy then honestly assess your key competence and culture. Use simple language that can be readily understood internally and externally by your potential customers and potential consortia partners. Avoid trade jargon at all costs because it is often misunderstood or gets misinterpreted, creating confusion.

Example:

Our goal is to improve the life chances of disadvantaged young people under the age of 19 in South East Wales. *(Mission)*

By 2020 we want all our young people to be educated, trained and motivated to succeed in their chosen line of work or vocation *(Vision)*

We will do this by building successful alliances with local government, charities and communities. We will collectively mentor and support our young people on their lifestyles and personal potential. This will help build self esteem and create a positive outlook for the future. *(Strategy)*

Preparation is critical to success. A joint bid will need excellent preparation to be considered by the procuring party. Pre-formation follows a logical approach starting with:

- Strategy. This must be clear and easily understood internally and externally. Is joint working part of your strategy already or will it need to be developed by your team?
- Competency. You must know your strengths and weaknesses and be prepared to review and discuss these with potential partners. What are the two or three things you are really good at? Can you demonstrate this?
- Culture. Are you open, trusting and respectful of others? Are you prepared to work at all of your relationships? Do you know how to share – people, knowledge, costs and financial surpluses? Are you prepared to help others develop outside your own organisation? If not, joint bidding may not be your best way forward[2].

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1 Some popular guides and books are listed in Appendix A to help you with your planning and development.

2 You may wish to consider approaching potential prime contractors or service providers to offer your services as a sub-contractor. Be aware that this can be less advantageous in terms of profit and cash flow.

If you can answer the above pointers and questions clearly then you are well placed to begin your journey working with other partners to successfully win and deliver joint projects.

5.1 Mapping Your Strategy

Best practice is to work as a team to map out your own organisation's strategy. The goal is to create a map illustrating how you intend to develop your strategy – which will include the ways in which you need help from potential partners. It is best to build the map as a team. Engage with your sponsors, colleagues and suppliers to create your first draft. It builds out from your mission and vision. There are very good articles and presentations on strategy mapping and implementation and some of these are listed in Appendix A at the end of the document. In addition there is a worked example of an organisational strategy in Annex A at the end of this chapter.

5.2 Tools

Some basic tools and assessments for forming consortia are included in later chapters. Annex B is a checklist containing essential and recommended actions for effective pre formation. The checklist is based on a combination of some recommended steps within BS 11000-1: 2010 Collaborative Business Relationships – Part 1: A Framework Specification and BS 11000-2: 2011 Collaborative Business Relationships – Part 2: Guide to Implementing BS 11000-1. These have been enhanced for the joint bidding and working environment of small business consortia using additional sources of good practice.

BS 11000 is comprehensive and has been developed with leading UK government agencies, the CBI, large organisations and a team of experts. At first examination small businesses may consider the new standard to be complicated. Although it is lengthy and will take time to read and digest, it is actually very logical and the BSI team is encouraging smaller businesses to use it to improve collaborative performance. The initial self assessment required to work through such a standard will establish your level of maturity, and potential for joint working. It is recommended that your potential lead organisation running joint bids should:

1. Obtain copies of the two parts of BS 11000.
2. Read the two parts to get an overview of its recommendations.
3. Use Annex B, Table A1 of BS 11000 Part 1 as a comprehensive checklist for assessing all the potential steps needed for eventual certification.
4. Use Annex B, Table A1 of BS 11000 Part 2 to assess the initial and proposed future levels of collaboration maturity.
5. Build an action plan with appropriate timelines.

This handbook is a good starting point for joint bidding and working. As the new British Standard gains traction with leading public sector organisations internationally customers may request that you demonstrate your joint awareness and application of BS 11000.

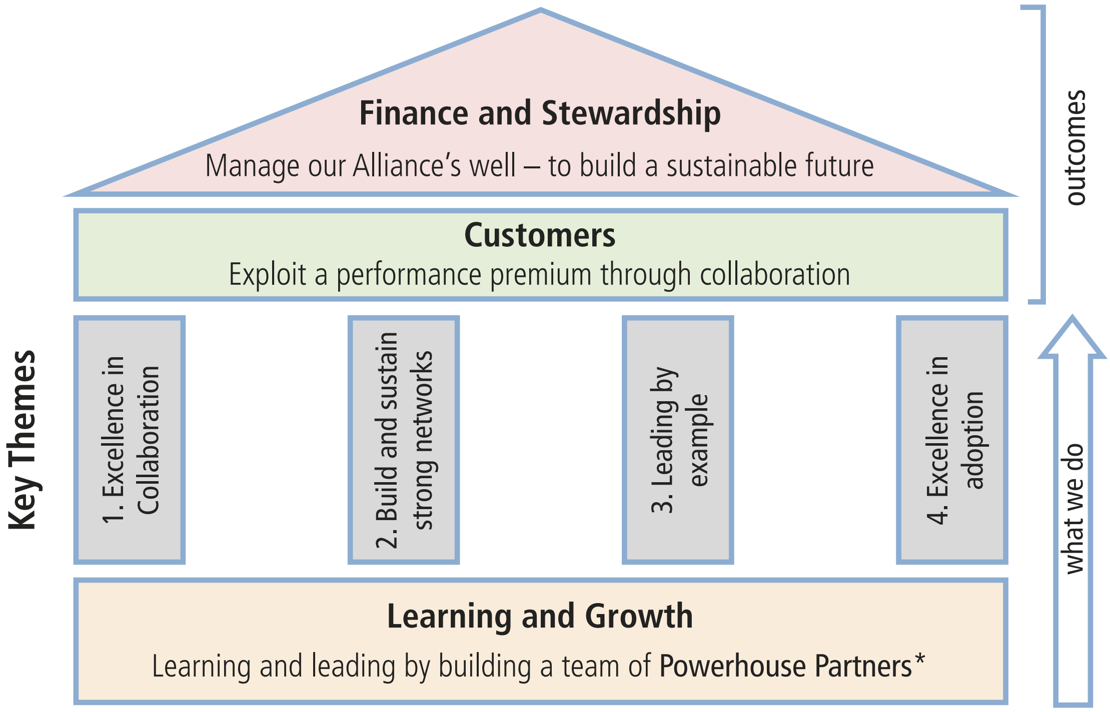
Annex A – an illustrated example of an Organisation Strategy

State what you do in a single sentence. 'ABC helps Clients deliver a performance premium by adopting best practices in collaboration'.

Explain how you do it in 3 or 4 themes:

1. Excellence in Collaboration – We research and publish best practices in collaboration;
2. Build and sustain strong networks – Of advocates, associates, authors and advisors;
3. Lead by Example – We evangelise our Clients' leadership to promote collaboration best practices within their organisation and business partners; and,
4. Excellence in Adoption – The combination of experts, advocates, advisors and committed Client leadership helps embed collaboration skills within Client organisations.

ABC helps Clients deliver a performance premium
by adopting best practices in collaboration



* This is a best practice system for creating strong alliances by an international expert Stephen M. Dent

The first two of these themes would be enhanced through joint working with partners such as universities and colleges, professional bodies such as the Institute for Collaborative Working[3] and an international network of authors on partnering and alliancing to get more credibility with prospective Clients.

Partners may also be needed to help ABC network with senior leadership at the prospective clients such as holding seminars, sponsoring workshops, presenting at institutions, getting press, radio and television coverage.

Ultimately this strategy relies on getting ‘buy in’ from the prospective Client leadership to sponsor pilot projects within their own organisations (Themes 3 and 4).

[3] The Institute for Collaborative Working (ICW) is based in the UK. The ICW helped develop the new British Standard BS 11000 Parts 1 and 2 which are based on its CRAFT model. Organisations who want to improve their processes, systems and approach to joint working are recommended to refer to BS 11000 as best practice. It is the world’s first national standard for collaborative working.

Annex B – Initial Awareness Steps from BS 11000-1: 2010 Collaborative Business Relationships

Action Step	Comment	Criticality
Appoint your Senior Executive and Team (Cl 3.1)	It is essential that you have executive level sponsorship for joint working to select someone with overall responsibility – the Senior Executive Responsible (SER).	Essential
Define and authorise your policy for joint working (Cl 3.2)	You will need to formalise your policies to allow for joint working. For example, assess how your policies on quality, environment, training, data management and customer service are impacted.	Recommended
Identify which strategic objectives your partners could support (Cl 3.3)	When you mapped out your strategy you should have worked out the objectives where you will need help from potential partners.	Essential
Create a list of areas where partners can add value (Cl 3.4)	List the key areas where partners can add value to your organisation. For example: growing capacity, new geographies, shared savings, required technologies, logistics, facilities, knowledge, reputation, compliance to standards.	Essential
Map your current relationships to assess whether existing teams can be future partners (Cl 3.5)	Who do you already know and work with? How do you work together? Is the relationship already working effectively? What is the potential for building stronger bonds for working on larger projects?	Recommended
Will you need to update your policies and development plans? (Cl 3.6)	Build on the policy analysis in Cl 3.2 above.	Recommended
Create an initial joint bid risk assessment (Cl 3.7)	This is important. You can start with a basic list of headings to collate your initial list of risks. It will then develop as you progress.	Essential
Outline a project action plan (Cl 3.8)	Most bids require a project plan and methodology. At the outset you need a project outline.	Essential

Action Step	Comment	Criticality
List existing procedures that need upgrading for joint working (post bid) (Cl 3.9)	From Cl 3.2 and Cl 3.6 above you it is recommended that you create a list of procedures to be upgraded before you commence joint working.	Recommended
Start to create a Relationship Management Plan (RMP) (Cl 3.10)	In a similar fashion to a marketing Key Account Plan a Relationship Management Plan will become an important part of your future joint working toolkit.	Essential

Note – (Cl 3.X) is adapted from the relevant clause reference in BS 11000-1: 2010 Collaborative Business Relationships, A Framework Specification. It has been adapted for the sell side to help plan for joint bidding as a consortium.

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6. Structures for Collaboration

The public procurement regulations make no restrictions on the forms of consortia that are eligible to bid for public contracts. Regulation 28 forbids public bodies from insisting that a consortium must form a legal entity (e.g. a Special Purpose Vehicle) in order to bid for a contract. However, it does make provision for a public body, where it can be justified, to insist that a consortium forms a legal entity as a condition of contract.[1]

In 2006 the UK National Audit Office (NAO) reviewed several good examples of collaborative working amongst third sector organisations[2]. The NAO research illustrated the benefits of collaborating to include:

- **Better service delivery.** For instance, working together means charities' clients can have access to more specialist resources.
- **Higher public profile.** Collaboration can enable a charity to benefit from more sophisticated political lobbying and marketing.
- **Stronger fundraising capabilities.** Larger organisations have access to more funding channels and can employ specialist fundraising staff.
- **Merged back office functions.** Combining support functions can lower administrative costs and release staff to front line service delivery.

Annex A contains information about how the Terrence Higgins Trust handles collaboration. This was cited as good practice by the UK NAO. It is important to note that the relationship between suppliers delivering together on a contract does not need to be collaborative. There are times when a formal legal alliance, as set out later in this chapter, can be more appropriate.

6.1 Competition Law

In forming a consortium, organisations need to consider the requirements of competition law. In the UK this is covered by the Competition Act 1998, which prohibits any activity that prevents, inhibits or distorts competition. Contravention of this legislation could have serious implications for organisations generally and in particular for the members of their governing bodies such as Trustees. An example of a possible contravention of the Competition Act might be a group of organisations, all of whom deliver exactly the same service, getting together in order to remove competition.

There are two prohibitions under Competition Law. The first, Chapter I, prohibits agreements between businesses that prevent, restrict or distort competition such as agreements to fix prices, restrict production, carve up markets, and share certain types of confidential information, such as prices. 'Bid-rigging' falls into this category. This is when bidders make

[1] Public Contract Regulations 2006, Regulation 28.

[2] Progress in Improving Government Efficiency: Lessons from Case Studies on Efficiency Initiative, UK NAO 2006.

a secret agreement, for example to not bid against one another, increase their prices or to share the work, in order that they both gain financially. The second, Chapter II, prohibits conduct which amounts to an abuse of a dominant position.

Anti-competitive agreements and cartels will always be of concern and can apply in any market, but particular problems may arise if the development of a consortium has the potential to gain a dominant position in a market and thus behave in a monopolistic manner or as an oligopoly, seeking to control the market. The OFT website has detailed guidance on how a dominant position would be defined; *a company is unlikely to be dominant if its market share is less than 40 per cent or if it is unable to behave independently of the normal constraints imposed by competitors, suppliers and buyers*. Although formally defining a market can be technically complex, buyers and consortia members should be able to get a good feel for this based on experience and market research.

6.2.1. Considerations for procurement teams

It is always important for you to have some appreciation of the degree of competition in the market in which you are operating. Whether or not a consortium bids for your work there may be strong incentives for companies to reach anti-competitive agreements, become dominant and abuse that position. This is particularly true in markets where it is difficult for newcomers to enter; for example if they are small local markets, or involve high set-up costs such as specialist facilities and experienced staff. It can also be a problem in markets where competition as a result of procurement activity is regular and repetitive, and this could incentivise suppliers to reach agreements to influence the pattern of bidding activity. The way you package your demand can have an impact on the number of bidders that can compete: you may be seeking to achieve savings through economies of scale, but inadvertently be restricting competition and reducing your ability to achieve value for money.

6.2.2. Considerations for consortium members

Forming a consortium could cause you to become dominant in markets which are difficult for newcomers to enter, for example if there are discreet geographical assets for delivery such as care homes, health care facilities, and waste disposal facilities. In these types of markets it may not be cost-effective for a buyer to seek services from further afield. Market dominance can also emerge where there has been a traditional geographic boundary for service delivery such as regional based voluntary services, which may have been previously largely grant-funded[3,4]. Being dominant is not illegal, but abusing that position is. Examples of potential abuse include charging excessively high prices, offering different prices or terms to similar customers, or refusing to supply an existing customer without good reason.

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3 Response by The Victory Consortium (UK Third Sector Organisation) to Tendering For Care's *Collusion or Competition Paper*.

4 *Working in a consortium* – A guide for third sector organisations involved in public service delivery Published by The Cabinet Office (December 2008).

Being in a dominant position can make it easier for a consortium to fall foul of the Chapter I prohibition on anti-competitive agreements. A consortium should not seek to create an exclusive delivery arrangement where the delivery partners can only bid through the proposed consortium. You should not attempt to set up non-compete agreements that create artificial ring fences, geographic boundaries or try to restrict future related bidding and delivery partner activity. Any explicit or tacit agreement not to 'compete on someone else's patch' can fall foul of the Chapter I prohibition.

Please note that mergers giving rise to a potential reduction of competition in a particular market need to be approved by the UK competition authorities. There is information available on the Office of Fair Trading's (OFT) website on merger regulations.[5]

Price Sensitivity. Often, as part of the procurement process, you will be asked to sign off a tender compliance document referring to collusion and sharing of information. Sharing key price information in a restricted market could cause you to fall foul of the Chapter I prohibition, particularly if the intention is to use a federated model such as hub and spokes (see below). Using a specialist bid manager to prepare the estimate, who would ensure that commercially sensitive information is ring-fenced vis-à-vis the other parties, can help keep data at arms length. This option is covered in Chapter 9 on Opportunity Assessment.

How to avoid any pitfalls. The best way to address potential issues around competition law is via strong policies and procedures covering Governance, Risk Management, Resource Allocation, Membership, Confidentiality of Information, Competitive Bidding, Conflict of Interest and Anti-Bribery. These should all be addressed within your Consortium (Relationship) Plan.

Take specialist advice. The OFT's website has guidance and details on all of these matters[6]. OFT also has guidance available for public bodies in the UK[7]. As part of its mandate the Wales Cooperative Centre provides organisations with specialist advice on many of these issues. If you are in any doubt ask for such specialist advice because as the Senior Executives responsible for the Consortium you will have legal liability. It is also recommended that you seek specialist advice on the drafting of such policies and procedures and appropriate Consortium Memoranda, Articles of Association and Member's Partnership Agreements.

6.2 The Collaboration Spectrum

Examples of collaboration along a spectrum are:

- Informal collaboration
  - Peer support groups
  - Project development

[5] http://www.oft.gov.uk/OFTwork/mergers/publications/

[6] http://www.oft.gov.uk/OFTwork/competition-act-and-cartels/CA-overview

[7] http://www.oft.gov.uk/OFTwork/competition-act-and-cartels/guidance-public-bodies

- Formal collaboration
  - Hub and spokes model
  - Sharing of back office/services
- Legally Bound
  - Lead body
  - Project development
  - Special Purpose Vehicle (SPV)
  - Merger

Initial contact and discussions about opportunities may well emerge from informal collaboration. This is recommended during your consortium's pre formation stage, as described in Chapter 5. One of the key items for consideration will be the future structure of your proposed consortium, especially its planned flexibility and longevity.

Table 6.1 shows the 8 stage consortium development cycle used by the Wales Co-operative Centre and how it aligns with BS 11000-1:2010. Both require the consideration of possible exit strategies. The standard recommends this be considered at the planning/partner selection stage. The earlier you consider it the better then work together to plan for this. A consortium involving the creation of a new firm will have more reporting and exit obligations than an alliance.

Table 6.1 Alignment of the Wales Co-operative Centre's Consortium creation model with BS 11000-1:2010's 8 Stages

WCC Consortium Stage	BS 11000 Stage	Comment
1. Strategic Rationale	1. Awareness	Aligned
2. Identify Partners	2. Knowledge 3. Internal Assessment	BS11000 uses some pre formation steps. See Chapter 5 of this manual for more information.
3. Early stage planning – joint vision	4. Partner selection	BS 11000 recommends assessing multiple partners before final selection, then working with the selected partners. It also recommends initial planning for exit.
4. Developing the business model	5.1. Governance	Aligned
5. Agree of the structure of the consortium	5.2. Organisational Structure	Aligned
6. Legal framework and governance	5.7. Contracting Arrangements	Aligned

WCC Consortium Stage	BS 11000 Stage	Comment
7. Start delivering	6. Value creation	BS 11000 recommends a consortium improvement and value creation plan at the outset.
8. Review and evaluation	7. Staying Together 8. Exit Strategy	Aligned. BS 11000 emphasises having the exit strategy in outline from its stage 4.

6.3 Hub and Spokes Model

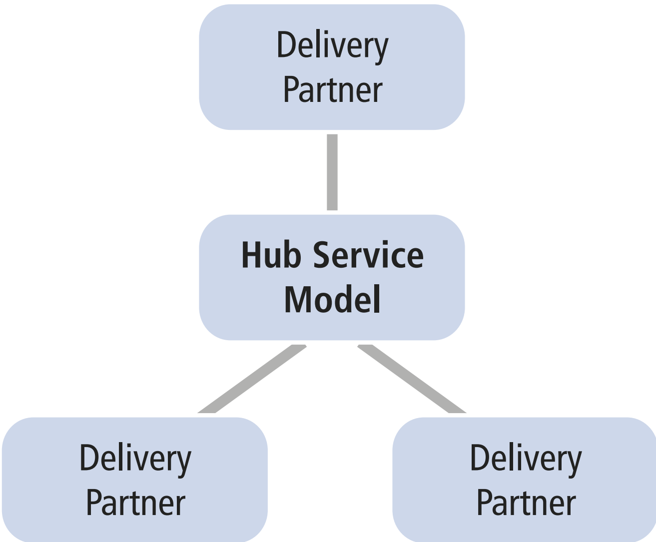

Figure 6.1 Hub and Spokes Model for delivery (source Wales Co-operative Centre)

Pros	Cons
Does not need the same type of legal arrangements associated with the SPV model as each member has its own relationship with the commissioner.	This model would mean the commissioner would engage in a financial relationship with all the partners not just with one body, be it a lead body or a SPV.
Allows for flexibility so delivery organisations can develop and change over time quite easily.	Given the changing nature of public sector commissioning and the move towards rationalisation of process this may not be something they would be keen to entertain as a viable model.
Allows for more innovative service delivery.	The procurement regulations allow for public buyers to insist that a legal entity is formed as a condition of contract.

The hub and spokes model uses a network of existing providers. They can each maintain their existing funding arrangements but are brought together under a single management structure to provide a seamless service. Members of such a consortium can develop shared processes and systems to support service delivery, and a joint working agreement will exist between the members so the distinct roles and responsibilities of each member are made explicit.

The hub and spokes approach often emerges as the initial model for consideration where aggregation is being promoted from the buy side. However there are particular challenges under competition law that you need to consider at the outset[8]. Care should be taken to avoid any explicit or tacit agreements that might restrict the bidding activity of members on other projects. Sensitive information such as prices may need to be ring-fenced and handled by an independent bid manager as mentioned in 6.1.

It can be argued that the need to collaborate has been driven by the buy side. However, it is important that a representative member of a consortium intending to adopt a hub and spokes model consult the procurement team at the earliest possible stage. Under this model, separate contracts would be agreed with each member, and this may require an individual appraisal of each member's financial standing and technical ability. If the buyer intends to request consolidated information from bidders, as discussed in Chapter 3 of this guide, then this may cause problems during the procurement process. The buyer may also insist upon joint and several liability for project failure, and it may be difficult for you to reach agreement on this with your consortium partners. The regulations allow for a public body to insist that a consortium forms a single legal entity as a condition of contract, so ideally these issues should be discussed before selection and award criteria are finalised.

[8] *Collusion or Competition* published by Tendering For Care (October 2012).

6.4 Lead Body Model

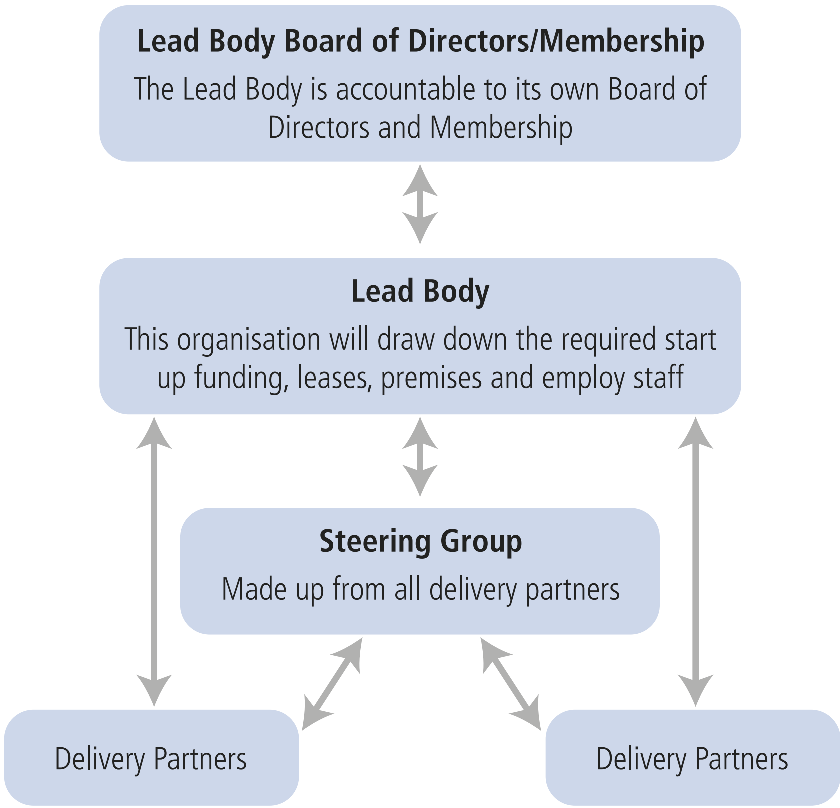

Figure 6.2 Lead Body Model

Pros	Cons
It is a model that public sector bodies are used to working with and their procurement processes and management systems are geared up to work around this model.	The financial and legal responsibilities may fall with the lead body, hence you need to identify an organisation willing to take that risk.
Gives the buy side a single point of access for services to be delivered.	The sub-contracted members of the consortium could feel disenfranchised as it is not an equal partnership.
Can be pulled together relatively easily if working within a tight timescale.	Small organisations may still be at a disadvantage. Due to their size they would not be in a position to tender as the lead body so would have to act as a sub-contractor body.
Smaller organisations can benefit from scale of working with larger partners who can act as lead body.	A change in ownership or management at the lead contractor may impact the sub-contracting and future collaboration arrangements.

The lead body model is the one that is often most attractive to the buy side as it is very similar to a traditional prime contracting approach. The data provided in your application focuses on the financial, resourcing and track record of the lead body with supporting information from the other consortium members. One of the challenges with this model is that it tends to polarise over time as the lead body manages more and more contracts. It becomes a large contractor with greater power to bid in its own right and potentially to create downstream challenges for the other members. This model is highly influenced by the openness and trust operating within the consortium. If the lead body is open and shares key information such as the team's resource plans, the project's cost models, equitable distribution of profits or surpluses it can be a highly effective approach. Figure 10.1 in Chapter 10 – Configuring Your Consortium illustrates how a lead body model can be created that is responsive to different opportunities.

The buying organisation may ask for consolidated information from members of the consortium to demonstrate collective financial standing and technical competence, as illustrated in Chapter 3. Alternatively it may assess only the lead body against the requirements of the contract, or it may wish to assess all consortium members separately. Although the buyer cannot preclude any form of consortium from bidding, it would be helpful to discuss these possibilities before any selection and award criteria and scoring methods are finalised if possible.

6.5 Special Purpose Vehicle

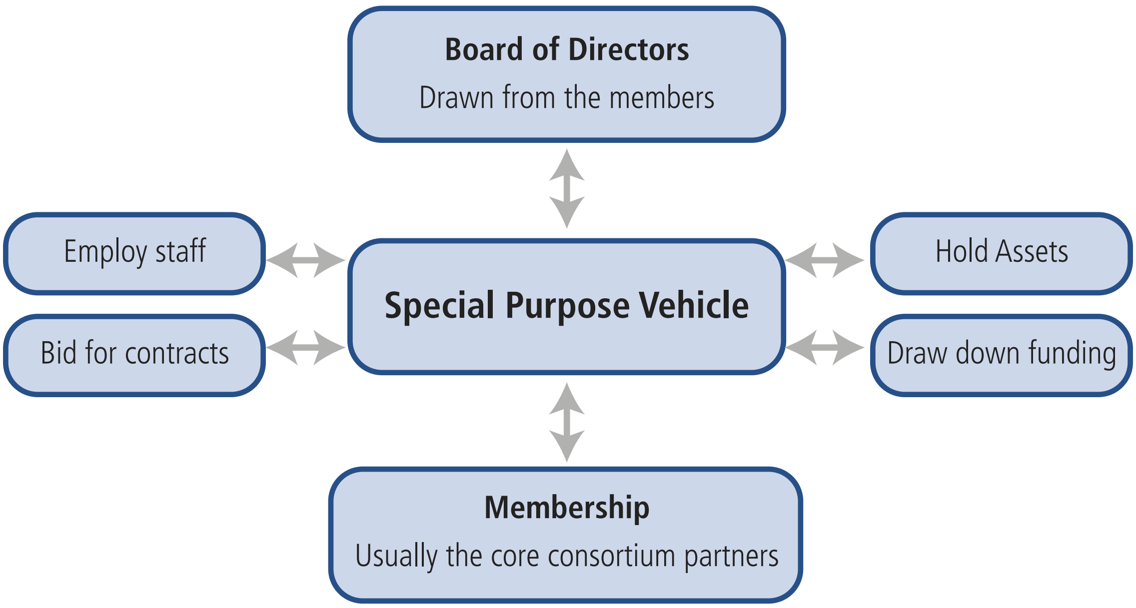

Figure 6.3 Special Purpose Vehicle

Pros	Cons
Promotes more of an equal partnership amongst the members.	Can be difficult to attract funding as no track record of delivery at start-up phase.
Once established can be used over and over again to deliver new initiatives and bid for contracts.	Lack of understanding of the model by commissioners/procurers.
The model can be flexible. If agreed, not all members need be involved in delivery, for example.	Could create additional costs for the founding members. This needs to balance against the proposed return.
Membership can be expanded if additional skills and/or coverage is required.	No one partner has direct control. This could put off those who like operate in this manner.
Can be established using a not-for profit legal structure or can be more commercial.	Can be time consuming to establish, hence can be challenging when working to a tight timescale.

The Special Purpose Vehicle (SPV) model is an advanced form of structure for collaboration. It is one step short of a merger. As it tends to be a legal entity it has related reporting, financial and governance arrangements. It is more commonly used for large contracts where there may be the requirement to donate, create or acquire high value assets. Hence it appears in the construction sector relatively frequently for design build and operate (DBO) or design build finance and operate (DBFO) type contracts with multiple partners. Its challenge is winning the first contract using its own data and systems i.e. pre-existing track record. It may directly employ staff. Staff dedicated to the project can also be seconded from the membership or recruited on fixed term contract arrangements.

If you intend to bid as an SPV it would be helpful to discuss this, if possible, before any selection and award criteria and scoring methods are finalised. The buying organisation cannot preclude any form of consortium from bidding for a contract, and will need to ensure that its procurement takes account of the collective experience and track record of organisations party to the SPV, which may not have a long trading history as a separate entity.

6.5.1 Assets

One of the financial challenges with an SPV is asset purchase and disposal. This needs careful planning at the outset. For example, in construction sometimes high value assets such as tunnel boring machine are purchased specifically for the project then written off rather than re-used. Where such assets are written off they may still have intrinsic book value and so care is needed with relevant tax planning and regulations.

Often assets have residual value and so they will need a fair valuation and an equitable split of any proposed sale price as part of the costing process. For example, an SPV purchases £20k of office equipment and computers to work in a new office for a project. The project lasts 3 years but the assets are written off at 25% of their value per year. Their book value at the

end of the project is therefore £5k. One option is to auction them to interested members with a reserve price of £5k. Another option could be to sell them to a specialist second hand dealer and then split any surpluses and or shortfalls amongst the participants. A third option could be to store them and then transfer them to the next project at subsequent book value.

6.6 Merger

As the Terrence Higgins Trust case in Annex A illustrates, sometimes organisations need to consider a merger as their planned response to changes in the marketplace such as aggregation of contracts. It is beyond the scope of this manual to review mergers but it is acknowledged that they are a potential long term solution to market consolidation and may also be the eventual result of successful collaboration within consortia. Note the comments on competition compliance in 6.1 above.

6.7 Summary

This chapter has highlighted a range of structures for collaboration that can be considered by the leaders of potential consortia and need to be assessed by procurement team. Each solution has its advantages and some have challenges, mainly in their degree of acceptance from the public sector buy side rather than their structural effectiveness.

For teams with limited experience on corporate governance and collaboration, advice is available from appropriate bodies, which include: the Wales Co-operative Centre; the Wales Council for Voluntary Action; the Office of Fair Trading; public sector procurement teams and advisors where appropriate; and the accounting and legal professions, if required.

Annex A – The Terrence Higgins Trust

According to the UK National Audit Office, the Terrence Higgins Trust has developed some guiding principles for successful partnerships. The Trust has developed the following techniques for improving the likelihood of successful partnerships. This will be of interest to any body considering joint working.

- **Undertake due diligence exercises.** Each partner should be clear about the assets and outstanding liabilities of the other organisation. Terrence Higgins Trust has developed the capacity to do most due diligence work in-house.
- **Establish a jointly-owned vision.** This should be agreed as early as possible, it should feature ideas and aspirations for the future, while respecting the history of all the organisations and recognising that this vision can not be achieved independently.
- **Accept that joint working may be the only viable way forward.** "Standing alone, neither organisation has the means to achieve the breadth of its ambitions". (Terrence Higgins Trust Heads of Agreement June 2002)
- **Hold open meetings.** Transparent communication with employees and users to communicate information will help alleviate inevitable concerns arising from organisational change.
- **Maintain a merger monitoring group.** It is necessary for representatives of different parties to meet on a regular basis to discuss the partnership's progress, any arising issues and to devise finance, human resource and IT strategies.
- **Consider adopting a de-merger trigger.** Providing the assurance of a get-out clause for a scenario where the partnership does not prove successful may make parties more likely to consider working together. This is a joint exit strategy.

These recommendations are highly aligned with those of BS 11000-1:2010 for Collaborative Business Relationships.

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7. Scanning the Market

Scanning the market is a two way activity. The procuring body needs to understand what is available in the marketplace and how their requirement may influence it. The potential supplier needs to see as far ahead as possible what contract opportunities are on the horizon.

7.1 Buy Side Recommendations

The key points for the buying side are to:

Raise your buying profile. Work with the Welsh Government's Business Wales Tendering Support team (formerly Supplier Development Service) service, and its specialist event managers to attend Meet the Buyer events, and share information about your future procurement profile and requirements. These events are popular with smaller businesses, new businesses, social enterprises and charities especially in either start up mode or where their former grants are now being competitively tendered. Until they understand the type of opportunities on offer, they may not have registered for the right categories on Sell2Wales so will not have the opportunity to bid for your contracts, or be identified by you and other buyers when searching the database for possible suppliers. You could use a PIN notice to alert the supply base to all known contracts due to be advertised within a period, for example six months.

Develop the supplier base. Get to know the market and the potential suppliers within it. This goes beyond scanning and reviewing the current registrations on the Sell2Wales database. It may need pro-active consultation with specialist bodies such as Business Wales, the Wales Council for Voluntary Action (WCVA), the Wales Co-operative Centre, Chambers of Commerce, the Federation of Small Businesses in Wales and colleagues in Local Government Economic Development departments. For local third sector organisations, many County Voluntary Councils (CVCs) have provider forums. The Chartered Institute of Purchasing and Supply (CIPS) recommend using a supplier development programme for improving performance, especially when working with SMEs.[1] You should consider how to work with consortia at this stage. If you are aware of potential consortia you could invite them to attend any pre-contract workshops. Such an event would be a neutral forum to jointly assess how you might structure your procurement to ensure that joint bids from smaller organisations get due consideration.

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[1] CIPS's Knowledge Summaries on the Use of Smaller Suppliers and Supplier Development.

> *"Supplier development is a two-way activity in that it should be thought of as a joint buyer/supplier development. CIPS believes that purchasing and supply management professionals should possess expertise in supplier development; in particular they need to have the necessary interpersonal skills to be able to persuade colleagues and suppliers who may otherwise be reluctant to embark on a development programme."*
>
> CIPS Knowledge Summary on Supplier Development

Give as much contract pre-notice as you can. A consistent challenge for smaller businesses and those wanting to create consortia to bid for your opportunities is the limited time horizons for responding to your adverts[2]. Larger opportunities need to comply with the EU and UK Procurement Regulations but these are the minimum recommendations for timelines. Look to extend these where possible. Pre-formed consortia can usually respond as quickly as any other organisation. However, new consortia created and tailored specifically to bid for your opportunity may well have additional stages of team development to progress. Table 14.1 in Chapter 14 gives you an example of the time needed to form a consortium. If you are aware that a consortium may bid for your opportunity, make sure you set a realistic timescale.

Improved project planning. Advocate effective project planning within your organisation. As the procurement expert, you should encourage the use of clear language in the project's business case and procurement specification. Explain to your service manager the need for a realistic tender period and why rushing to begin procurement with insufficient planning works against getting best value bids and almost certainly increases collective risk. Clear specification, simple language and timely preparation will all ensure that potential consortia can compete effectively. Mistakes in the wording of a specification can be costly and delay the progress of a project.

> *"Early engagement with suppliers on specific procurement projects and programmes also brings benefits. Through this process, a detailed understanding of your requirements and the market's likely response can be developed. Greater mutual understanding facilitates effective and efficient outcomes and demonstrates value for money (VfM) gains."*
>
> OGC on Early Market Engagement, 2006

[2] In the report 'Barriers to Procurement Opportunity Research', March 2009 many SMEs considered that the average tender period was too short and often involved them working over key holiday periods such as summer and Christmas.

7.2 Supplier Side Recommendations

Communication needs to work both ways. As the potential bidding team you have a lot to gain by ensuring that the procurement team and their service managers are aware of your capabilities, products and services, your commitment to the economy of Wales and the buying organisation's success.

The key points for the bidding side are:

Research. You need to understand the public sector's potential requirements in your preferred geography of operation. So that means you need to assess your capacity to deliver – locally, regionally or nationally. Often it is capability, capacity or locality that drives the formation of collaborative teams. Having worked through your pre formation self-assessment you should now be prepared to research potential partners to work with, preferably in advance of formal tender advertisements. Annex A in Chapter 9 gives you an assessment checklist to consider.

Targets. Targets are potential public sector buyers managing the tender and subsequent project. Although they usually provide the funding and manage the selection process, these teams are not necessarily your end customer. Sometimes these are referred to as Stakeholders or service managers. Some key questions you will need to answer are:

- Where do they operate from?
- How do they procure?
- How often do they procure?
- What is their procurement policy?
- Do they work with other public bodies to aggregate their buying into larger contracts or regional frameworks?
- Who are their current suppliers?
- When do the current contracts run out?

Raising buyer awareness. Wherever possible, make the buying side aware of your joint team's capability in advance of the formal tender process. You can do this through attending meet the buyer events or arranging meetings with the target buyers. After digesting the scale and types of opportunity on offer, ask about the buyer's capacity to accept joint bids. Be prepared to candidly discuss aspects of risk, size, capability and contract. Remember this is an informal dialogue and so ask these expert procurers for their advice on how best to proceed. As professionals they want to ensure you have a level playing field to tender and may well be keen to see smaller businesses prepare joint bids to ensure they get the best value for money and comply with their organisation's sustainability policies and targets.

Update your marketing materials. You should have enough information to prepare good quality marketing materials about any proposed joint team. If you are the potential consortium lead member you should update your website and start to assemble good case studies and references.

Think through and explain your systems. You should prepare a web page about your current partnerships and a page on how you manage joint working. Highlight the systems you have in place to manage larger projects and any accreditations you have for joint working, especially your approach to quality management, environmental management, joint working arrangements, induction, training and development. You may be asked to respond to a SQuID question asking about this, so you can save your team a lot of time and stress by planning these responses in advance. Some pre-qualification questionnaires will ask for either a certificate and/or a summary explanation about how you manage your systems.

Case studies and references. Where you have successfully worked with other partners in the past jointly prepare case studies and cross reference these on each other's website. Get customer references in place and explain to your customers that you intend to pursue larger contracts and therefore would appreciate their support on your capacity to do this. Show how partners have complemented one another and shared resources.

Upgrade your registrations. You need to highlight your partnerships and your approach to joint working within any on-line registrations, especially Sell2Wales. Buyers will look for consistency in your explanations and so may well review registration entries during their assessment process. Consistency builds confidence for both sides of the process.

7.3 Summary

For buyers, the more you are aware of the skills and capacity within your marketplace the easier it will be to scope your projects to make the most of your local talent base.

For suppliers, the earlier you engage with buyers and track relevant opportunities, the higher the likelihood that your consortium will be able to prepare a high quality submission suitable for a larger opportunity.

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8. Opportunity Registration

Chapter 7 encouraged consortia leaders to update their individual company and consortium registrations on Sell2Wales and any other relevant advertising portals. This chapter is aimed at both the buy side and supply side and is about registering interest in a specific opportunity. It is important for both sides to be aware that some of the existing electronic advertising portals and e-tendering systems make implicit assumptions that:

- The organisation registering interest is a single 'trading' entity;
- Portal data entry points relate to that single entity;
- Historic information usually has the greatest weighting in decision making;
- Therefore the latest set of information on future developments, such as forming a consortium, may have less weighting than the above historic points.

The public procurement regulations, however, do not allow for any restrictions on the forms of consortia that can *bid* for public contracts, although they do make provision for a public body, where it can be justified, to insist that a consortium forms a legal entity as a condition of contract.[1] Most Welsh public bodies have committed to using the SQuID question set, and the SQuID questions have been designed to allow for joint bidding teams. If the procurement team needs to add in further questions, these should be designed to allow consortia to bid.

8.1 Using E-tendering systems and advertising portals

E-tendering systems are used increasingly widely for procurement in Wales. They enable supplier 'annual' registration, data collection, opportunity registration and submission. They provide:

- Standardised templates to gather information.
- The capacity to limit the level of data provided, through the use of word/character limits.
- The capability to apply standard benchmarking and ratio analysis, especially for financial and staff related information such as Full Time Equivalent (FTE) numbers[2].
- In built gates with pass/fail criteria on items such as turnover, certifications and prosecutions.
- An easy way to accumulate data that can be shared with other procuring bodies.
- Consistent information for a period with a year between updates and to register any changes in circumstances.

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1 Public Contract Regulations 2006, Regulation 28.

2 Refer to Annex B of Chapter 3 Buy Side Preparation for more information or ratio and financial analysis for consortia.

For larger entities such as public limited companies, limited companies and limited liability partnerships, this is all straightforward and these e-portals save them, and the procurement teams, a lot of time and effort. However, too rigidly pre-formatted e-portals can reduce procurement process flexibility for smaller organisations working collaboratively. Unless they are adapted for consortia/joint bidding they can create a significant registration hurdle for less traditional entities and structures, or those unfamiliar with the technology and terminology used. Using the SQuID question set will help with flexibility for both sides.

8.2 Recommendations for the Buy Side

8.2.1 Registration System Enhancement

- Procurers can work with representative organisations such as the WCVA, Wales Cooperative Centre, the Federation of Small Businesses Wales and a sample of smaller firms with collaboration skills, expertise and track record to make the question sets within e-portals more flexible. If your e-portal is provided to you or you have no design control you may need to communicate your desired changes to the relevant design authority.
- Work with Value Wales and adopt the SQuID question sets/templates to ensure your e-portals are robust and inclusive with a view to 'allowing in' rather than 'ruling out' collaborative and virtual organisations.
- Accept that an organisation will register its interest then later either withdraw this or work with another party to prepare a joint bid. Sometimes such organisations assess that they do not have the individual capacity to tender or can only realistically tender as part of a consortium or supply network/chain. Withdrawals and changes should not be assumed to be evidence of alleged collusion, intent to collude or an indication of a breach of your tendering regulations[3]. See the Chapter 6 on Structures for Collaboration section 6.2.1 on competition issues for more information.

8.2.2 Enhancing Personal and Professional Service

- Be prepared to respond to direct enquiries from joint bidding entities about any problems registering or completing relevant SQuID questions.
- Work with your Service Manager to incorporate the recommendations within this handbook into your systems and processes.
- Understand the needs of proposed joint bidding teams and the potential advantages they can provide to your organisation. They are a new type of entity, often more agile than a traditional firm and capable of offering significant value.
- Work with your Service Manager to assess risk in a more inclusive and holistic way, as described in this handbook. See Chapter 12 on Risk Planning for more information on joint risk.

[3] Often bidders are asked to complete a Tender Certificate asking whether they have: communicated or discussed the amount of the offer, entered into an agreement that a third party will refrain from the bid and offered either payment or consideration in connection with the tender.

8.3 Recommendations for the Bidding Side

If you already have a potential consortium and if the opportunity has already been pre advertised via a PIN you may already have a good idea of who you want to collaborate with on a joint bid. This gives you a fast-track start as you should have already been through the partnering processes in the pre formation stage of your consortium.

If you have a pre formed consortium then you will need to agree who will register for the opportunity and apply for the prequalification or tender documentation on behalf of your consortium. It is strongly recommended that this is one of:

1. The Senior Executive Responsible (SER) from your consortium's Lead Member;
2. An appointed Bid Manager with collaboration, planning, writing, estimating and project management skills as well as the time to lead your team's bid;
3. A member of your consortium's potential management team who is likely to be on the team for implementing the project should you win it.

All three of these people should have the relevant interpersonal skills, commitment and knowledge to lead the assessment of the tender documentation and prepare a Bid/No-Bid document[4] for the consortium to consider and approve.

It is recommended that you either register interest as the agreed Lead Member, selected for its strengths and track record at the pre formation stage, or as your consortium. The latter is the preferred approach when this is already backed up with the relevant supporting information such as: web site, policies, case studies, insurances, articles of association/memorandum of understanding, billing systems and existing alliance accounts[5].

If this is the first time you have seen the opportunity but you have recent experience working within a good quality consortium, you need to rapidly assess whether it is likely to be of interest. Time is of the essence and so it is recommended that you quickly contact your existing members and agree who will obtain the documents on behalf of your consortium. This is on the clear understanding that the member is going to distribute the documents to the rest of you within a day of receipt. Again you need to agree who will review the tender documents and prepare the draft Bid/No-Bid template on behalf of your potential consortium. One of the major challenges will be the level of mutual understanding and trust within your team. A trusted senior colleague such as a member's SER with good inter-organisational knowledge is likely to be the most efficient reviewer.

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4 An example of the decision model for Bid/No-Bid is included as part of the Handbook toolkit. Chapter 9 on Opportunity Assessment has more information.

5 You may consider creating a Special Purpose Company to handle your customer facing commercial activities. There are some legal, insurance and commercial matters than will need to be addressed if this is your preferred approach. In Chapter 6 on Structures for Collaboration, it was recommended that you seek relevant advice.

If you have not yet started to form a consortium and the procurer goes straight to tender you need to assess the risks involved. Table 8.1 summarises these points.

Table 8.1 – Some Registration Options for consortia

Form of Advert	New Consortium to be formed	Existing Consortium needing changes	Pre Formed Consortium
Advanced Prior Information Notice (PIN)	Discuss the project with the procurement team and service owner to see if a consortium bid would be welcomed Ask whether the procurement team has had approaches from potential partners also needing to team up (referral).	A nominated SER should discuss the project with the procurement team and service owner. Assess what changes to your existing consortium may be needed. Discuss this with your consortium and work out gaps in your team.	The nominated SER from your potential Lead Member should discuss it with the procurement team to confirm if a bid from your consortium will be acceptable. Explain that your team is pre configured. Gaps should be limited.
Open (not Restricted or Competitive Dialogue etc.) tender, compliant with EU time limits or greater	Discuss the project with the procurement team and service owner to see if a consortium bid would be welcomed. Ask whether the procurement team has had approaches from potential partners also needing to team up (referral), if they can discuss this. Will you have the time to do your pre formation and configuration work?	A nominated SER should discuss the project with the Procurement team and service owner if at all possible. Assess what changes to your existing consortium may be needed. Discuss this with your consortium and work out gaps in your team. You should have the time to reconfigure your consortium.	Register by proposed: – Lead Member's SER; – Bid Director; or – Member of your consortium's management team. You should have already decided under which member or alliance entity to register.

Form of Advert	New Consortium to be formed	Existing Consortium needing changes	Pre Formed Consortium
Accelerated tender with limited time limits	You may wish to obtain the documents to assess whether you can participate in a prime contractor's supply chain. It is unlikely that you can create a viable consortium within the required timescale. **Ask why the tender has been accelerated – you may be able to ask for it to be extended because of the Procurement Rules.**	A nominated SER should discuss the project with the procurement team and service owner if at all possible. Assess what changes to your existing consortium may be needed. Discuss this with your consortium and work out gaps in your team. Will you have the time to reconfigure? **Ask why the tender has been accelerated – you may be able to ask for it to be extended because of the Procurement Rules.**	Register by proposed: – Lead Member's SER; – Bid Director; or, – Member of consortium's management team. **Ask why the tender has been accelerated – you may be able to ask for it to be extended because of the Procurement Rules.**

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9. Opportunity Assessment

9.1 Establish Your Base Camp

You need to have the right facilities and tools to manage a professional bid. Here are a few:

A physical facility such as a temporary office or a room with secure storage. This is sensible option where you are working in close proximity to your potential consortium members. It can be the operational hub of your bid preparation. Secure storage is needed for all your data because you will have some confidential information supplied by your partners. You will also have confidential information about the bid from the procurement team. Ensure access to the information is controlled and you have the relevant insurances in place. A home office is feasible but the same recommendations on security and insurance apply.

Good quality and secure computer systems. They do not need to be expensive but your systems must be reliable and secure with back up facilities and folders with limited access.

Good office software. You will need one of the main office software suites including word processing, spreadsheet and presentation software. Be aware of any security issues with free software hosted on-line that is not certified for confidential professional use.

Specialist software. For more advanced working, where there is a lot of planning and analysis, it is worth investing in project planning and process mapping software. Mind mapping software is also recommended for the rapid structuring of information[1]. All these packages have a payback period of days and will help you improve the structure and efficiency of you bids. Basic project management software is about £550, the process planning software £250 and an annual license for mind mapping software about £250 at 2012 prices[2]. These are single licences for a computer preferably shared in the bid office.

A good quality document and diary management system. These can range from a single user system to professional grade e-portals. One of your members may already have a system you can access and use, assuming you have the right levels of trust and security. For neutrality a specific project e-portal is better. Each member should have 1 or 2 authorised users for efficiency and backup. Professional systems typically cost £100 a month for up to 10 users and £200 a month for up to 25 users[3]. Again the payback is very quick. Such a system can substitute for a physical office, where you have reasonable quality internet access. If you intend to work on more than one bid a dedicated e-portal is recommended.

The following checklist should help you create a basic specification for your e-portal. Initially, you may not think that you need all the functions listed. However, based on the experience of leading collaboration experts,[4] you are likely to as your project develops.

1 The best of the mind mapping software packages allow the rapid structuring of activities and sub-activities and can readily import and export to word processing, presentation and project management software.

2 Charities and education establishments should be able to get major reductions on these prices.

3 Charities and education establishments should also be able to get reductions on these prices.

4 This is a summary of the recommendations in The Networked Enterprise, pp150-152 ISBN 978-0-929652-45-0.

Checklist – 15 Things to Look For in a Collaboration Platform*

Recommendation	Needed by your team?
1. A 24/7 robust hosted service that offers a free trial	
2. It runs on any PC and any browser with no downloads required.	
3. A simple sign up process for inviting users to join the workspace.	
4. The ability to easily upload documents to the workspace.	
5. The ability to support different subgroups and folders.	
6. A good homepage that shows at a glance the latest news, changes and announcements.	
7. The ability to instantly notify all workspace members or sub-groups by email.	
8. A facility to allow text messages to be sent to members' cell phones.	
9. The ability to create simple web applications without programming (skills).	
10. A user interface that can be understood by IT novices without training.	
11. A facility to view user activity levels.	
12. Basic Wiki functionality whereby users can collaborate on a web page.	
13. The ability to link to external applications.	
14. The ability to accept and distribute real time feeds.	
15. A public interface.	

* From Ken Thompson's handbook *The Networked Enterprise*

You should use a consistent and systematic approach to bid opportunity assessment, screening and matching.

9.2 Opportunity Assessment

As the initiating member of a consortium you will need good quality tools and a basic opportunity assessment process to work out how to proceed. If you already have a consortium you should agree which of your members have the best tools for this stage. Here are some key areas to consider for assessing your opportunity:

1. **Consortium's market positioning.** This needs to be based on your earlier work on pre formation and scanning the market.

2. **Bidding resource and availability.** This is critical for preparing a winning bid.
3. **Consortium's delivery competence.** Evaluate your resources, skills and capacity to deliver the project should you win it. This helps you work out if you need some additional members in your consortium's team.
4. **Commercial issues.** An overview of financial and legal matters. This is mainly driven by your response to the buy side's requirements.
5. **Risk planning.** This is critical for a professional assessment. As described in the Chapter on Risk Planning, there are some interface risk and opportunities that will need assessing and managing. The buyer is highly likely to need assurance on these perceived and real risks and so you need to map and assess them at the outset.

There may be other key areas you want to consider depending on the type of bid you are preparing. These five are good generic headings. Using these five key areas you can build a combined checklist to assess whether to Bid or 'No-Bid' using a robust scoring approach. This will give you a strong overview of your opportunity, your areas of strength and weakness for the opportunity and your consortium's main actions required to improve your chances. Annex A contains a good starting template. You can tailor it as needed.

9.3 Screening and Matching

Having completed your Bid / No-Bid assessment you may well have the following options to consider:

The opportunity is not a strong match to your team's strategy and market positioning. The first section of your Bid/No-Bid analysis may have identified this. If this is a realistic assessment, then your consortium should consider rejecting the opportunity or referring it to other more appropriate organisations you are aware of. If the opportunity is too far away from your core businesses, you are likely to be wasting your collective time, money and effort as well as that of the procurement team. Qualifying yourself out of the running, for the right reasons, helps sustain credibility with colleagues and procurement teams.

It is a good match but you do not have a Bid Director available. This is a challenging situation because you need the right mix of bid skills, seniority, credibility and knowledge to prepare a winning bid. You need to consider whether to:

1. *Free up a Senior Executive with the right skills* to prepare the consortium's bid. Your consortium should offer to cover his/her true opportunity costs. This will typically be three times the executive's direct costs and fund an interim replacement executive.
2. *Offer to second a senior member of staff* to support the first choice SER and keep the relevant time and cost records to settle after the bid stage.
3. *Bring in a specialist Bid Director* to manage the bid. This is a recommended approach for a larger bid. Many of your competitors employ professional estimators, commercial managers, lawyers and project managers to manage their bids. Subject to funds you

should expect to pay the commercial rate for an experienced person[5]. If the Bid Director is going to work more than 10 days in a month consider offering a monthly package. In real terms this will still be cheaper than alternative 1 above.

4. *Offer a temporary contract for the tender period* to a good quality project manager with relevant bidding experience. The person should also manage the project set up stage, if successful. She/he could also project manage the contract downstream. Often the offer of a success fee or continuity of work can help attract the right candidate.

Your existing consortium does not have the depth of skills to win the bid. In this case you need to assess which other people or organisations you will need to add to the team. Refer to the Chapter 8 on Opportunity Registration for an overview of the time related risks.

Your existing consortium has members who can contribute very little to the project if converted. Here etiquette is important. The member/s need to agree with the assessment or make a strong case for reconsideration. A mature partnership can quickly agree the most appropriate configuration. Similar to being a team member of a leading sport's squad, sometimes you need to be 'on the bench' as a committed reserve rather than on the pitch. Your consortium needs to assess the issues around this approach, especially commercial and legal liabilities. If a potential member is not participating, it is not appropriate for that member to cover project specific liabilities and related bidding costs.

The proposed contract conditions proposed by the buyer are difficult for you to comply with. Occasionally some of these matters could be clarified, particularly if they are of concern to several bidders. However, once a contract has been advertised you will be expected to accept the legal terms as published. If you have cause for concern you should raise this as early as possible before spending too much time on your bid. You should seek your own legal advice if necessary.

In summary, using a good quality assessment template will help you screen the opportunity and match it to your team. This helps you to create an action list for building your consortium, re-configuring your consortium or deciding not to bid as a consortium. As mentioned in Table 8.1 in Chapter 8, you may need to consider whether:

1. You have the time and resources to do your pre formation, configuration and bidding work; or
2. You should offer to participate in a prime contractor's supply chain, collectively or as individual members. This is sometimes the only option but it has its own risks.

[5] Typically £400+ per working day which equates to a senior manager's salary of around sixty thousand pounds a year with staff overheads and costs added on. This **will not** cover all his/her organisation overheads which may well be another £400 per day. You could negotiate paying the latter within a success fee.

Annex A – Assessment Templates

You can start using the following templates as simple checklists. A more advanced approach is to score them using a consistent format. You can then add the scores together to assess your overall percentage for each key area. The most important task is to highlight the areas of action required. A good approach to scoring is to use a 'positive weighted' scale such as:

5 Excellent position for proposed Consortium

3 Good position for proposed Consortium

1 Basic position for proposed Consortium

0 Very weak position for proposed Consortium

Unk Not currently known (we need to find out)

It is also good practice to work out where your team could be commercially exposed, in other words, agreeing to something which puts the supplier at a significant risk of non-payment, or non-recovery of cost or other unforeseen liability (Y/N?).

Key Area 1 Consortium's Market Position	Score (0 to 5)	Exposed (Y/N)?
1. Is this opportunity a good fit with our Consortium's goals?		
2. Will winning enhance our Consortium's reputation and market positioning?		
3. Will winning open up new market opportunities for our Consortium?		
4. Are any members of our Consortium known to the key decision makers?		
5. Does any member of our Consortium understand the imperative need or problem driving this opportunity?		
6. Do we know the Opportunity's evaluation criteria and how they will be weighted?		
7. Do we know the proposal time frame?		
8. Do our Consortium's features and benefits give it a distinct competitive advantage?		
9. Can we compete if price is a major factor in selecting the winning Bid?		
10. Do any of our members have successful track records with similar opportunities?		
11. Does our Consortium have differentiators that improve its odds of winning this opportunity?		

Key Area 1 **Consortium's Market Position**	**Score (0 to 5)**	**Exposed (Y/N)?**
12. Does the Consortium know who the other competitive bidders are likely to be?		
13. Can we win against a good competitor if it is currently in post?		
14. Will winning this opportunity give our Consortium future business advantage over its competitors?		
Sub Total (out of 70 marks)		
Key Areas 1's % score = (Sub Total/70 marks) x 100%	%	
Actions to Improve Scoring:		

Key Area 2 **Bidding Resource Availability**	**Score (0 to 5)**	**Exposed (Y/N)?**
15. Does the Consortium have a Bid Director qualified to manage this joint bid?		
16. Can we deliver the final project without new Consortium members?		
17. Can any required new members be recruited in time?		
18. Do we have sufficient resources and team budget available to bid?		
19. Can we prepare a professional bid in the time allowed?		
Sub Total (out of 25 marks)		
Key Areas 2's % score = (Sub Total/25 marks) x 100%	%	
Actions to Improve Scoring:		

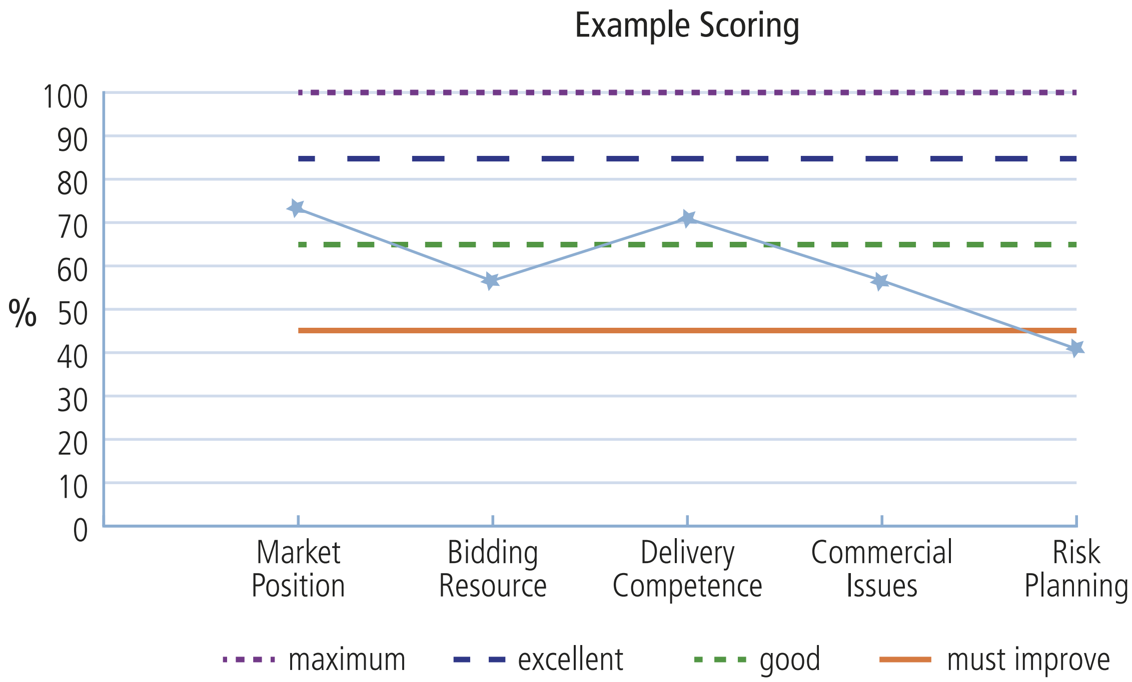
Key Area 3 Consortium's Delivery Competence	**Score (0 to 5)**	**Exposed (Y/N)?**
20. Is the technical information provided sufficient to prepare a Bid/PQQ?		
21. Are the performance criteria understood?		
22. Are the performance criteria likely to be acceptable to our Consortium?		
23. Does the Consortium have the required core competencies to deliver?		
24. Can the project be delivered within the Customer's required timeline?		
25. Can we accept any penalties for not delivering on time?		
26. Will the Consortium have sufficient delivery capacity to complete the project on time?		
27. Can we recruit additional resources if needed to manage any changes to delivery schedules?		
28. Are there multiple sources of competence within the Consortium?		
Sub Total (out of 45 marks)		
Key Areas 3's % score = (Sub Total/45 marks) x 100%	%	
Actions to Improve Scoring:		

Key Area 4 Consortium's Delivery Competence	Score (0 to 5)	Exposed (Y/N)?
29. Do we know if the Customer's budget been formally approved and funded?		
30. Do we know if this is a market test such as "make or buy" decision?		
31. Can we manage if there are penalties for not delivering on time/budget?		
32. Are the contract terms and conditions acceptable to the Consortium?		
33. Can our Consortium contractually protect its background and foreground Intellectual Property? [SEE GLOSSARY FOR DEFINITION]		
34. Are we able to provide a bond if it is needed to submit a bid?		
35. How strong is the Customer's credit rating?		
36. Is the Customer's projected payment profile in line with our members' cashflow requirements?		
37. Will additional financing or factoring be required?		
Sub Total (out of 45 marks)		
Key Areas 4's % score = (Sub Total/45 marks) x 100%	%	
Actions to Improve Scoring:		

Key Area 5 **Consortium's Delivery Competence**	**Score (0 to 5)**	**Exposed (Y/N)?**
38. Can we manage or absorb the Customer's transferred risks associated with this project?		
39. Can all major risks to the Consortium be mitigated?		
40. Can the Consortium realistically manage the risks, if it wins?		
41. Will winning put any Consortium member's business at risk?		
42. Does the proposed solution involve new or unproven technologies?		
43. Is the legal contract likely to be acceptable to the Consortium?		
44. Are the project's environmental and societal risks within acceptable levels?		
Sub Total (out of 35 marks)		
Key Areas 5's % score = (Sub Total/35 marks) x 100%	%	
Actions to Improve Scoring:		

Insert your scoring for each of the Key Areas above. For each Key Area a score of:

- Below 45% – you must dramatically improve in that area to even consider bidding;
- Between 45 and 65% – there are issues you need to address before starting a bid;
- Between 65 and 85% – start the bid and address any issues as you progress;
- Above 85% – opportunity is ideal for your currently configured Consortium.



Example

In this case the opportunity is a good match to the Consortium's market goals. The team needs to assess if it has sufficient resources to prepare a bid. It has many of the skills to deliver the project, but should still assess if it needs more skills and/or capacity. There are commercial concerns about the tender that need resolution/clarification. Most importantly, there are some significant risks identified that must be addressed quickly or the Consortium should not move on to preparing a bid. Currently this is a No Bid decision on risk grounds.

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10. Configuring Your Consortium

10.1 Taking Stock

As the bid's *initiating member* you should have access to, and have completed, the following at this stage:

Pre formation support material. You should have developed a concise overview of your organisation's major goals and objectives. You should have an easy-to-explain summary of your strategy, competency and culture (see Chapter 5). Ideally these should fit on a single side of paper, supported with some form of map/illustration on how you intend to execute your plan. You may have developed an outline strategy map, or a simple process diagram. A picture helps you explain your plans. Your implementation plan should show collaboration and joint working as one of your delivery approaches. If not you should make sure it does or your prospective partners will think they are being considered as an afterthought.

Market scanning. As highlighted in Chapter 7, ideally you will have already researched your potential targets, met the relevant buyers and revised you marketing material including your web pages. You should have created your case studies and references sufficient to design an effective consortium and use in your eventual submission. You may also have seen a Prior Information Notice (PIN), which has triggered your preparation work.

Bid registration. You may have already registered as a consortium. If you registered as an individual organisation that is still fine, as long as you understand the challenges listed in the Chapter 8 on Opportunity Registration, especially the ones listed in Table 8.1.

Opportunity Assessment. If you have worked through Chapter 9 on Opportunity Assessment you will have formally assessed: your consortium's market position; bidding resource and availability; your consortium's delivery competence; commercial issues and risk planning. This led onto screening and matching and an objective assessment using the recommended templates, adapted for your own needs.

Completed Bid or No-Bid Form. Your opportunity assessment comprised the Bid/No-Bid forms, action plans and your summary chart. Therefore you should have come to a decision whether to stop the process or to proceed. You should have also considered whether you need to configure or reconfigure your consortium.

Going it alone or not? You may have decided to bid by yourself, but that may well cause you challenges in getting through the procurer's qualification stages. Going it alone is a high risk strategy for a small organisation trying to win a large bid. Be realistic about your odds of success and your capacity to deliver. If that is your conclusion and you are a member of an existing consortium, you need to communicate your decision to the other members to allow then time to prepare their own bid. You should not expect them to allow you back into their consortium later in their bid process[1].

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[1] This also relates to compliance rules on collusion and the form of tender covered in Chapter 6.

Risk Planning. As the initiator's Senior Executive Responsible (SER) or Bid Manager, you may only have an overview on risk issues and challenges at this stage but you should be aware of the concepts outlined in Chapter 12 on Risk Planning. However, until you start to configure your consortium specifically for the opportunity, you cannot prepare all the relevant risk data. Effective risk identification and analysis is a team activity but you need to establish the basics, such as a Consortium ***Risk Management Template***. This could be as simple as a list of headings, typically classified under: political; economic; societal; technological; environmental and legal (PESTEL). This is enough to get you going, along with the Table 12.2 and your own analysis from scanning the tender documents.

10.2 Exploration and Cross Mapping

As the initiator you need to do some work on behalf of the ultimate Lead Member of your potential consortium. You will need to assess your strengths and weaknesses mapped against the bid requirements, superimpose those of your preferred partners and ultimately work out any gaps you need to fill. These might include capacity, skills, technology, location, supply chain and any other items you need to consider. It depends on the type of bid you are preparing but the principles are consistent.

The example in Table 10.1 is indicative of the types of Key Project Requirements you will typically come across. In this potential consortium the two members dovetail well but they have to refer back to the procurement team on two items (marked in orange):

1. Whether working on the same project previously with a combined value of £2.5m will be acceptable; and,
2. Whether the combined turnover will be acceptable for passing the threshold[2].

Also note the need to communicate with the member's former clients to explain they are working together in a consortium. A pro-forma based on Table 10.1 is included at the end of this chapter for you to use.

In addition you may, at this stage, need to carry out some due diligence on your potential partners before making a firm decision to bid as a consortium. See Annex A for details.

10.2.1 Additional Resources

Sometimes this mapping approach will identify that you need additional resources or more partners. In general if you can cover the resource deficiency using a team of friendly Associates or via suppliers it helps keep your consortium as simple as possible i.e. there are two partners and a support network. Sometimes you may need more members which will take time and more work achieving a three way cultural fit. Figure 10.1 is an approach recommended from a major research project on small business collaboration at Loughborough University. The inner core is the Lead or hub of the operation, this is likely to be your organisation as the consortium initiator.

[2] Note that turnover thresholds are discussed in Chapter 3 Buy Side Preparation and in the SQuID advice for procurers. It is therefore sometimes a risk aversion issue to be overcome through sensible negotiation.

Table 10.1 – Mapping Strengths and Weaknesses between 2 potential Consortium Members

Key Project Requirements	Initiator Strengths	Initiator Weakness	Member 2 Strengths	Member 2 Weaknesses	Consortium Summary
National Presence	Good South Wales presence	No North Wales presence	Good North Wales presence	No South Wales presence	Meets the requirement
3 similar projects in the last 2 years	1 excellent project last year	1 excellent project but 3 years ago	2 excellent projects in the last 2 years	Needs 1 more project to qualify	Meets the requirement
Experience delivering projects of more than £2m	Excellent reference project but only £1.5m	Not big enough	Worked on the same project for £1m. Has a good reference.	Not big enough	Need to ask the buy side if they will accept this
CVs for 5 specific management posts needed	2 really good CVs	Not enough depth of management	4 really good CVs	Close but not enough CVs (Associates?)	Meets the requirements
Quality system to ISO 9001:2008	Have this and covers project working	None – we have no major non conformities	Has a good management system	It is not yet certified	Initiator may need to Lead Consortium
3 client references for projects over £1m		We can only get two – not enough for the Client		We can only get 2 – not enough for the Client	Contact former Clients and explain Consortium
Turnover of £5m or more		Turnover £3m		Turnover £3m	Check with procurement if combined turnover OK

Table 10.2 – Bid Director's initiation checklist for building the Consortium

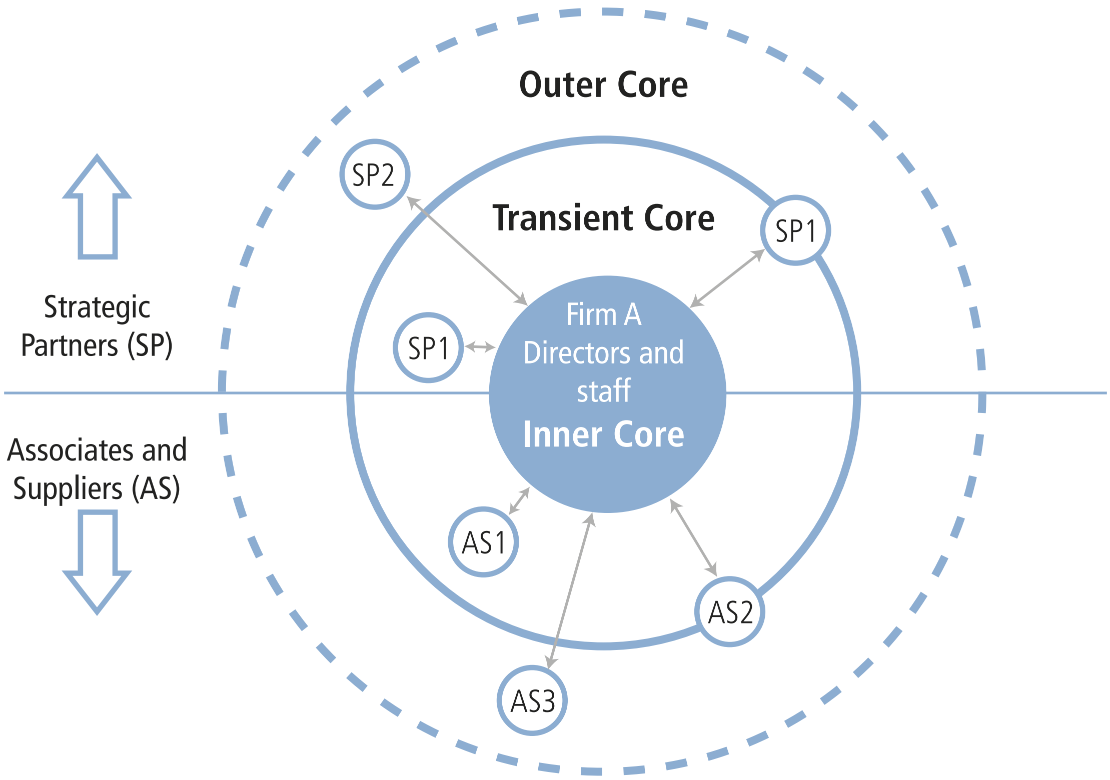
Initiator Actions	Completed?
Assess readiness for joint working – Strengths, Weaknesses, Opportunities and Threats SWOT Analysis on cases, people, systems	
Create partner selection criteria (based on key project requirements)	
Conduct internal skills gap analysis for alignment of members	
Build the headline bid and project action plan (who, what, where, by when)	
Initiator's stage review to proceed by Senior Executive Responsible (SER)	
Create your shortlist of potential partners	
Profile each partner for your best fit (use table 10.1 above)	
Outline the potential consortium's approach to the project	
Negotiate with your shortlist using consistent and transparent criteria	
Invite first choice partners into your consortium (use a Confidentiality Agreement)	
If they do not accept consider second choice – ensure you fill all the gaps	
Outline agreement to form a consortium for the bid opportunity	
Work through relevant 'soft skills' development required – culture and ethos[3]	

Table 2 contains a summary checklist for partner selection activity aligned to BS 11000-1:2010. There are some very good quality methods and processes for exploring and building the soft skills needed for effective collaboration. BS 11000 states this as a critical part of the process. International experts advise doing the soft skill matching – upfront.[4]

[3] It cannot be emphasised enough that having a joint project mission, a compatible culture and Senior Executives who build trust, transparency and sharing are all critical to a successful bid and outcome. The Caerphilly Area Farmers case study confirms these points.

[4] Stephen M Dent's Partnership Continuum process is a proven approach for creating strong alliances based on developing the partnering skills and behaviours of key people. See www.partneringintelligence.com for more information. Dent has published 3 books on partnering and the site has many case histories and team assessments to get your team going. There are other approaches based on hybrids of soft and hard skills such as that used by Dr John Carlisle and his team to facilitate the Dwr Cymru Welsh Water Alliance.

Figure 10.1 – The dynamic approach to building a consortium[5]



" Firm A has a collaborative arrangement with Associates and Strategic Partners. In the context of Firm A, Associates are the consultants that share resources and work collaboratively while Strategic Partners are the experts of a particular field providing new tools in their fields. This figure shows the collaboration environment within Firm A divided into inner-core, transient-core and outer-core.

Firm A directors and employees form the inner core of the collaboration environment. Associates and Strategic Partners are part of the external core; they are involved in joint working with Firm A as and when required. However, if any of the Associates or Strategic Partners take an interest in further development of Intellectual Property or win projects for the collaboration environment then they are considered to be in the transient core, where they work closely with the inner-core Firm A directors."

[5] This was designed by Dr Gohil from the Centre for Innovative Construction Engineering at Loughborough. It was published in Construction Innovation: Information, Process Management, Vol 11 Issue 1 pp43 -60.

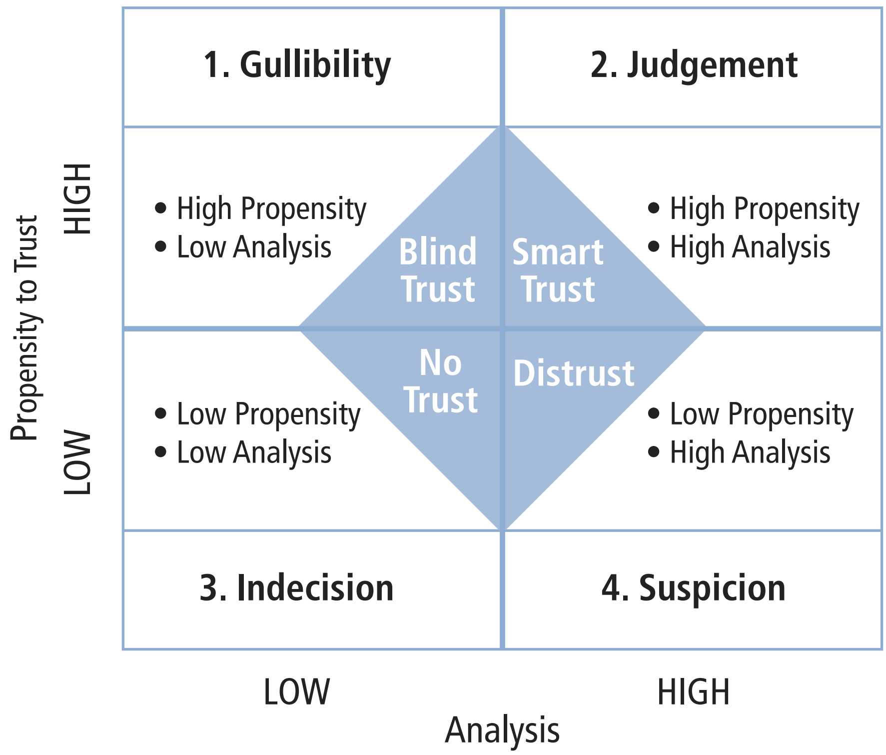
10.3 Your Soft Skills

One of the most powerful challenges during the formation stages of a consortium is the issue of trust and how to assess it. This is at three levels: you and your colleagues' individual ability to trust; your own organisation's culture which comes from the leadership's values; and finally the impact of these two on your approach to sharing (ideas, systems, resources, people, risks and reward). Some of this may be:

- **Innate.** Based on your personality, your circumstances and those of your own team.
- **Based on experience.** From the experiences your own organisation has had, its culture and views on governance, accountability and leadership style.
- **Unknown.** A result of not knowing about how new people from other organisations will react to new situations. Your assessment of your proposed new members.

A US researcher designed this template for assessing trust in context. He prepared a relevant trust matrix that is well suited to the joint bidding environment (Figure 10.2). The key to a high performing consortium is the challenge of ensuring good judgement via a combination of analysis and trust. This work is relatively new but highly regarded. The goal of what is termed *Smart Trust™* is to operate as far as possible in the top right quadrant.

Figure 2 – Smart Trust™ Matrix [6]



[6] From The Speed of Trust, Stephen MR Covey (2006) pp 290.

10.3.1 Measuring Team Trust

Table 10.3 is practical tool used to build robust alliances[7]. You should find that this simple but effective 360 degree survey is useful for a short review, especially with the stresses and time pressures involved in putting a joint bid together and delivering as a consortium. It is recommended for frequent use as you start out, prepare a bid and perform as a consortium.

How to use it

Every person in the meeting completes it anonymously and a facilitator or chairperson maps the score 'range' onto a flipchart with an average team score. If you have the technology you may wish to adapt the table it for a spreadsheet record too. You should keep records of the collective scoring as you progress through your initiation, consortium design and especially the estimating and sign off stages. When you measure any decline in trust you need to ask around the table 'what has just changed to impact out trust in each other?

Table 10.3 Measuring Team Trust

Trust Statement (each person in the meeting to mark out of 5)		Never	Rarely	Sometimes	Often	Always
1	I feel a high level of trust in this Consortium Why?	1	2	3	4	5
2	There is a high level of trust between the Consortium membership Why?	1	2	3	4	5
3	I believe this Consortium helps me get my needs met Why?	1	2	3	4	5
4	I believe I help my partners to get their needs met Why?	1	2	3	4	5
5	It is easy for me to express my needs to my partners Why?	1	2	3	4	5
6	I believe my partners trust me Why?	1	2	3	4	5
7	I believe I behave in a trustworthy manner Why?	1	2	3	4	5
8	I believe my partners behave in a trustworthy manner Why?	1	2	3	4	5

[7] From the Partnering Intelligence Fieldbook (2002) Stephen M Dent and Sandra M Naiman pp 241.

Measuring 'team trust' is also a recommendation of BS11000: 2010. Clause 9.4 states: *The joint management team with the support of the SER shall establish a defined process for the ongoing monitoring of behaviours and trust within the collaboration.* This is sensible advice.

Key Project Requirements	Initiator Strengths	Initiator Weakness	Member 2 Strengths	Member 2 Weaknesses	Consortium Summary

Template for Partner Assessment (complete as per Table 10.1). You may want to create this in a spreadsheet for updating.

Annex A – Due Diligence for a Consortium

One of the challenges of creating a consortium is the level of sharing of key information on:

- **Resources.** People, financial, cost information, assets, technologies and intellectual property for example; and,
- **Performance.** Good references, planning and delivery systems, timeliness, claims history by Clients for example.

Often the initiator is only shown the positive information during the consortium creation process. Sometimes there are hidden performance deficiencies that can increase risk, and this can impact on the decision about information-sharing between members[8]. The greater the trust that exists, coupled with sound governance over non-disclosure outside the consortium, the larger the potential to mitigate risk.

A.1 Financial Due Diligence

It is recommended that your potential consortium leaders read Chapter 3 to understand how the buy side will view consortia and how they are likely to require consolidated financial information. Completion of the SQuID questions will also require this information. This means the sooner your potential members share key accounting information the better. Consider the following points:

1. How you will create the hybrid profit and loss, balance sheet and acid test ratio?
2. How will you cover for your financially weaker or recently-created members?
3. How will potential cash flow challenges be handled (larger contracts often require greater input prior to payment and sometimes have retentions, bonds or penalties)?
4. What is your fallback position for the financial failure of a member (are other members prepared to lend it money or take over its delivery)?

It is recommended that you seek relevant credit references to assess the degree of financial exposure and risk you are prepared to consider. For non-incorporated or sole trader members ask for relevant accounting and banking references.

A.2 Performance Due Diligence

Often the supplier questionnaires will ask for references (see the SQuID for typical questions and requirements). They may also ask about any claims history, and possibly also about claims in progress, although the latter is not recommended in the SQuID guidance for buyers. It is therefore really important to have a transparent and open approach to this information. Here are some key questions to ask and to share:

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[8] BS 11000-1:2010 Clause 4.4 identifies the need to establish guidelines on what knowledge to share between collaborating organisations. Clause 6 has a good overview of the key processes of partner nomination, evaluation and selection, especially the development of a robust Collaboration (Relationship) Management Plan.

1. Can your potential partner provide two recent good references for the provision of similar services?
2. Are they prepared to let you discuss their performance with their Client? If not why not?
3. Can they provide relevant certifications for standards (ISO 9001 for example), training and development, equipment, data protection, health and safety inspections, for example?
4. Are there any recent claims from public sector clients that have been upheld involving either penalties or legal action (especially prosecution under key areas such as health and safety, data security, HMRC recovery, criminal activities of any nature)? If so ask the potential partner to state them, as they may be grounds for abandoning the proposed partnership.
5. Have any retentions been taken or damages paid for non delivery, poor delivery, re-work, contract determination or breaches of contract terms? If so ask the potential partner to state them. Are they sufficiently severe to reconsider the potential partnership?

A.3 Legal and Insurance Due Diligence

As your team will need to provide a variety of legal and insurance documentation the sooner you collate this, the better. It is recommended that you:

1. Ask for the data submitted to Companies House on ownership, formation, management changes and finances. Point out that this is available at a cost anyway and is public domain information.
2. Ask to see a copy of the VAT certificate and note the VAT reference.
3. Ask for current copies of relevant insurance certificates to be held within the potential consortium and updated whilst the organisation remains a member. The key documents are Employers Liability, Public and Product Liability (where relevant), Professional Indemnity, plant and equipment (where relevant) and general insurances such as buildings and contents in case your own equipment is moved to your partner's premises.

These are a few recommendations. In essence they are similar to the due diligence you should be carrying out on your own supply chain for larger contracts, and they reflect the same questions you should be prepared to answer from your clients. The quicker the data is provided the easier it will be to formulate the Collaboration (Relationship) Management Plan and populate relevant e-portals to assist the joint bid.

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11. Governance and Compliance

There are some important items raised in this Chapter on consortia governance. Much of it should already be either done, on your 'to do' list or considered for discussion with your proposed members. The advice in this chapter provides a general overview of the issues, and you may need to take specific advice on your circumstances and the best approach to take. It is also recommended that the procurement team read this chapter to better understand some of the challenges and opportunities with joint bidding.

The proposed consortium members should share the workload and keep a record of who is responsible for doing what, and by when, as part of your bid plan and your future project plan.

11.1 Collaboration Agreement

The main purpose of developing your Collaboration Agreement is to ensure that there is a common understanding between your consortium members about the purpose, scope, benefits, risks and liabilities within and for your proposed team. The Agreement can start as a very short document of shared intent. However, by the time your consortium is getting ready to submit a joint bid your agreement needs to have been further developed to include your intended approach to managing all points discussed in the following paragraphs. You may have additional project specific points as well. BS 11000-1:2010 uses the term Relationship Management Plan for a Collaboration Agreement[1].

11.2 Assets

Where the proposed consortium needs to acquire or lease high value assets it needs to agree how these are legally owned or leased, who has responsibility for them during the project and how they are handled after the project has finished.

Hub and Spokes approach. For a hub and spokes model of delivery, it is unlikely that a leasing organisation will allow co-leasing agreements for assets. In this case the party that needs to make the fullest use of the assets should acquire them. The acquisition and disposal costs should be included in the base cost estimate. Any other member that uses the assets pays in proportion to their usage.

Lead body approach. For a lead body model of delivery, it is reasonable for the lead body to lease or acquire the assets, unless they are predominantly used by another member. The lead body may still need to dispose of the assets after the project. In this case all the specific members who needed to use the assets should have made a fair contribution to their

[1] Annex B of BS 11000-1:2010 Part 1 has a good quality summary of the items that should be assembled to develop a robust Relationship Management Plan (RMP). The standard also recommends your RMP (Agreement) is included in your Consortium's internal legal agreements for future reference.

use during the project. Any post project disposal adjustments are made at the consortium level. The lead body then sets off these costs as part of the final round of inter consortium payments.

Special Purpose Vehicle approach. Chapter 6 discussed assets within the context of a Special Purpose Vehicle and gave a costed example about asset write down.

For all these models it is important to discuss asset acquisition, utilisation and disposal as soon as possible and to have a *Consortium Asset Management Plan*. Where assets are acquired or leased and not wholly dedicated to the project an equitable agreement on wear and tear, depreciation and utilisation against other projects needs to be considered. For items such as vehicles this is relatively easy to track for property and technology less so.

11.3 Liabilities

Who holds the liability and how is it shared? This will vary depending upon the legal formation of your consortium. It is one of the most important issues to consider at the outset, as failure to agree how liabilities should be shared between consortium partners can sometimes be a show-stopper. Frequently buyers will ask for what is termed *joint and several liability* to indemnify themselves and allow the buy side to pursue each or all consortium members for redress. This then leaves the members to sort out the consequences amongst themselves, which you will need to do either within your own consortium agreement, or by seeking specific insurance. It can be particularly problematic where the consortium members vary considerably in size.

Take advice if this is requested as part of your contract and be prepared to discuss it with the procurement team at the earliest opportunity. If you set up your project with specific work packages then review how they will integrate. Assess integration at Risk Gates 2 and 3 (see Table 12.3 in Chapter 12 on Risk Planning for more information). Remember that a normal sub-contractor arrangement has consequential liabilities as well.

11.4 Intellectual Property (IP)

Consortium members should deal with Intellectual Property at the outset of its formation. The usual position is that ownership of all pre-existing Intellectual Property held by each member and resulting from work undertaken prior to formation, termed Background IP, remains unaltered; i.e. stays with the relevant member. Proposed consortium members will need to determine which of their Background IP can be used by the consortium and on what terms. Ownership of new Intellectual Property created during a consortium's formation and operation is termed Consortium IP, and also needs to be explicitly agreed. Again, you should deal with this before you start a contract. Consortium IP may, in turn, be considered background IP for the purposes of any new contract (Consortium Background IP). Your consortium will need to agree how Consortium IP should be managed and how any Intellectual Property generated (whether Consortium IP or IP created in conjunction with a customer or other third party) should – where possible – be treated. See Annex A for more information on Intellectual Property.

11.5 Confidentiality

Within your Consortium confidential and business sensitive information will need to be shared in confidence and remain confidential and not misused (deliberately or accidently) outside of the purposes for which it was shared[2]. It is recommended that members use a non disclosure agreement at the start of the consortium creation stage to cover each other's commercial interests.

11.6 Dispute Resolution

Sometimes even with the best planning things can go wrong and disputes need to be resolved. Once a dispute goes to law it can be very costly and time consuming and could effectively destroy the day to day working and viability of your consortium. Therefore there needs to be clear internal processes and escalations procedures to resolve disputes with the legal option being the final one[3]. Legal disputes will adversely impact your consortium and by connection your members' reputations, especially with your consortium's customers.

11.7 Member Changes

The more parties involved in your consortium, the more likely it is that one of them will ask to leave or be asked to leave. Your Consortium Agreement will need to ensure the departing member still has access to any technologies, assets or products they have brought in to help with customer delivery. Changes to consortium membership could trigger obligations to notify the buying organisation, which may then need to carry out some reassessment of your consortium as a result of the changed circumstances.

Liabilities. The liabilities of a departing member need to be dealt with effectively or your remaining members could end up with unforeseen additional liabilities. In the being 'asked to leave' case there needs to be robust mechanisms, after due process, for replacing a consortium member that is not fulfilling its contract obligations or which has ceased trading.

Future revenues. Your Consortium Agreement should clarify the position regarding future revenues and Consortium IP. It is recommended that your consortium designs an effective exit strategy at the outset and all your members sign up to this. This is best practice and a key recommendation of BS11000-1:2010 Clause 10 relating to Exit Strategy.

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[2] Clause 4.3 of BS 11000-1:2010 mentions the need to protect a member from unintended sharing of knowledge that had not been agreed to be shared. Typically this is where people have access to computers or documents they are not legally entitled to obtain or hold. It is expected that responsible members will inform the impacted party and take every step to return information or agree to delete it, if asked. Otherwise trust can break down between members resulting in escalation and potential legal action. Be careful and be fair.

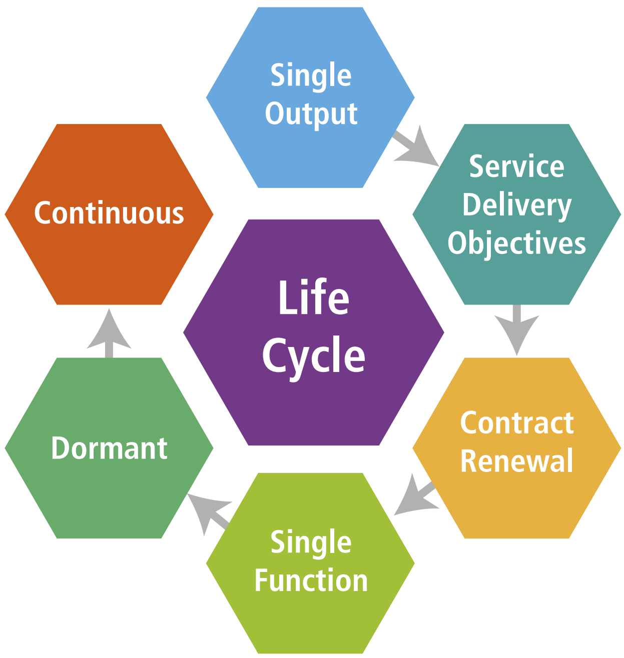
[3] Clause 9.2 of BS 11000:2010 recommends preparing and using a defined procedure for issues resolution. It recommends timely intervention and the settling of any potential disputes at the appropriate level. The sign of a well managed consortium is the prompt resolution of issues as close to the front line as possible. Escalation to the SER level is the second to last resort. Legal action is systematic of a consortium with internal challenges.

11.8 Termination Agreements

It needs to be as clear as possible at the outset what could trigger the end of your consortium. This is the exit strategy referred to above and in Clause 10 of BS 11000-1:2010. This is particularly important with development projects which can enter a potentially long-term support phase, possibly involving only a subset of the members or a single member. In this instance you may want to design your consortium around a long term core, as described in Figure 10.1 of Chapter 10 on Configuring Your Consortium.

It may be logical to make the member with the continuing support responsibilities your Lead Member and contracting party. This could influence your choice of consortium model in favour of a Lead Body model. See Chapter 6 about this. It needs to be clear where responsibilities, costs, warranties and claims rest for this. Again design your team with the end in mind and assess the exit plans as part of the risk analysis. Figure 11.1 illustrates the different lifecycles of consortia according to the Wales Co-operative Centre. It indicates the differing objectives from one off collaboration through to a virtual enterprise configuration.

Figure 11.1 Wales Co-operative Centre's Consortia Lifecycle model



- **Single Output.** Members want to use the consortium to simply achieve a single output so involvement will be time limited.
- **Service Delivery Objectives.** Members use the consortium to achieve service delivery objectives against a particular project – limited engagement to one project.
- **Contract Renewal.** Members use the consortium to deliver a contract and bid for the contract renewal.
- **Single Function.** Members regularly use the consortium for a single function e.g. marketing or purchasing.
- **Dormant.** A consortium exists (pre formed) but it is only used for particular opportunities.

- **Continuous.** Members use the consortium to actively to explore all potential opportunities on a continuous basis. This is similar to a Virtual Enterprise.

11.9 Insurances

One of the motivators for collaborative bidding is the ability to pursue and win larger contracts. However, larger contracts sometimes require new insurance or additional cover for items such as Professional Indemnity, Product Liability, Public Liability, Employers Liability and general insurance. These may be:

- Required or increased by your consortium due to the potential contract size and risks, as part of risk transfer under your risk plan; or
- Requested by the procurer to a level beyond the thresholds currently held by your individual consortium members. You should assess if this is reasonable and discuss it with the procurement team before you prepare your bid. The procurement team may be listing standard terms for its organisation, and have some flexibility to change. On the other hand it may be unable or unwilling to accommodate your suggestion.

Your consortium members may need to acquire additional insurance cover. You need to be very clear as to the length of the on-going future indemnity period for which this insurance might have to remain in force. This could be a significant factor in your future profit/ surplus projections and so it needs to be costed in. It depends on who is the Lead Member, your consortium's legal structure and whether there are joint and several liability clauses proposed to be within the final contract.

Often the Lead Member or the consortium itself, if it is a new entity/Special Purpose Vehicle, needs headline level insurance cover for larger contracts. Insurers' terms of business often ask for information on major bids up front in order to assess the premiums and levels of cover needed. Levels of insurance are therefore really important to assess as early as possible. A pre formed consortium has time and opportunity to obtain a quote and negotiate.

Your consortium might need to consider taking out additional insurance, to mitigate against the perceived risk of a consortium bid, at the request of the buy side. This might be appropriate to help your consortium win its first piece of work and prove your delivery capability with a major customer. This needs consideration if your consortium is hoping to develop a long-term relationship beyond the initial contract.

11.10 Consortium Governance

It is important to note that all your consortium's legal agreements need to be underpinned by supportive practical working arrangements. This is particularly important in the following areas of consortium working:

Consortium Membership. What are the criteria for somebody being a member of your Consortium? How will you handle requests from potential new members to join? How will you ensure that you do not fall foul of the key points of competition law identified in Chapter 6? What impact might this have on any existing tenders or contracts that are underway at that time?

Decision making. How will decisions be made? Decision making meetings and processes must cover both your operational, day to day, decisions and your strategic decisions. Your decision making processes must strike a balance between inclusiveness, governance and the ability to make decisions very quickly when required.[4]

Document Control. How will your key documents be managed and controlled? This does not just cover your crucial project documentation but also documents and correspondence between your consortium members (e.g. on commercial agreements). Sometimes setting up new email addresses and managing documents within an e-portal can help. See Chapter 9 on Opportunity Assessment for more ideas and a checklist for e-portals.

Quality Management Procedures and Project Management. Following on from Document Control your Lead Member may have committed to manage the project according to a formal quality management and/or project management system such as ISO 9001:2008. How will you ensure that all your consortium's members are following the required systems and that all activity, documentation and output is being managed in the appropriate way sufficient to satisfy an external auditor? Habits are hard to break and sometimes people fall back to their own organisation's procedures putting the Lead Member's Quality Management System (QMS) at risk on non-conformity. Larger contracts are typically the subject of QMS audits under ISO 9001 surveillance reviews.

11.11 Headline Commercial Issues

It is very important that there is legal clarity between your consortium members on terms and timing of payments, costs, revenues and warranties built into your consortium's bid design and project plan. There are a number of important commercial matters which must be agreed in advance of them becoming issues for your consortium including:

Payment Schedules. What does the agreement with the buying organisation propose? Who is the agreement with, and which party will receive money from the buyer? Will all parties be paid at the same time, in quick *pay when paid* sequence or do some parties expect or require payment before the Lead Member has been paid by your consortium's customer? This is typical for goods and services, equipment, travel costs, rentals and your members' suppliers who are not part of your consortium. Managing cash in an equitable and transparent manner is critical to trust and for some member's to meet their legal commitments on salaries and tax. Plan your proposed internal payment schedules it as part of your teams' internal bid preparation and cost estimates.

Costs. How will costs be apportioned equitably at different stages of your consortium's lifecycle? For example pre-contract do all your members expect to bear their own costs unless explicitly agreed otherwise in advance? How will you deal with unforeseen costs which arise

[4] BS11000-1:2010 Clause 7.1.1 recommends identifying the Senior Responsible Executive within each member and clause 7.2.1 recommends creating a joint management team.

during the execution of your contract? How will you handle staff secondments or pre work costs being carried by one member on behalf of your team? Good records, audited timesheets and open book information on such costs all help you design a fair system.

Revenues and Profits. How will revenues from your consortium's contract be apportioned? Will the different members have a common approach to pricing their services? If they do not they should, otherwise it could cause serious conflict. For example, if one member is adding on overheads and another is pricing at direct cost they will expect different levels of cost mark up. Will there be any funds retained centrally, for example as contingency or for the Lead Member's project/risk management and on-going insurance costs?

11.12 Summary

This chapter has covered 12 key areas of governance for creating an effective consortium. These are your:

1. Collaboration agreement;
2. Assets;
3. Liabilities;
4. Intellectual property;
5. Confidentiality;
6. Dispute resolution;
7. Member changes;
8. Termination agreements;
9. Insurances;
10. Consortium governance; and
11. Headline commercial issues.

It is recommended that you adopt these headings to work through your potential issues and approach to governance and compliance within your proposed consortium.

Annex A – Intellectual Property

This is a list of some of the issues with Intellectual Property (IP) you might encounter and a sensible sequence for their consideration:

- **Background IP.** It is strongly recommended that when you begin to set up your consortium all members formally record any Intellectual Property they are prepared to share[5] and the terms on which they are prepared to share such IP (e.g. by way of licence or transfer). If your members do this at the outset it sets the marker down in case of any disputes. Design with the end in mind. Consider how you will handle the withdrawal of a member who brings process critical Background IP to your consortium. It is recommended that you prepare a licensing agreement before you collaborate for its use during and after the member's involvement. This may be for a licence fee, a share in any related profits/surpluses or if they are generous, for free. You will need to decide also to what extent, if any, the consortium members should retain the right to use their Background IP themselves (i.e. to avoid issues of competition).
- **Consortium IP.** This is the term used to describe new Intellectual Property that comes from the integration of your consortium members' Background IP into a coherent system for your consortium. If it can be described, even in outline, before you submit your bid then your consortium needs to record it as part of the bid as the Consortium Background IP. This has similarities with patent protection and patent law where the concept is potentially as valuable as the finished product. Again set down how you will handle Consortium IP as part of your consortium formation process. What is to happen to Consortium IP developed by your consortium (or by your consortium members insofar as it is relevant to your consortium)? Who is to own the Consortium IP and what rights, if any, are your consortium members to have to use the Consortium IP other than in relation to any bid/resulting project? Co-ownership may not be a desirable option; in the absence of some other agreement between members co-ownership will, in general in the UK, only allow the co-owners to exploit the jointly held rights themselves, and will not permit them to assign or licence (or even arguably to subcontract) to third parties, without the consent of the other members. The Consortium IP also needs considering as if it were a joint asset with links to the contributing members' Background IP: you cannot grant customers rights to use Consortium Background IP that are wider than any permission given by a member for use as Consortium Background IP.
- **Protecting against off line deals.** As part of the acid test of commitment, where there are more that two parties involved in a consortium, there needs to be a clause in your Collaboration Agreement covering the risk of abuse through what are sometimes termed 'off line deals' between one or two members and/or third parties. This does not preclude all your members as a governing body agreeing to licence the Consortium IP to specific members. However, this time it may lead to a consortium licence fee, share in profits or agreement to allow its use. To prevent mistrust and challenges resulting from potential off-line deals, members should always ask the Consortium's Management Group for its permission to discuss other business scenarios involving Consortium IP.

[5] The principle of agreeing what you are prepared to share and what you are not prepared to share is a fundamental recommendation of BS 11000:2010 Part 1. Clause 4.1 states that *clear guidance and objectives shall be established for sharing knowledge between organisations. The strategic positioning of knowledge sharing shall be integrated at every appropriate level of the organisation*. i.e. Share and share effectively.

- **Consortium's Background IP working with the Customer.** Many public sector terms and conditions of contract try and include a statement on the forward licensing of the contracting parties' Background IP when it is considered critical to the contract execution. In general this is to stop public sector customers being beholden to supplier *lock in*. Lock in can expose the customer to the risk of unreasonable annual or upgrade charges after the contract has been completed. This is very relevant to software development or installation. Public sector customers need to ensure they can continue when the contractor has finished without being subject to unreasonable lock in charges. You will need to ensure that your Consortium Agreement permits such forward licensing to take place where relevant.
- **New IP from working with the Customer.** Some terms and conditions try and demand that all new Intellectual Property developed as part of the project delivery belongs to the customer with a linked licence to any Consortium Background IP (and therefore members' Background IP) driving the new project created IP. The acid test here is – is this reasonable? Does it affect your consortium's ability to trade downstream? At the earliest possible stage ask the Project's Service Manager to state the intent on this type of clause. Are you prepared to donate or license this new IP? Are you offering a service and your delivery system belongs to your consortium as its own Consortium IP? Think this through as part of your bid risk analysis. Assess its potential worth as far as you can before signing a contract that incorporates onerous terms. These customer new IP clauses tend to be a default inclusion as a catch all, rather than for a specific purpose. If you are asked to prepare a project delivery methodology it is recommended that you highlight those processes that you describe as Consortium IP and which are copyrighted, confidential and that you would not wish to be subject to disclosure under the Freedom of Information Act[6].

  If all new Intellectual Property developed as part of the project delivery is to belong to the customer, might your consortium members want a licence back from the customer to enable them to use all or part of such new Intellectual Property? If so, for what purposes might you want this? This will obviously also need to be discussed with the customer.
- **IP on Termination.** Your consortium will not last forever so it is important to decide what should happen to the Consortium IP on termination. How will any Intellectual Property be split between the members? Will any of the members require a licence of any Background IP of another member following termination? On what terms would such licences be granted? There may well be different "exit routes", each with different consequences in terms of the vesting of any Intellectual Property.

[6] This is challenging for the procuring body as it is often subjected to requests for information and needs to have a strong set of reasons for declining to publish information. Therefore one consequence of the Freedom of Information Act 2000 is that your consortium's methodology and IP can appear in the public domain unless marked as confidential and copyright. Even then appeals can sometimes get the information published.

12. Risk Planning

This chapter has been written for all the main parties involved in procurement, bidding and leading downstream delivery. The process is scalable and can be adapted for a range of opportunities from smaller service commissions through to construction[1]. There are multiple parties needed to create a comprehensive risk plan. The main ones for joint bidding are:

1. The public body;
2. The joint bidding team as an entity supplying the public body; and,
3. Individual members of the joint bidding team.

The approaches to 1 and 2 are similar to a single entity bid with perhaps greater emphasis on the management interfaces leading to improved transparency all around. Item 3 requires a joint team risk plan. This is similar to a main contractor's risk plan but more collegiate in approach with fewer commercial drivers to try and transfer risk down the supply chain.

12.1 Risk Management Process

It is recommended to follow a recognised and consistent approach to risk planning, to ensure it is both comprehensive and well structured. You may have your own approach to risk planning ranging from an advanced process to a list created as you review a tender. A thorough Risk Management approach should contain the following 5 key steps:

1. **Risk identification**;
2. **Risk analysis.** Sometimes termed risk assessment or risk evaluation;
3. **Risk mitigation.** Sometimes termed risk response. This is about how you will handle the risk typically:
    a. Reduce or eliminate;
    b. Avoid;
    c. Transfer; and
    d. Absorb or pool.
4. **Risk planning and resourcing.** Including contingencies (time, resource, money); and,
5. **Risk monitoring and reporting.** Including tracking, occurrence, action and review.

You may use different terminologies and minor variations in sequence and sub-activities but these five 5 steps are a good starting position[2]. Figure 12.1 contains an overview of risk assessment and planning for joint bidding/working. This is very similar to a cascaded approach trickling down from the Client, via a Prime Contractor but with greater cohesion.

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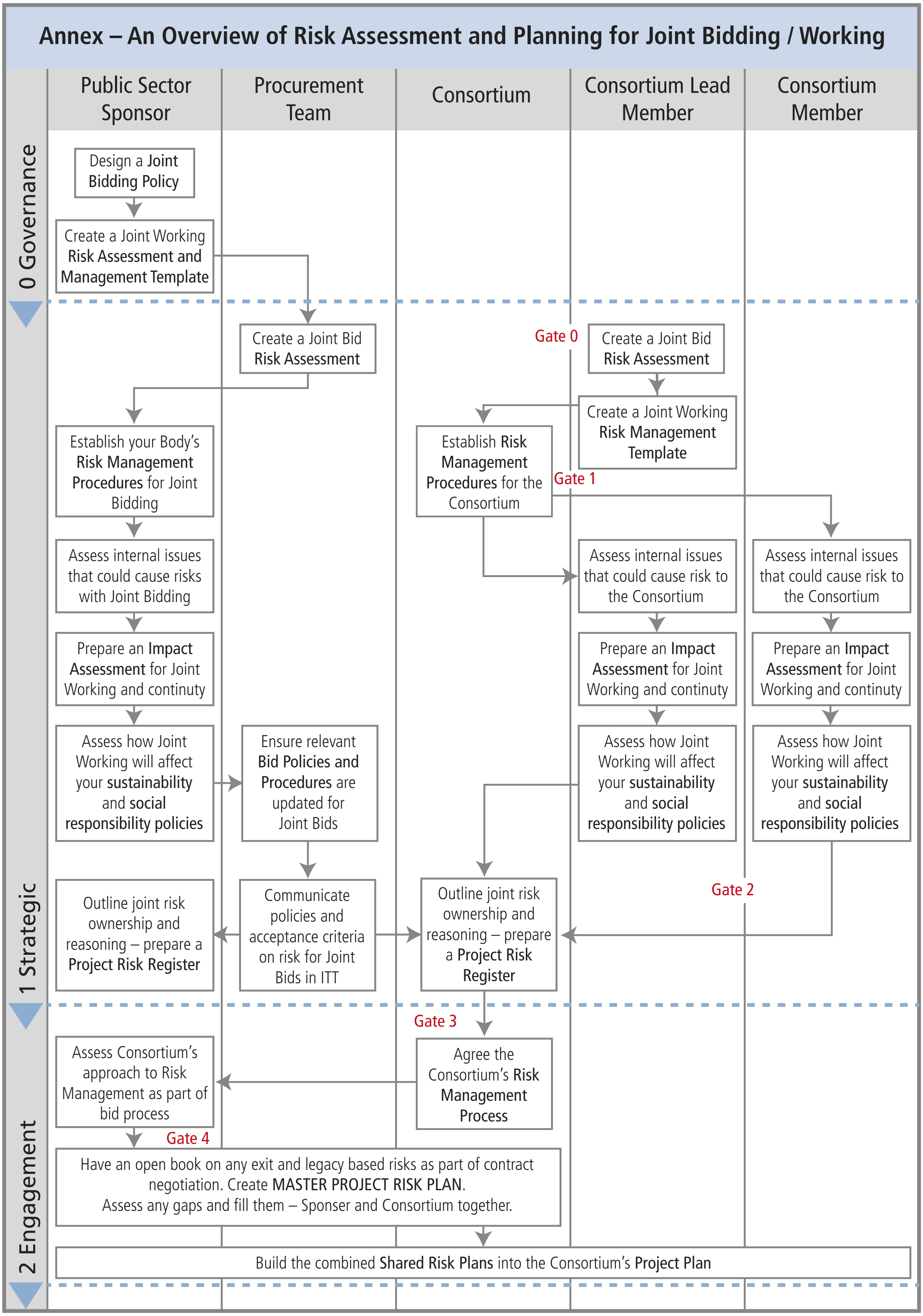
[1] Some types of specialist construction such as civil engineering works have additional sub-sets of risk analysis such as flood risk, slope stability, temporary works, site safety. It is expected that the individual firms have a solid understanding of these important areas. This section relates to the additional risks from joint working that would sometimes be managed within a supply chain via main and sub-contractor agreements.

[2] Clause 3.7 of BS 11000-1:2010 states: *The organisation shall establish, maintain and implement a defined procedure for conducting an initial risk assessment to identify the specific risks associated with potential collaborative business relationships*. This is sensible guidance.

Figure 12.1 – An Overview of Risk Assessment and Planning for Joint Bidding/ Working



For the public body this means establishing your perceived headline risks as part of the policy and procurement preparation, as described in Chapter 2 on Joint Bidding Policy.

For the consortium lead member it means outlining an initial joint bid risk assessment on behalf of the potential consortium as part of opportunity assessment[3]. The earlier the work is done, the easier it is to update when the pressure of the bid cycle begins.

Like two parts of a jigsaw puzzle, the public body's risk plan should start to dovetail seamlessly with the joint bidding team's risk plan as both parties move through the bid and contracting cycle so that there are no gaps or surprises. Gaps and surprises tend to occur where either side is not fully sharing its information or trying to gain some form of advantage over the other party. Both of these behaviours can impact on trust with unpredictable consequences. The end goal is to have a robust Master Project Risk Plan.

> *"Risk is the expectation that an event will occur and adversely affect the achievement of objectives over time. Risk is an element of uncertainty. Its opposite, the expectation that an event will occur and positively affect the achievement of objectives, is opportunity. Both are functions of likelihood and consequence."*
>
> CAM-I Best Practice Risk Group 2005

Opportunity is the reverse of risk and so value enhancing opportunities need to be considered at the same time as risk planning, as part of the value management assessment. Most additional risk items to consider in joint bidding for the buy side are outlined in Table 12.1.

Table 12.1 – An initial listing of perceived additional risk from the buying side's perspective

Political	Economic	Societal	Technological	Environmental	Legal
Buy side culture, Historical behaviours, Acceptability of joint bids, Inertia.	Failure to deliver, Failure of suppliers, Cash flow, New types of contingencies.	End user acceptance, Level of trust, Delivery standards, Capacity to share.	Use of technology, Failure of Management systems.	Management systems, Increased carbon footprint.	Sustainability, Equal opportunities, Tender process compliance, Modified form of contract, Legacy issues.

[3] Chapter 9 on Opportunity Assessment highlighted Risk Planning in Key Area 5 of Annex A – Assessment Templates.

These are all manageable. Implementation may need some policy and behavioural changes, within the buy side to overcome perceptions of risk and complexity. Often the perceived challenges are potential financial and legal risks: failure to deliver, failure of suppliers, new types of contingency, tender process compliance, contract modifications and legacy issues. These can all be overcome, with positive political and cultural willpower, and appropriate mitigation steps. The joint bid team risks are very similar and listed in Table 12.2.

Table 2 – An initial listing of perceived additional risk from the Consortium's perspective

Political	Economic	Societal	Technological	Environmental	Legal
Buy side culture, Historical behaviours, Collaboration culture in team, Acceptability of joint bids.	Failure to deliver, Failure of suppliers, Cash flow, New types of contingencies, Equitable rewards.	End user acceptance, Level of trust, Delivery standards, Capacity to share within the consortia and customer.	Use of technology, Failure of Management systems, Master policies, Project management.	Management systems, Increased carbon footprint, Location of delivery.	Sustainability, Equal opportunities, Tender process compliance, Modified form of contract, Legacy issues.

12.1.1 Risk Manager

Clause 7.5 of BS 11000-1: 2010 recommends a joint approach to risk management with the appointment of a competent Risk Manager, the execution of a sound risk management process and the creation of a joint risk profile and register. This is sound advice for both the buy side and the sell side. Hence both sides should evaluate the phases and stages identified in Figure 12.1 as being a good basis for moving towards a joint *Master Risk Management Plan* for later inclusion into and support to a Project Plan.

12.2 Risk Identification

12.2.1 Buy Side Risk Identification

As a Service Owner your focus will be on recognising and identifying the risks relating to achieving your project's objectives and those that are most likely to affect the performance and delivery of your project. Hence, your team needs to assess how it will integrate joint working via consortia into your risk planning system at a policy level[4] and at a project

[4] Refer to Chapter 2 on Joint Bidding Policy for recommendations on key areas.

implementation level. You can start by creating a *Joint Working Risk Assessment and Management Template*. This is a relatively small extension of your current Risk Management process, adapted for joint working as highlighted in Table 12.1.

12.2.2 Supply side Risk Identification

As the sell side, you will need to identify risks associated with the proposed project or service as individual members and as a team (e.g. consortium creation and management). Your aims at this stage are to:

- Identify all significant types and sources of risk and uncertainty;
- Ascertain the causes of each risk; and,
- Assess how risks are related to other risks and how risks should be classified and grouped for evaluation. Table 12.2 gives you a good starting point.

Your resulting risks are recorded in your consortium's Risk Register. Once the initial risk register is established for a programme, project or operational service, it is necessary to classify and group risks to assist in their evaluation. This is achieved by assessing each risk in the register to determine:

- Possible cause or causes of risk;
- Potential frequency of occurrence;
- The range of possible consequences (impact);
- Activities associated with the risk;
- The objective, deliverable or parameter impacted by the risk;
- Related risks;
- Risk ownership;
- Initial response to risk mitigation; and,
- Whether a risk can be eliminated due to duplication or overlap.

12.3 Risk Analysis

For both sides, the probability and impact of individual risks identified in each risk register will be assessed, taking into account interdependencies:

- **Risk probability.** The *probability* or likelihood is the assessed probability of a risk actually occurring.
- **Risk ranking.** A *risk ranking process* needs to be made explicit, agreed and embedded to enable probability evaluation.
- **Risk impact.** The *impact* is the evaluated effect or impact of a particular risk event taking place. Again, an impact scale needs to be made explicit, agreed and embedded to enable impact evaluation and help with visualisation.

12.4 Risk Mitigation

As stated in the introduction to this chapter, there are four main ways to mitigate risks. Risks can be:

- Reduced or eliminated;
- Transferred (e.g. to the Customer or to an insurance company);
- Avoided; and,
- Absorbed or pooled. Creating *risk allowances* at the member or consortium level.

Table 12.3 illustrates a good quality ‘risk gate’ process and the decision making responsibility for a joint bid. This is a robust approach in line with those used by major procurers and prime contractors. The steps are relatively intuitive and included in Figure 12.1. You may well need to discuss these with the buy side before you submit your bid so there are no surprises.

12.5 Risk Planning and Monitoring

These are the follow on steps required to be agreed as an integrated project team including the buy and supply side. The goal is to create a Master Project Risk Plan as part of the Project Initiation Document set. This is part of project set up and initiation and beyond the scope of this handbook. Specialist bodies such as the Wales Co-operative Centre and other specialist advisors can help facilitate this, if required.

12.6 Summary

Chapter 12 has covered the basic principles of a joint bid Risk Management Process. The risk management process has been designed to assist the buy side in understanding consortia based risk and the supply side in its consortium’s creation and management. Service Owners, Procurement teams, Bid Directors and consortia Senior Executives all need to know about Risk Management.

An effective Risk Management process should be set up as soon as possible. It should clearly represent the interests of all a consortium’s members and potential customers. It should be regarded as essential to the acceptance of and the successful development of joint bidding.

Once implemented a joint bidding risk management process will add value to a consortium’s customers. The process is designed to dovetail with the buy side’s upgraded internal risk management processes in a manner which helps to ensure an equitable risk and return for all parties.

It is recommended that both sides use the checklist in Table 12.4 to ensure you are well prepared because if risks do occur you both need to respond effectively.

Table 12.3 – A possible Gate Process and Decision Responsibility for a Joint Bid

Gate	Definition	Gate Responsibility
Gate 0	The agreement to proceed with a full assessment of the opportunity (potential Consortium contract). The decision to proceed is based on non-risk related commercial considerations.	Consortium's Bid or No-Bid Review Panel
Gate 1	Assessment of Consortium risks including estimate of required risk allowances. Includes initial estimates for member risks.	Consortium's Bid Director
Gate 2	Assessment of individual member's risk and risk allowances (risk allowances will only be accepted by the Consortium where risks are not entirely within the member's control).	Consortium's Bid Director
Gate 3	Initial agreement on combined Consortium and member risks and risk allowances. This will include risks which involve risk sharing between the Consortium and one or more members, and between two or more members.	Consortium's Bid Review Panel
Gate 4	The combined risk register could form part of the bid submitted to the Customer. Where appropriate, opportunities for mitigating risk at the Consortium to Customer interface will be explored and agreed with the Customer. The agreed risk register is published in the Master Project Risk Plan.	Project Steering Group
Post Submission and Delivery		
Gate 5	Post delivery risk audit. This involves final audit of risk allowances based on fact and forms part of the final allocation of profit/surplus share within the Consortium.	Project Steering Group or just within the Consortium depending on level of risk sharing (it may need a third party adviser)
Gate 6	A post contract (or post consortium dissolution) control audit to assess PDCA with regard to the Consortium's risk management process. Add to the knowledge management database.	Project Steering Group or just within the Consortium depending on level of risk sharing (it may need a third party review)

Table 12.4 – Buy and Sell sides Risk Management Checklist

Party	Action	Completed?
Service Owner	Have you got a **Joint Bidding Policy**?	
Service Owner	Have you approved a **Risk Assessment and Management Template**?	
Service Owner	Have you got a **Risk Management Procedure, Impact Assessment and Project Risk Register**?	
Procurement	Have you developed a joint bid **Risk Assessment**?	
Procurement	Are your **Bid Policies and Procedures** updated to allow for joint bids?	
Consortium	Have you established **Risk Management Procedures** for your Consortium?	
Members + Consortium	Have you created a joint bid **Risk and Impact Assessment**?	
Consortium	Have you prepared a Consortium level **Project Risk Register**?	
Consortium	Have you agreed your Consortium's **Risk Management Process**?	
All	Are you prepared to jointly create a **Master Project Risk Plan**?	
All	In the event of a major risk occurring, do you believe your planning, documentation and risk response will pass inspection? If not improve them.	

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13. Estimating and Pricing for Consortia

Every project or service your consortium bids for should be based on a sound and equitable cost estimate, tailored to the buy side's specification and/or pricing requirements. Chapter 3 on Buy Side Preparation highlighted that pricing requirements should be linked to an appropriate buy side procurement strategy. These are typically:

- Lowest price conforming;
- Most Economically Advantageous Tender (MEAT), using a pre defined weighting for price;
- Target Price; or
- Fully negotiated,

There are other options such as fee based, time and expense or rate based. These approaches are more common for multi-project programmes and frameworks, where the specification is less definitive at the time of starting the procurement process. Construction and related complex projects such as major ICT installations may also use a Bill of Quantities. Whichever type of price you are asked to prepare there are three recommendations for consortia costing:

1. **Fully understand your members' and consortium's total cost base**, including any future legacy costs such as enhanced insurance or inflation on future services;
2. **Ensure you estimate suitable cost contingencies** as either *cost or time cost*, sufficient to cover your consortium's joint risk plan. These may be included in your team's estimate or separately stated for a contingency budget held by the buy side. You must be explicit to avoid either double counting or omission; and,
3. **Agree your consortium's approach** to marking up member costs, consortium level costs and an equitable profit/surplus[1]. Treat everyone fairly and proportionately.

13.1 Good Estimating and Costing Practices

A major project on costing and estimating for consortia (termed *Virtual Enterprises*) was jointly commissioned by the EU and a former UK Regional Development Agency[2] to prepare a finance manual for virtual/extended enterprises. The key recommendations on good estimating and costing practices for extended enterprises such as consortia were:

1. **A fair price expectation with no cross subsidy.** Customers should expect to pay for all the services they use, accurately costed and priced, including all relevant overheads[3]. Otherwise there is an inappropriate expectation of cross subsidy from 'other customers' or the Consortium's members' balance sheets.

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[1] It is important for all potential members to understand full economic costing principles covering direct, indirect and required surpluses. Full cost recovery is linked to capacity utilisation. Only after an acceptable breakeven position is established should any move towards marginal costing be considered. Specialist advice can be sought from organisations such as Business Wales, the WCVA, the Wales Co-operative Centre or your Bid Director.

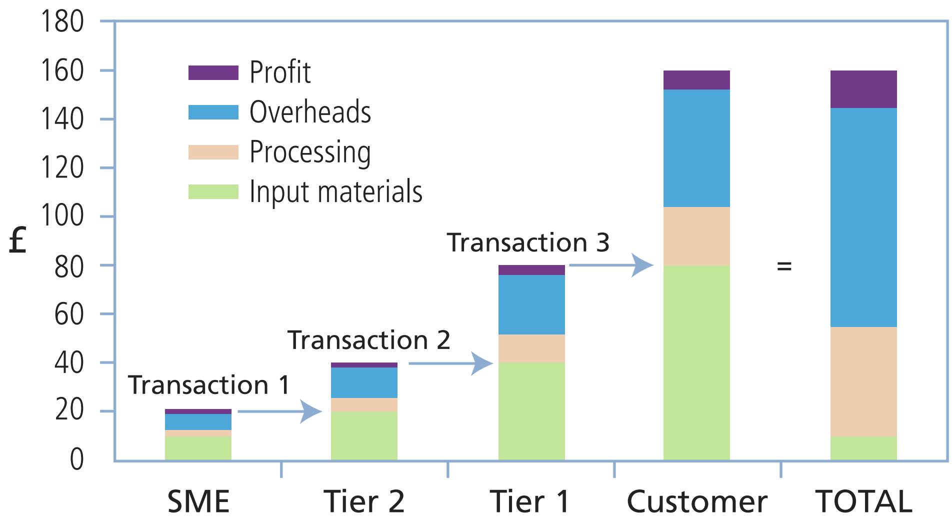
[2] This was the team working for Yorkshire Forward in the case study between 2004 and 2009.

[3] In *Procurement and the Third Sector Guidance for the Public Sector in Wales* (2008) it was recommended that third sector organisations need to better understand Full Cost Recovery, to avoid running into potential difficulty as they tend to have lower levels of reserves from retained surpluses.

2. **Only relevant overheads apply.** Cost only *relevant member* overheads for a consortium. Do a team estimate for your members' relevant overheads rather than allowing the individual member's own/usual mark ups on their direct costs for your consortium estimating model. Otherwise you are duplicating non contributing management costs[4]. For example, the bid and subsequent project do not need full recovery costs for a Managing or Sales Director from each and every member; otherwise it will not be competitive. Do include relevant consortium management, financing, insurance, selling and bid costs that need recovering. Mark these up too.
3. **Look at internal transfer costing fairly.** No single consortium member should estimate to exceed its own *total overhead costs* without the other members' agreement. This is about transparency to cover the situation where additional effort, resources and expenses are incurred by a member on behalf of the consortium. Examples of this are a Lead Member increasing its insurance costs, financing an external Bid Director and/or Project Manager for the Consortium.

Figures 13.1 and 13.2 have been abstracted from the extended enterprise costing manual. Figure 13.1 illustrates how a traditional cost plus model used in Prime Contracting amplifies each Tier's overheads. Figure 13.2 shows how good quality collaboration and cost transparency within a consortium can produce the same project or service at a more competitive end price for the buy side as well as make significant savings. This gives the best value for money and sustainability for all. Hence open book on collaborative costing for your consortium should give you commercial advantage for Lowest Price Conforming and MEAT based tenders, providing you can satisfy the assessment criteria in the MEAT weighting.

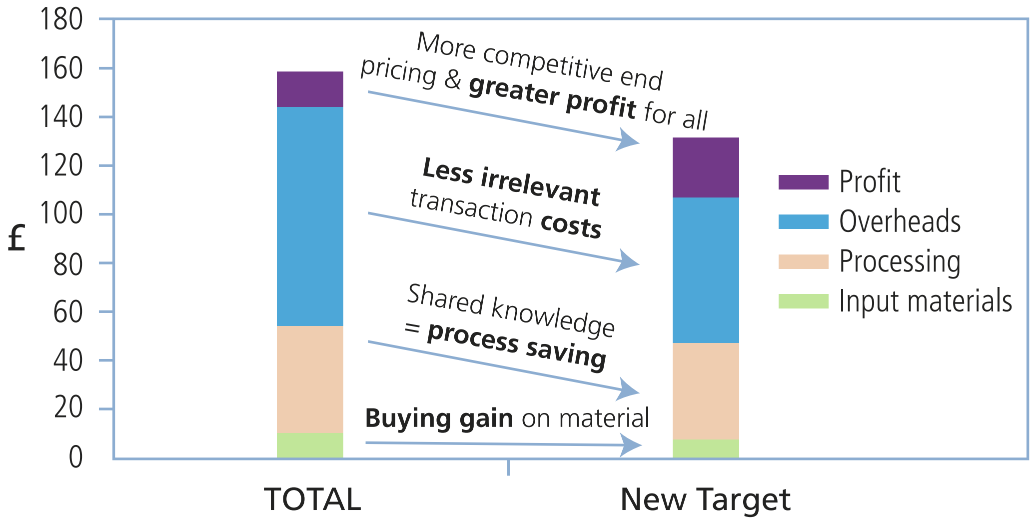
Figure 13.1– Amplification of cost and overheads in a multi-tiered Prime Contract



1. As we **SELL** through the supply chain each company attracts significant **TRANSACTION COSTS** onto a basic component.
2. A company's output **PRICE** becomes the next company's **INPUT COSTS**.
3. Added value i.e. **PROCESSING** onto the original component can be **MINIMAL**.
4. Look at the equivalent **TOTAL**.

[4] You should only try to get full recovery for all your support staff, premises and costs from the Consortium where they are all needed for delivery. Consortium working should increase your members' capacity utilisation with many overheads already covered at the breakeven point. You can then move towards a marginal costing approach.

Figure 13.2 – Four Key Areas of Cost Efficiency from Consortia Working



13.3 Pricing for Market Driven Target Costing

This is a specialist area and you may need external advice on how to do this. The full variant of Target Costing is termed Market Driven Target Costing. It has many advantages because it represents the voice of the customer in establishing a market driven price and engages your consortium through working together to achieve competitive pricing, costing and a sustainable profit/surplus. Target costing is a profit/surplus and cost management process based on six key principles:

1. Price led costing;
2. Customer focus;
3. Focus on design of products and processes;
4. Cross-function teams such as the Consortium's Members;
5. Life-cycle cost reduction; and
6. Value chain involvement. The Consortium's full delivery configuration including the Members' suppliers and the Consortium's end users/customers.

To succeed it needs to draw on all six principles – it is not a 'pick and mix' approach. One of the top teams working in this area is the US based Consortium for Advanced Management – International (CAM-I) and its definition is as follows[5].

[5] Target Costing – The Next Frontier in Strategic Cost Management (1997), Ansari, Bell and the CAM-I Target Cost Core Group of industry practitioners.

> *"The target costing process is a system of profit planning and cost management that is price led, customer focused, design centred and cross-functional. Target costing initiates cost management at the earliest stages of product/service development and applies it throughout the product/service lifecycle by actively involving the entire value chain"*

13.3.1 Price Led Costing

The main principle here is that the market price determines the target cost. This can be stated as a simple equation:

Target Price = Target Cost + Target Profit/Surplus.

Therefore:

Target Cost = Target Price (determined by the market or buy side) – Target Profit/Surplus

The profit or surplus is determined by the financial requirements of the Consortium for its relevant sector.

13.3.2 Customer Focus

The whole concept is market driven and uses competitive intelligence and customer inputs rather than the traditional accounting and engineering cost plus model. There is a strong pull on value management and value engineering processes to define a hierarchy of customer needs to wants. Therefore always cost what is needed ahead of what is wanted.

In line with the 'fair price with no subsidy' statement in 13.1 above, your consortium's project or service features and deliverables can only be incorporated if the customer is willing to pay for them. Additional features must provide additional benefits to enhance the Customer's Value for Money. If it is needed and it costs you, do not give it away for free. If is not needed then do not cost it into the Consortium's estimate; you will not be competitive.

13.3.3 Focus on Design

It is essential that cost competitiveness is designed into your consortium's products, projects or services at the earliest concept stages. Project and service designers need to thoroughly examine the full impact of their decisions on technology and the proposed delivery process. Indeed, all design or delivery decisions should be passed through a customer impact assessment on value, prior to being incorporated into the final offer.

13.3.4 Cross Functional Involvement (The Consortium's Members)

It is essential to involve all your relevant consortium members in developing a full target cost, to avoid problems with later changes. This also reduces the need for estimate reviews on cost grounds. It enables the delivery processes to be more effectively planned. There needs to be a 'champion' within your consortium to ensure continuity and consistency of evaluation on cost. This is usually the Bid Director and the mantle is passed to the SER or Project Manager when you win the contract.

13.3.5 Lifecycle Orientation

In December 2012 the Welsh Government's new Procurement Policy stated that:

Economic, Social and Environmental Impact – *Value for Money should be considered as the optimum combination of whole-of-life costs in terms of not only generating efficiency savings and good quality outcomes for the organisation, but also benefit to society and the economy, whilst minimising damage to the environment*.

With increasing pressure on organisations to assess the whole-of-life cost of their products, including ultimate disposal, it is important to cost the impact of both maintenance and disposal into the target cost estimate. For example:

- EU policies on environmentally friendly fridge and car disposal impact on the manufacturing sector; and
- The significant costs now involved in decommissioning UK nuclear power stations are evidence of a poor understanding of whole-of-life costing by the designers and former owners of these assets. Nuclear decommissioning has now become a multi-billion pound legacy challenge for the UK government.

The drivers here are to minimise the total cost of ownership, from the customer's perspective, and to take the full design, build maintain and disposal costs on board at the concept stage. It is important to explain how and why you are estimating these costs in your bid to ensure the buy side is comparing bids effectively.

13.5.6 Value Chain (VF) Involvement

In a well run Prime Contracting configuration, target costing would involve the supply chain helping to share the burden on component cost savings 'vertically', as part of a collaborative approach. A consortium seeks to extend involvement horizontally amongst its members, with the facilitation of the Bid Director and Senior Executives responsible for each member.

Japanese firms sometimes have cross ownership and board representation in their suppliers and customers to gain greater commitment and understanding of each others' businesses. A well run consortium simulates this via its Collaboration Agreement with: good corporate governance; well-constructed 'rules of membership'; openness; trust and transparency; equitable risk and fair reward. Therefore trust and willingness to share process and technical knowledge are essential.[6]

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[6] Clause 8 of BS 11000-1:2010 emphasises the important of joint value creation and sharing good practices for the benefit of all the Consortium's members.

13.6 Activity Based Costing

Sometimes the buy side request a detailed activity breakdown and cost estimate by staff grade and input costs. If your team has the time, and the Bid Director the capability, a good quality alternative estimating approach is to prepare it within good project management software[7]. The advantages of building your estimates within such software are:

- Testing whether key resources are over committed;
- Defining 'nested' activities into Work Packages;
- Building the linkages between work package from predecessor end time to new activity start time;
- The ability to flex the model with cheaper resources, possibly working more days, as an alternative option;
- The ability to show your detailed project work plan and sub-costs to the buy side including work package costs; and,
- The capability with minor adjustments to handover to the implementation team when your consortium wins the contract.

13.7 Summary

At the headline level your Bid Director/Manager will be reviewing all the relevant costs and working with each member and your consortium's leadership to prepare a master cost and pricing schedule.

To help you, a costing template for a basic consortium configuration with three members is given in Table 13.1. You should review this and adapt it for your own purpose using the template provided in Annex A.

In summary, good quality estimating is based on accurate costing processes and so members need to understand their cost base. Not every cost is likely to be relevant to your consortium and this will emerge when you work through your cost build ups.

[7] This was described in Chapter 9 section 9.1.

Table 13.1 – Cost Template for a 3 Member Consortium where mark ups are agreed

Item	Rate £	Consortium Item Cost £	Member 1 Sub-total £	Member 2 Sub-total £	Member 3 Sub-total £
Relevant purchases	At input purchase cost	A(t)*= A1+A2+A3	A1	A2	A3
Direct labour	At direct labour cost per day	B(t)*= B1+B2+B3	B1	B2	B3
Project/Service Management	At direct labour management cost per day	C(t)*= C1+C2+C3	C1	C2	C3
Indirect allowances on purchases	At a Consortium agreed mark up % (or rate)	D(t)*= D1+D2+D3	D1	D2	D3
Indirect allowances for managing labour	At a Consortium agreed mark up % (or rate)	E(t)*= E1+E2+E3	E1	E2	E3
Indirect allowances for Project/Service Management	At a Consortium agreed mark up % (or rate)	F(t)*=F1+F2+F3	F1	F2	F3
Other Consortium agreed indirect allowances	At a Consortium agreed mark up % (or rate)	G(t)*=G1+G2+G3	G1	G2	G3
Agreed expenses and disbursements	At Consortium agreed rates	H(t)*=H1+H2+H3	H1	H2	H3
Bid preparation costs	At Consortium agreed rates	I(t)* = I1+I2+I3	I1	I2	I3
Member Risk Allowance	As defined in Member Risk Plan	J (t)* = J1+J2+J3	J1	J2	J3
Member level financing and insurance costs	As agreed in the Consortium Management Plan	K(t)*= K1+K2+K3	K1	K2	K3
Other required membership costs	At Consortium agreed rates	L(t)* = L1+L2+L3	L1	L2	L3
Sub Total		M(t) * = Sum A(t) to L(t)	M1= Sum A1 to L1	M2= Sum A2 to L2	M3= Sum A3 to L3

Item	Rate £	Consortium Item Cost £	Member 1 Sub-total £	Member 2 Sub-total £	Member 3 Sub-total £
Agreed Consortium Members' mark up	**X%** as agreed in the Consortium Management Plan	N (t) = M (t) times X%	N1 = M1 times X%	N2 = M2 times X%	N3 = M3 times X%
Member Level Prices		= M (t) + N (t)	M1+ N1	M2+ N2	M3+ N3
Consortium Level Costs					
Consortium Set Up Costs	At cost (to be reimbursed to pre formation funding Members)	O			
Consortium Level Risk Allowance	As agreed to be pooled in the Consortium Level Risk Plan	P			
Consortium Level Financing Costs	At financing or commercial bond rates (if applicable)	Q			
Other required Consortium Costs	As agreed in the Consortium Management Plan	R			
Consortium Level Cost Sub Total		S (t) = O+P+Q+R			
Any Required Consortium Level Mark Up	**Y%** As agreed in the Consortium Management Plan	T(t) = S(t) times Y%			
Consortium Total		**= M(t) + N(t) + S(t) + T(t)**			
Notes: A(t)* means the total of each members costs = A1 + A2 + A3					

Annex A – Consortium Estimating Template

Item	Rate £	Consortium Item Cost £	Member 1 Sub-total £	Member 2 Sub-total £	Member 3 Sub-total £
Relevant purchases	At input purchase cost				
Direct labour	At direct labour cost per day				
Project/Service Management	At direct labour management cost per day				
Indirect allowances on purchases	At a Consortium agreed mark up % (or rate)				
Indirect allowances for managing labour	At a Consortium agreed mark up % (or rate)				
Indirect allowances for Project/Service Management	At a Consortium agreed mark up % (or rate)				
Other Consortium agreed indirect allowances	At a Consortium agreed mark up % (or rate)				
Agreed expenses and disbursements	At Consortium agreed rates				
Bid preparation costs	At Consortium agreed rates				
Member Risk Allowance	As defined in Member Risk Plan				
Member level financing and insurance costs	As agreed in the Consortium Management Plan				

Item	Rate £	Consortium Item Cost £	Member 1 Sub-total £	Member 2 Sub-total £	Member 3 Sub-total £
Other required membership costs	At Consortium agreed rates				
Sub Total					
Agreed Consortium Members' mark up	**X%** as agreed in the Consortium Management Plan				
Member Level Prices					
Consortium Level Costs					
Consortium Set Up Costs	At cost (to be reimbursed to pre formation funding Members)				
Consortium Level Risk Allowance	As agreed to be pooled in the Consortium Level Risk Plan				
Consortium Level Financing Costs	At financing or commercial bond rates (if applicable)				
Other required Consortium Costs	As agreed in the Consortium Management Plan				
Consortium Level Cost Sub Total					
Any Required Consortium Level Mark Up	**Y%** As agreed in the Consortium Management Plan				
Consortium Total					
Notes: A(t)* means the total of each members costs = A1 + A2 + A3					

14. Documentation

This chapter will highlight key aspects of your bid documentation focusing on the additional considerations you have working as a consortium on your bid. The tender documents you received should specify what is required.

14.1 Bid Direction

In the Bid No-Bid Assessment Templates contained in Annex A of Chapter 9, Key Area 2 asked 5 important questions on Bidding Resource Availability:

- **15** Does the Consortium have a Bid Director qualified to manage this joint bid?
- **16** Can we deliver the final project without new Consortium members?
- **17** Can these new members be recruited in time?
- **18** Do we have sufficient resources and team budget available to bid?
- **19** Can we prepare a professional bid in the time allowed?

So by now your members should have agreed who has overall responsibility for the design, logistics and direction of your consortium's bid. That person will be responsible for the overall production, management and collation of your bid. This is a key role. It requires skills in planning, writing, estimating, project management, good time management and team leadership to ensure the best quality bid is prepared in good time.

14.2 Bid Plan

It is recommended your Bid Director/Manager prepares a bid plan as soon as possible after appointment. A bid plan outline may even have been drafted by the initiating member's leaders in order to complete the Bid No-Bid assessment. If it has been, you will need to check it for any omissions. Good practice is to plan the bid as a project in itself. For example:

1. Work out the key bid activities.
2. Draft the sequence of events and interdependencies.
3. Agree which person from which member is preparing each section of the bid: the main text, the supporting information, the cost estimate and agreeing the final pricing.
4. Assess the risks for delays and allow any time float if needed.
5. Set the milestone meetings – team briefings, stage meetings, Consortium Review, final check and time for printing or electronic collation, signing off and submission.
6. Publish this as a bid plan, get it distributed to the Leaders of your consortium and any staff delegated to help you. Bidding is a team effort and requires good communication as well as management.

Start with the End In Mind. Item 5 on the above list drives the bid plan. This means you need to work backwards from the submission date. If the bid needs signatures from the Consortium's Leaders get the final signature date in the diary and allow time for copying, printing, binding and delivery before the tender deadline if hard copies have been requested. Work backwards from that date. Table 14.1 has detailed working example.

Table 14.1 – An example of a Bid Plan for a Large Opportunity working as a Consortium

Activity	Who	What	Where	By When
Delivery	Courier	4 copies* + CD*	Cardiff	28/06/13
Printing	Bid support	4 copies* + bind	Bangor	26/06/13
Burn CD	Bid Manager	CD* (full copy)	Bangor	26/06/13
Sign off	Consortium	Final bid docs*	Bangor	24/06/13
Final checks	Bid Manager	Submission	Bangor	20/06/13
Approval	Consortium	Final draft	Phone meeting	19/06/13
Send final draft	Bid Manager	E mail of draft	Member sites	14/06/13
Collate draft	Bid Manager	All documents	Bangor	13/06/13
Pricing	Consortium	Estimate + plan*	Bangor	11/06/13
Receive drafts	Bid Manager	Section drafts	By email	11/06/13
Cost build up	Members	Excel model*	By email	07/06/13
Resourcing	Members	Project Plan*	By email	06/06/13
Project Plan	Bid Manager	Excel template*	Bangor	04/06/13
Risk review	Consortium	Risk plan*	Phone meeting	03/06/13
Case studies	Members	References*	From customers	03/06/13
Get insurance	Lead Member	£5m cover*	By email	03/06/13
Workshop	Consortium	Project Outline	Wrexham	31/05/13
Plan workshop	Lead Member	Documents	Wrexham	29/05/13
Allocate writing	Bid Manager	Sections	Member sites	03/06/13
Cost rates	Members	Work package	Member sites	27/05/13
Excel model	Bid Manager	Cost model*	Bangor	23/05/13

Activity	Who	What	Where	By When
Consortium plan	Lead Member	**Document***	Wrexham	23/05/13
Study brief	Members	Analyse inputs	Member sites	21/05/13
Finalise team	Lead Member	Consortium	Wrexham	20/05/13
Receive offers	Lead Member	**Agreements***	Wrexham	20/05/13
Configure	Potential team	Meetings	Various	16/05/13
Bid No Bid	Initiator	**Agree to Bid***	Wrexham	10/05/13
Assessment	Initiator	Review docs	Wrexham	10/05/13
Get documents	Initiator	**Register***	e-portal	09/05/13
See advert	Initiator	Sell2Wales	e-portal	09/05/13
Place advert	Buy side	Sell2Wales	e-portal	07/05/13
*** In this case these are the critical documents to prepare this bid.** There may be others required by the Customer such as ISO certificates, accounts, policies etc Build a list urgently, especially where you need to collate information from your members.				

When you have assembled your deadline based plan, reverse the activity order. You now have the activity completion dates in chronological order. Add in the duration for doing the activity. This gives your latest start dates for each activity. There are two templates at the end of this chapter. Table 14.2 allows you to 'work backwards' and includes a section to list critical documents. Table 14.3 allows you to reverse the sequence. Add your latest start date and any key comments. This is a master plan for your joint bid, agree it and distribute it.

Table 14.2 – Template for Completing Your Bid Activities

Activity	Who	What	Where	By When
Critical Documents (list them and highlight above with a *)				

Table 14.3 – Template for Your Bid Plan

Activity	Who	What	Start By	Needed By When
Comments Approved By: Date:				

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15. Review and Submission

15.1 Review

The Consortia Bid Review is a critical stage in your joint bidding process. The goal of the review is for each of your member's Senior Executive Responsible (SER) or his/her delegated replacement to agree the Consortium's bid.

15.1.1 Timetabling an effective review

The review countdown starts with the pre-circulation of the final draft documentation. The final stages of the bid process for the Chapter 14 example the timetable are in Table 15.1.

Table 15.1 – The Final Stages of the Bid Process abstracted from Chapter 14

Activity	Who	What	Where	By When
Pricing	Consortium	Estimate + plan*	Bangor	11/06/13
Collate draft	Bid Manager	All documents	Bangor	13/06/13
Send final draft	Bid Manager	E mail of draft	Member sites	14/06/13
Approval	Consortium	Final draft	Phone meeting	19/06/13
Final checks	Bid Manager	Submission	Bangor	20/06/13
Sign off	Consortium	Final bid docs*	Bangor	24/06/13
Submission Preparation				
Burn CD	Bid Manager	CD* (full copy)	Bangor	26/06/13
Printing	Bid support	4 copies* + bind	Bangor	26/06/13
Delivery	Courier	4 copies* + CD*	Cardiff	28/06/13

Assemble and collate all your documentation. This worked example shows that it takes time to assemble the final cost estimate, project plan and to collate the final draft documentation. In the example, it takes 4 working days (11th to 14th June 2013).

Pre read all the documentation. The Consortium Members were emailed the final drafts of all the documentation required for approval on 14th June 2013 and given reasonable time to read it before the telephone review meeting on 19th June 2013. In this case there was a weekend and 2 working days to study the documentation, mark up any recommended changes and sign off on key sections.

15.1.2 Review Meeting

Attendance. The SER from each member attends the Consortium review meeting. This example uses a tele-conference. Many ICT systems now offer the capability for a lead party in a video-based teleconference to show key documents on remote computer screens. However, if time allows it is preferable to meet as a team. In the example the Bid Manager did a great deal of work with the Consortium members to ensure there should be no late surprises.

Agenda. Where there are many parties in a review meeting it needs a detailed agenda and excellent chairmanship. The goal is to highlight any major issues that have emerged in the individual member reviews. This is best done in one of the following ways:

- *Sequentially.* Follow the sequence of documentation needed to be submitted, and use internal back up documentation as support for the discussion. This is the best approach where there are few issues to resolve. It is typical of a well prepared bid.
- *Member Prioritised.* The Chairman asks for a 'show of hands' to establish the collective members' concerns, using the master documentation sequence. S/he then chairs the review based on the members' prioritised concerns. This is more efficient where there are still major issues to be finalised. However, the approach is more appropriate for an interim review/workshop rather than a final review meeting. With an approaching submission deadline, there may be little time to make significant changes and another 'emergency' meeting may be needed.

In the worked example from Chapter 14, there was a series of critical documents. These are classified into: client required; consortium required; and member required in Table 15.2.

Table 15.2 – A typical Document Check List (template supplied)

Client Required	Consortium Required	Member Required
Registration	Lead member registration	
	Completed Bid No-Bid form	
Consortium's structure	Consortium Agreement	Membership Agreement
	Consortium Plan	
Required Insurance	Lead insurance cover	Member insurance cover
References	Consolidated references	Member references
Master risk plan – preferable	Consortium Risk Plan	Member specific risk plan
Project Plan	Master project plan	Work package plans
	Consolidated costs	Member cost work ups

Client Required	Consortium Required	Member Required
Priced schedule	Master priced estimate including agreed mark ups	Member priced packages
Resourced and priced project plans with contingencies	Approved and resourced estimate with consortium level agreed contingencies	Agreed, resourced and priced member estimates with any delegated contingencies agreed by the Consortium
Required policies	Consortium based policies or member based alternatives where acceptable	Compliant policies
Methodology	Methodology/plan	Work package methodology
Any remaining required documents	Any remaining project specific documents	Any other documents needed to support the bid
Signed Off Documentation		
Signed bid, priced estimate, form of tender and agreement to terms	Final checked consortium document packs	Copy of final checked packs

15.2 Submission Stage

When this bid review process is completed there is likely to be a consortium delegated signatory, sometimes with a witness to sign the actual submission documents.

Submission is an important stage of the bid process for your consortium. It is increasingly via the registration e portal and needs to comply with very detailed instructions. Submission needs careful attention to detail using a final checklist agreed by the Lead Member, on behalf of your consortium, then cross checked by the Bid Manager and support team.

Table 15.3 has some of the main items to consider in the worked example. It is critical that you prepare your submission master checklist well in advance of the last week of the bid.

Table 15.3 – A typical submission checklist for a Consortium Bid (template in Annex A)

Item	Responsibility	Completed
Registration	Lead Member	Yes
Consortium's structure	Bid Manager	Yes
Required insurance	Lead Member + Members	Yes
References	Lead Member + Members	Yes
Master risk plan - preferable	Lead Member + Bid Manager	Yes
Project plan	Bid Manager	Yes
Priced schedule	Lead Member + Bid Manager	Yes
Resourced and priced project plans with contingencies	Lead Member + Bid Manager	Yes
Required policies	Lead Member + Members	Yes
Methodology	Lead Member + Bid Manager	Yes
Any remaining required documents	Lead Member + Members	Yes
Signed off tender and estimate	Lead Member, post review	Yes
Arrange courier	Bid Manager	Yes
Scanning and consolidation onto CD folder	Bid Support Team	Yes
Cut and check CD	Bid Manager	Yes
Print and bind 4 copies	Bid Support Team	Yes
Complete instructions regarding tender envelope	Bid Manager	Yes
Final check through	Lead Member + Bid Manager	Yes
Seal and send via courier	Bid Manager	Yes
Ensure delivery with receipt	Bid Manager	Yes

15.3 Summary

The review stage is all about getting consensus from your consortium's membership on consistency in costs and prices, methodology, potential work allocation and the project delivery plan.

Collaborating as a high performing team is essential with open and trusting behaviour.

In order to submit a good quality compliant joint bid, your Lead Member and Bid Manager have a lot to do post review. All your SERs and members need to support them.

Annex A – Documentation Listing and Submission Checklist Templates

Template for Critical Document Listing

Client Required	Consortium Required	Member Required
Signed Off Documentation		

Template for Consortium's Submission Checklist

Item	Responsibility	Completed

16. Tender Analysis

Tender analysis is the generic term for the buy side's assessment of submissions. Sometimes you will have used the restricted tender process, with a separate prequalification stage for qualification and/or shortlisting of organisations to be invited to tender. Other times you will have used an open procedure. In this case your tender analysis includes the process for both selection and subsequent award to your preferred bidder.

16.1 Prequalification Stage

The SQuID[1] is a comprehensive guide to designing qualification questionnaires, based on an analysis of project risk, for the selection stage of each procurement. Some additional key points to consider that will better enable consortia to be successful at this stage were covered in: Chapter 2 Joint Bidding Policy; Chapter 3 Buy Side Preparation; and Chapter 4 Planning and Advertising.

16.2 Submissions

You will have your own general approach to managing submissions and assessing tenders. In Chapter 3 on Buy Side Preparation you were recommended to use the Procurement Assessment Model to evaluate whether consortia based bids were going to be welcomed. In Chapter 4 on Planning and Advertising you were asked to state that applications/bids from consortia would be accepted for the opportunity. You may not necessarily know if you are going to receive any bids from consortia, but you need to design your selection and award criteria, and any qualification criteria and thresholds in an equitable and 'consortia friendly' manner and share this information with all potential bidders. If you do not, you may be subject to subsequent challenge. Conversely, you must ensure that no special allowances are made which would favour a consortium bid over a bid from a single entity[2].

If financial standing formed part of a restricted procedure, and consortia were short listed to bid, you cannot re-introduce financial standing as a decision criterion at this stage[3]. This rule applies to all selection criteria, whether you are using an open, restricted or any other procedure. You can examine financial standing as a factor in an open tender, where the

1 The Supplier Qualification Information Database (SQuID) guidance notes and core questions offer comprehensive advice on consistent practices for the selection process. Consortia registration, selection and bids need to be fairly considered. Principle 5 of the Welsh Public Procurement Policy mandates the use of the SQuID approach and states that *public bodies should adopt risk based, proportionate approaches to procurement to ensure that contract opportunities are open to all and smaller, local suppliers are not precluded from winning contracts individually, as consortia, or through roles within the supply chain*.

2 Public Contract Regulations 2006, Regulation 4(3)

3 The case of Lancashire CC v Environmental Waste Controls Ltd (2011) highlighted the importance of ensuring that the selection and award stages are treated as two separate and distinct processes. Remedies in procurement law can be significant.

selection and award stages are carried out together. Refer to SQuID on the appropriate ways of ensuring that your mechanism for assessing financial standing will not automatically eliminate, or disadvantage, a consortium[4].

16.3 Evaluation Criteria

Lowest Price Conforming. If *lowest price conforming* is your advertised evaluation criteria, and a consortium has submitted the lowest, compliant tender, you are obliged to consider it as the preferred candidate for award. You will need to assess all the information it supplied in support of the bid such as its: project or service plan; methodology; resource schedule; risk plan and references. You can invite the Consortium in for interview and/or raise any valid questions about its tender. However, this is only for the purpose of an award viability check. You can have alternative bids in reserve, for procurement time contingency, but you cannot change the evaluation criteria at the analysis stage. The bidders will have priced against your specification and qualification criteria.

Most Economically Advantageous Tender (MEAT). This is a common method for evaluating submissions. It is the most flexible approach to adopt at the procurement design stage. MEAT essentially is assessing value for money, which may include lifecycle costing and criteria such as economic, social and environmental impact, community benefits, innovation and risk – where these are directly relevant to the contract. It is essential to include your evaluation criteria and your finalised marking system with the Invitation to Tender documents. Not doing so will leave you open to challenge.

MEAT using Target Pricing. If you have advertised for bids based on a budget ceiling you are asking for target pricing. Chapter 13 on Estimating and Pricing explains how a consortium could respond to target pricing.[5] The end result is you have driven all your bidders to tender within your advertised *budget ceiling*. In essence you are trying to abstract the maximum value for money and innovation from the bidding teams. You will have prepared your decision criteria in line with the MEAT approach and published them in your advert or Invitation to Tender, but there are additional evaluation challenges (which must also be considered and agreed up-front)[6]:

- How will you fairly assess innovation and value over and above the basic specification? This is not easy to do even by specialist service owners.
- How will you fairly evaluate a consortium bid in comparison to a prime contracting offer, where the latter has yet to configure and assemble its supply chain? Will the consortia be allowed the same leeway?

4 The SQuID February 2012 assessment and questions sets are being updated to include advice on consortia financial standing.

5 Target Costing – The Next Frontier in Strategic Cost Management (1997), Ansari, Bell and the CAM-I Target Cost Core Group of industry practitioners. It is recommended that you read Chapter 13 to appreciate the process and how a consortium could assemble its cost and price.

6 See https://www.buy4wales.co.uk/PRP/general/planning/awardcriteria/index.html for more information.

- How might you handle a consortium bid that meets all your specification criteria, offers you innovation, sustainability and community benefits (where these are relevant to the contract) over and above a larger entity for a similar target price?[7] How might you choose between different consortia?

16.3.1 Risk assessment and management within the evaluation process

For many projects is it advisable to have a contingency for buy side management supervision and risk over and above your advertised budget ceiling. Chapter 12 on Risk Planning recommended preparing a Master Project Risk Plan. It is best practice to integrate your own risk assessment and mitigation plans with those of the successful tenderer, including consortia.

Historically one of the major areas of concern expressed by consortia and small entities is getting an equitable analysis and assessment of consortia based risk by procurers[8]. Professional planning, transparency and analysis by both parties are all important in overcoming perceived risks:

- **Professional Planning.** Chapter 12 on Risk Planning recommended the bidding team creates a Project Risk Register and consortium level Risk Plan. It also recommended that your service owner and procurement team work towards creating a Master Project Risk Plan that can incorporate joint bidding and delivery.
- **Transparency.** Chapter 13 on Estimating and Pricing recommended that a consortium identified risk contingencies at both the member and consortium level. Combining the two created a total Consortium Risk Allowance.
- **Analysis.** It was also recommended that a consortium highlight this risk allowance within its bid to allow you to fairly appreciate and analyse its risk approach.

Subsequently there are two possible outcomes from your initial assessment on consortium risk:

- **Good risk planning** by a consortium; or
- **There are gaps** but the offering is still competitive.

Good risk planning by a consortium. Here the Consortium's bid is competitive, its risk plan is well prepared and its proposed risk allowances and/or contingencies are acceptable. The Consortium's risk plan dovetails well with yours as the buy side. In this situation you cannot objectively use perceived joint bid-based risks as a reason against awarding the contract to the Consortium. Project risks have been analysed, planned, mitigated and/or absorbed.

[7] Principle 5 of the 2012 Welsh Government Procurement Policy.

[8] In its knowledge summary paper on the Use of Small Suppliers, the Chartered Institute of Purchasing and Supply (CIPS) states that *'risk is not synonymous with small and the CIPS encourages purchasing and supply management to be less risk averse, especially in placing business with small suppliers'*.

Risk gaps but a competitive bid. Here you perceive that there are gaps within the Consortium's risk plan that are not adequately covered within its allowances and/or contingencies but it is still the most competitive bid. With additional contingency the Consortium's proposed risk plan will dovetail with your own. You should not be afraid to ask bidders to clarify what is in their proposal and provide you with further information, as set out in Regulation 26 (refers to Regulations 23-25)[9]. However, whilst the procurement is underway your options for "negotiation" are limited, as this could lead to a claim of unequal treatment from other bidders. It is important to note that any clarifications at the end of the process should be minor in nature and should not fundamentally affect the outcome of the tender process.

16.3.2 Bidders' Policies

The SQuID guidance encourages procurement staff to think carefully about whether to ask bidders for copies of their policies in relation to procurement and other related issues. You should consider what you intend to do with any policy you have requested – if a policy is not going to be read and assessed it is arguable that you should not be seeking a copy.

The requirement to prepare and manage an organisation's policies is often dependent upon its size and legal constitution. The SQuID guidance will help, but, for example, for smaller and lower-risk contracts you may not need to ask for policies on: Welsh language unless this relates to end user delivery in line with regulations; quality management and certifications; and environmental management systems. All suppliers should have Health and Safety Policies with appropriate accountability and record.

For a consortium bid it may not be necessary for all consortium members to have policies in place. The key points for evaluating a consortium bid are:

- Which policies do you need at the consortium level?
- If policies are needed, are you prepared to let a member take the lead on this area on behalf of the consortium?
- How will you expect policy compliance to be co-ordinated within the consortium?
- Which policies will you need from every consortium member?
- Are the consortium's proposals on policies acceptable? If not why not?

If you are aware that a consortium will be bidding for your contract, discuss these issues with them in advance. If required bidders could be asked, instead, to prepare and implement policies as part of the award requirements. Be careful using policies as grounds for rejection in case it is classed as unfair on review.

[9] Public Contract Regulations 2006, Regulation 26.

16.4 Summary

Chapter 16 has given you recommendation on how to prepare for and analyse consortia based bids. It highlighted that many of the perceived challenges are manageable. It also explained that care is required in planning your assessment criteria and weighting systems used to grade the bids. This was covered in Chapter 3 on Buy Side Preparation and in the SQuID Part 2 recommendations.

You can better plan and manage for joint bids by understanding risk as a shared system between the buy and supply side. In line with Welsh Public Procurement Policy Principle 5 – *Open, Accessible Competition*, well planned consortia-based bids that meet your requirements should be welcomed by you as procurers and decision makers.

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17. Presentation and Clarification

This chapter is designed to help both the buy and sell side with interviews and contract clarifications.

17.1 Interviews

Sometimes there is a short list of potential candidates invited to a selection panel interview. The main purpose of the interview is for the buy side to ask relevant questions and to allow the supply side to present their bid face to face. Interviews are often used for helping with selection on larger bids. There will be project specific questions which are beyond the scope of this handbook to cover. The main consideration is how to handle questions relating to consortia based bids and delivery.

17.1.1 Buy Side

It is important that you are fair in your questioning. You need to ask your questions in a neutral style that could be answered by any form of bidder. For example:

Question Set 1 is neutral and could be asked of any bidder.

- Please can you explain how you will lead and manage the project?
- How will you deal with communication and documentation?
- Please can you tell us about your team's experience in……?
- How will you deal with Client feedback?
- Please can you highlight the main risks you envisage in delivering this project?
- How will you handle any legacy matters after the contract is completed?

Question Set 2 is a variant of the same questions. However, these questions are inappropriate because they indicate a potential bias against joint bids.

- As a consortium who is specifically responsible for leading the project?
- How will you deal with communication/documentation with so many parties?
- Which of your members completed which of your reference projects?
- If we have an issue with the performance of a single member, how will your consortium deal with this? What internal sanctions are in place?
- Can you take us through the additional risks you appear to have as a consortium?
- When you have finished and your consortium is disbanded can you tell us who is responsible for handling legacy matters?

The differences are small but are likely to result in lower marking by design, mainly around the perception of risk. You can work to the same set of acceptable answers by keeping the questions neutral. Do not indicate any negative bias or it may be referred to in a tender review. Consortia want a fair chance to compete for your work.

Just as in any procurement process, presentations should be treated in the same way as written tenders. Only those assessing tenders should be present, to avoid any leaking of information or conflicts of interest. Any "added extras" or requests for clarification should be treated in the same way as they would be if written down.

17.1.2 Bidding Side

You are going to need to demonstrate a high degree of cohesion during the interview. It is therefore essential that you prepare well as a team. You may have been asked to give a formal presentation with slides, and if so you will need to work out, for example, who will develop the content, how the information will be presented seamlessly and by whom. Rehearse, because at this stage you have done a lot of work together on the bid and already incurred most of your bid costs. Here are some points you should aim to explain in the interview:

1. Refer only to your consortium and/or its name unless asked member specific information.
2. Cover your delivery structure because you are likely to be asked about it.
3. If you are asked for member specific information, explain that you are working as an integrated team. Highlight how you are all contributing to that team. Do not digress into marketing your own organisation.
4. Ensure the team attending the interview has sufficient depth of knowledge to cover technical and delivery points on behalf of all the members who are not there.
5. If you cannot answer a question relating to another member's input, offer to get back to the panel in writing on that point. Never offer an answer if you do not know.
6. Be pre-emptive explaining about your consortium's processes, approach to project management and systems for control, such as how you will:
   a. Share information. For example, using an e-portal;
   b. Work to a common quality management system;
   c. Be collectively and individually accountable for quality;
   d. Manage customer communications;
   e. Hold weekly reviews on progress;
   f. Manage your consortium's risk register and plan;
   g. Use an escalation process for dealing with any Client concerns up to your consortium's Senior Executive level;
   h. Deal with third parties who are also involved with the contract, possibly using an e-portal;
   i. Deliver additional knowledge and innovation coming from your team's diversity;
   j. Support local sustainability and community benefits;
   k. Offer excellent Value for Money; and,
   l. Cut out irrelevant overhead costs with your flexible and delivery focused approach.

Use the interview to highlight the advantages you will have as a consortium. Head off any potential concerns by being open and straightforward. Never exaggerate your capability. Explain if you are able to add in other members to increase your consortium's capacity, as required.

17.2 Clarifications

Clarifications are usually a final stage of the whole tendering process. They are often used to finalise the contract on project plans, outcomes, delivery, milestones and deadlines, where time is a primary driver. It is important to note that any clarifications at the end of the process should be minor in nature and should not fundamentally affect the outcome of the tender process. Table 17.1 has some key items for clarification for both sides to consider. Note the similarities. Add to this joint checklist as needed, it is contextual.

Table 17.1 – Joint Clarification Checklist

Buy Side	Agreed?	Supply Side
Final price based on clear requirements		Final price including any risk contingencies
An agreed method statement		A clear approach to delivering the project or service than can be achieved on time and to specification
A clear specification on performance		A clear and agreed specification on performance
An acceptable timescale for delivery including any time contingencies		An agreed and achievable timescale for delivery including any time contingencies
End user performance measurement and acceptance criteria		End user performance measurement and acceptance criteria
A good quality agreed Master Project Risk Plan		A good quality Consortium Risk Plan that can be integrated into the agreed Master Project Risk Plan
Acceptable risk contingencies		Acceptable risk contingencies on behalf of the Consortium and the Members
Dispute resolution process		An acceptable approach to escalating any disputes, internally in the first instance
Client and supplier based constraints		Client and internal constraints that need addressing within the contract, especially time delays from the Client side
Penalties for non delivery or late delivery		Acceptable penalties for non delivery or late delivery when caused by the Consortium

Buy Side	Agreed?	Supply Side
Liquidated damages		Acceptable liquidated damages (or retention)
Long term liability if relevant		Which member has long term responsibility for support, where relevant
Confidentiality and redress		Confidentiality and redress
Intellectual property requirements (and why)		Intellectual property protection (and why)
Security arrangements		Security arrangements
Insurance cover		Insurance cover at the relevant levels
Payment phasing and cash flow		Payment phasing and cash flow
Project acceptance and sign off		Project acceptance and sign off

17.3 Summary

When you have reached an acceptable contract, the Lead Member and Bid Manager should put it to the Consortium for final agreement prior to signing the contract. Depending upon the legal form of joint working this could be a single *headline contract* with delegation or organisational level contracts for a *hub and spokes* model. It is good practice to prepare and agree a Project Initiation Document and hand it over to the delivery team and Service Owner for implementation. Work as a collaborative team to deliver a great project/service.

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18. Handbook Summary

This handbook on joint bidding for public sector contracts sets out to improve the collective knowledge and skills of both the buying and bidding side for projects and services.

It has taken both sides through the procurement cycle and explained what is required from whom and by when. The most important messages across the handbook are around the need for pre-planning and working to an appropriate time scale, to give both sides the best chance of success.

Joint bidding can deliver many opportunities for smaller organisations to collaborate on larger contracts. Accepting consortia based bids can help the buying side achieve excellent value whilst meeting many public sector policy objectives about maximising the social and economic benefits from spend.

Some of the historical perceptions of risk from joint bidding have been exaggerated. This handbook has demonstrated how methodical and systematic planning can overcome all the assumed risks and hurdles, for both sides.

Like all good handbooks, it will develop over time with more feedback from the procurement and bidding community. The key word is collaboration.

Working towards the principles of British Standard 11000-1:2010 Part 1 on Collaborative Business Relationships, supported by BS 11000-2:2011 Part 2 the Guide to Implementing BS 11000-1, will stand all parties in good stead for the future.

Understanding and complying with the December 2012 Welsh Public Procurement Policy and its 9 key principles will also improve joint working.

Joint working will enable Wales' public sector to achieve best value and sustain future jobs within the nation's smaller organisations.

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Glossary of Terms

Buy Side	Supply Side
Bid	The formal priced submission including a methodology, supporting information and any related contract matters.
Bid Director (Manager)	An executive charged with the responsibility and authority to project manage the bid process. The person needs a strong combination of interpersonal, time planning/management, financial/estimating, risk assessment, project planning, writing, editing and presenting skills to be effective. It is sometimes necessary to recruit the Bid Director (Manager) from outside of a consortium where there are resource or skill constraints or a degree of inter-organisational confidentiality is required.
Bid/No-Bid	The formal decision process recommended to the potential consortium by the SER or Bid Director (Manager) responsible for the initial bid assessment.
Bidder	The entity which submits the bid on behalf of a consortium.
Bidding Side (or Sell Side)	The team assembled to plan and eventually deliver the project/service if successful. The Bidding (Sell) Side will usually then become the Supply Side.
BS 11000-1:2010	The British Standard for Collaborative Business Relationships – Part 1: A framework specification. This is the world's first national standard for collaborative working and is used by leading public and private sector organisations to design, set up and manage high quality interdependent relationships. It uses an 8 stage process from planning to exit.
BS 11000-2:2011	The British Standard for Collaborative Business Relationships – Part 2: Guide to Implementing BS 11000-1:2010. This is a comprehensive handbook for designing and assessing each stage and clause of the British Standard.
Business Wales	This is the Welsh Government's service helping people to start, run and grow businesses. The element supporting businesses in bidding for public contracts, formerly the Supplier Development Service, includes Supplier Champions.
Buy side	A collective description of the organisation/s and people responsible for planning, initiating, procuring, assessing and/or managing the project being procured.

Buy Side	Supply Side
Charity	An organisation which exists to benefit the public in a way that the law agrees is charitable. Being a charity means having a distinct legal status, but charities can take a range of different organisational forms: for example, unincorporated association, trust, company or Industrial and Provident Society.
Collaboration Agreement	A formal agreement to collaborate to deliver a project or service. It is often included as part of the Collaboration (Relationship) Management Plan. It should contain aspects of governance, management, monitoring, sanction and exit.
Collaboration Maturity	Annex D of BS 11000-1:2010 uses 4 levels to define collaboration maturity from limited application (D), low level (C), medium level (B) and high level (A).
Collaboration Platform	The electronic or e-portal used to manage planning, delivery and documentation for a consortium. Platforms can be hosted within a member's IT system or externally using web based services.
Collaborative Working	Joint working by two or more organisations in order to better fulfil their purposes, while remaining as separate organisations. This is sometimes called Joint Working.
Community benefit clauses	A means of achieving sustainability in public contracts which includes targeted recruitment and training, small business and social enterprise development and community engagement.
Competition Law	In forming a consortium, organisations need to consider the requirements of competition law. For the UK, the Competition Act 1998 sets out precisely what public authorities and private sector organisations may not do, which is important in this context of collaboration.
Co-operative	A group of people or businesses working together for the benefit of all members. All profits or surpluses are either reinvested for future development or given back to the co-operative's members according to the proportion of business each does with the cooperative for that year.
Consortium	A team formally agreeing to manage a project when it has been awarded by the buy side. The structure of a Consortium can vary. It typically comprises one of the following: a hub and spokes approach, a lead contractor, a Special Purpose Venture (SPV) which could be a limited company or a Limited Liability Partnership, a co-operative, a Community Interest Company (CIC), or an alliance of freelance workers. Some of these forms may have charitable status.

Buy Side	Supply Side
Corporate social responsibility (CSR)	A form of self-regulation whereby an enterprise monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms.
Due diligence	The investigative steps taken to ensure an organisation is fit for business.
e-portal (also see Collaboration Platform)	A web hosted system with secure access that is used to manage and store information. The term can apply to the buy side's registration and procurement management system (e-procurement, e-registration, SQuID). It can equally apply to a consortium or members' on-line management system. E-portals operate in 'real time' i.e. there is no delay between upload and access, or access and download.
Hub and Spokes (delivery model)	A collaborative arrangement between sell-side organisations, which can present some challenges to both buyers and sellers in respect of UK Competition Law, where there is evidence of a monopoly or oligopoly which can be perceived as trying to reduce competition in the market.
Initiating Organisation	The organisation that initiates a potential consortium. This is not necessarily the same as the Lead Member.
Institute for Collaborative Working	This is the UK organisation that promotes collaborative working. Its 8 stage model known as CRAFT forms the basis of BS11000-1:2010.
Joint Bidding	Where two or more organisations work together to bid for the delivery of a project or service. This is sometimes called collaborative bidding.
Lead Member	The member who either 'fronts' the bid or takes the main responsibility for managing the bid and subsequent contract. This may not be the same as the Initiating Organisation. The Lead Member should be the one most capable of leading a consortium.
Market Driven Target Cost	A formal approach to assessing the cost required to deliver a project or service, after accounting for a planned profit or surplus.
Master Project Risk Plan	The integrated Risk Plan that incorporates the buy side and sell side risks. It is strongly recommended that a collegiate approach to risk planning is adopted for consortium working. A consortium may also be impacted by risks outside its or its Customer's control such as other contractors, weather, government policies, budget changes/cuts.

Buy Side	Supply Side
MEAT	Most Economically Advantageous Tender. This uses predetermined weightings to help in evaluating the submitted bids/tenders. The www.buy4wales.co.uk site has example templates.
Member	A member of a consortium.
Merger	Two or more organisations which formally combine to form one organisation.
Opportunity	The item or service being procured, as described to and by the parties preparing a bid.
Opportunity Assessment	The process of assessing whether the opportunity is suitable for a team to prepare a bid.
Outcome Based Specification	A specification based on the results or outcome of the project rather than the delivery process itself.
Partnership	A term that is widely used, but one which has profound legal implications. A legal partnership is created when two or more people work together with a view to making a surplus. The term is best avoided in situations where it might cause confusion.
PIN	Prior Information Notice. This is a formal advert placed typically once a year to inform prospective suppliers of the future intent to advertise for goods and services. It is recommended good practice for all opportunities over the EU procurement thresholds.
Policy	The stated formal approach to governance and management. This can be the policy of a buy side organisation: sustainability, economic, procurement, payment, HR, equal opportunities, health and safety, risk management for example. It can also apply to the supply side: quality management, environment, equal opportunities, HR, health and safety, risk management for example. A well written and executed policy is best practice.
Pre Formation	The stage of starting to build a consortium before the bidding entity is established. It takes time to go through both the formal and informal stages of forming a collaborative team. The chapter on Pre Formation and BS 11000-1 :2010 have more information.
Project Sponsor (Senior Responsible Owner Or Service Owner)	A Senior Responsible Owner (SRO) on the buy side, with the relevant levels of authority to initiate and direct a procurement request. The same person is usually the main point of contact for reporting on the project's progress and success. This is a key role.

Buy Side	Supply Side
Public Services (Social Value) Act	Under this Act, all public bodies in England and Wales are required to consider how the services they commission and procure might improve the economic, social and environmental well-being of the area.
Risk Allowance (or Risk Contingency)	The Risk Mitigation Measure Cost (MMC) times the probability of the risk occurring (P). This is sometimes termed the Risk Contingency. Therefore the contingency in £ = MMC x P
Risk Analysis (Risk Assessment or Risk Evaluation)	The identification, evaluation, and estimation of the levels of risks involved in a situation, their comparison against benchmarks or standards, and determination of acceptable levels of risk.
Risk Gate	A formal stage gate for evaluating the progress of risk management planning. It is typically linked to time and/or key stages of a bid's development such as whether to Bid or No-Bid. Different gates have different teams of people responsible for checking.
Risk Identification	The process of identifying risks.
Risk Impact	A form of assessment of the impact of a risk should it occur. Impact tables are typically on a logarithmic or geometric progression in severity similar to the Richter Magnitude Scale for earthquakes. A scale might be: 1,10, 30, 100, 1000, for example.
Risk Management Template	The basic risk management outline typically started in a word processor and/or a spreadsheet. This can be relatively simple for a low risk contract. Ideally it should adopt a standard approach that can incorporate joint working.
Risk Management Procedure	The formal published document for how a procuring organisation or consortium will handle its risks. This may be requested by the buy side or the sell side as evidence of a well managed organisation.
Risk Management Process	An agreed process for managing risk assessment, planning, mitigation etc.
Risk) Mitigation Measure Cost (MMC)	An estimate of the full cost of mitigation against a risk. Examples would be having back up computers, a spare or hired vehicle in the event of a breakdown, having to do re-work on a project stage, replacing staff who are ill or injured. Also see risk allowance.
Risk Plan	A document with supporting data such as the risk register and analysis that has the action steps needed to manage risks. It is a live document and gets updated as the project progresses, normally because the stage has been completed and/or the risk has occurred or been eliminated. Also see the Master Project Risk Plan.

Buy Side	Supply Side
Risk Ranking	The process of categorising risks in a consistent framework where high probability/high impact is at the top and low probability/low impact is at the bottom.
Risk Register	A formal document or database where the identified, evaluated and ranked risks are stored along with their proposed mitigation step and/or contingency.
Risk Response Plan	A plan to minimise the likelihood and impact of remaining risks which cannot economically or practically be avoided, transferred or otherwise prevented.
Selection Stage	The stage of selecting suitable organisations to bid for public sector projects and services. Selected parties are normally invited to tender i.e. they are prequalified or the selection stage is part of the open tender process.
Social Enterprise	A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.
Social Enterprise Champion	A senior figure within the procuring body with responsibility for ensuring the potential for social enterprise is maximised across the body.
Senior Executive Responsible (SER)	Senior Executive Responsible for consortium working within a member organisation. For the Public Sector body it is the Senior Responsible Owner (SRO), Service Owner or Project Sponsor. It is unlikely that this will be a member of the Procurement Team.
Social Return on Investment (SROI)	An approach to understanding and managing the value of the social, economic and environmental outcomes created by an activity or an organisation.
SPAF	The Sustainable Procurement Assessment Framework is a detailed self- appraisal of a Public Sector organisation's sustainable procurement capabilities.
Special Purpose Vehicle (SPV)	A delivery or management organisation created for a specific project. It is often structured as a limited company or limited liability partnership.
Supplier	An existing provider or manager of goods and/or services to the body commissioning and funding the project. Normally a supplier is registered and contracted as the principal body receiving payment.

Buy Side	Supply Side
Supplier Development	The professional support and improvement offered to current and prospective suppliers and consortia by the buy side, especially its Senior Procurement Executives. In Wales there is also a Supplier Development Service team.
Supply Side (also Supplier or Sell Side)	The parties who sell and supply services and/or products and respond to procurements placed by Buy Side.
Supported Business/ Supported Factory	Businesses which provide sustainable employment to people with a disability. To be classed as a supported business the organisation must have a workforce where at least 50 per cent of people are disabled.
Sustainable Procurement	Where organisations meet their needs for procuring goods, services, works and utilities in a way that achieves value for money by generating benefits not only to the organisation but also to society and the economy, whilst minimising damage to the environment.
SQuID	Supplier Qualification Information Database. A list of agreed standard common core questions for use at the pre-qualification or selection stage of a procurement. It is also the system for registering and collating data on potential suppliers prepared for the Welsh Government and public bodies in Wales. It contains a risk-based tool for buyers on choosing the most appropriate questions for each procurement.
SWOT	A formal approach to mapping (internal) strengths and weaknesses and (external) opportunities and threats. Often used in strategic or marketing planning. SWOT analysis is the process for identifying how to exploit strengths and opportunities and overcome weaknesses and threats.
Value for Money (VfM)	The optimal use of resources to achieve the intended outcomes based on economy, efficiency and effectiveness. Principle 3 of the 2012 Welsh Procurement Policy includes whole-of-life costs and benefits to society.
Value Wales	Value Wales is the Welsh Government's unit charged with helping the public sector to make the most of resources through procurement.
Virtual Enterprise	A group of enterprises that collaborate together to take advantage of shared expertise, resources and/or infrastructure. As communications systems and technology progresses Virtual Enterprises will become more prevalent. A Virtual Enterprise still needs a contracting structure to legally engage with a customer. Teams of web designers and IT specialists often work as Virtual Enterprises.

Buy Side	Supply Side
Wales Co-operative Centre	The Wales Co-operative Centre delivers a range of projects and initiatives to promote social, financial and digital inclusion across Wales. The Centre’s Business Succession and Consortia Project team works to maximise the potential for businesses to contribute to economic growth and sustainability through the establishment of co-operative consortia.
WCVA	The Wales Council for Voluntary Action is the voice of the Third Sector in Wales, representing and campaigning for voluntary organisations, volunteers and communities.

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Appendix A – Further Reading

Article Title	Summary
A review of collaborative procurement across the public sector, May 2010	UK National Audit Office's survey of 33 major suppliers reviewing the cost, effort and duplication of activity in major procurements.
ADDING VALUE II: Showcasing examples of good practice in procurement and delivery, 2010	Welsh Assembly Government paper highlighting some of the work being undertaken by public bodies across Wales to improve the delivery and performance of public services.
Aggregation: Is bigger always better? 2006	Advice on the advantages and challenges inherent in aggregation. Published by the UK Office of Government Commerce.
Barriers to Procurement: Opportunity Research Report, 2009	Review of procurement practices in Wales prepared for the Welsh Government's Value Wales team.
BS 11000-1: 2010 Collaborative Business Relationships – Part 1: A Framework Specification.	The world's first national standard on collaborative working. The standard is being increasingly used by major public and private sector procurers.
BS 11000-2: 2011 Collaborative Business Relationships – Part 2: Guide to Implementing BS 11000-1	Handbook for implementing the UK standard for collaborative working. It contains examples and recommendations.
CIPS Knowledge Summary on Supplier Development	CIPS recommendations published as part of the CIPS Knowledge Works series.
CIPS Knowledge Summary on the Use of Small Suppliers	CIPS recommendations published as part of the CIPS Knowledge Works series.
Collaborate Worksheets, HACT	A series of eight worksheets which draw on the learning from Collaborate, HACT's year-long project working with six partnerships pioneering different collaborative approaches to bidding for Supporting People contracts.
Collusion or Competition? Oct 2012, Roberts J	Paper discussing some of the potential challenges with the hub and spokes delivery model.
Delivering social benefits through public procurement: A Toolkit, 2010	Investment Strategy Northern Ireland document.

Article Title	Summary
Effective Partnering: An Overview for Customers and Suppliers 2003	UK Office of Government Commerce guidelines on how to procure, set up and manage alliance based working. Focus is on the public to private sector relationship. It refers to using a single risk register, open book accounting and a shared project budget.
Guide to Collaborative Working: Supply Management Guide Nov 2010	An overview of some of the concepts behind BS 11000-1:2010 written for procurement executives.
Guide to the Changes introduced by the New Procurement Directive, 2006	Guide to the Changes introduced by the New Procurement Directives 2006 prepared by the UK Office of Government Commerce.
Guide2Tending for Public Sector Contracts, 2005	Sell2Wales guidelines for tendering.
Joint tendering – issues for third sector organisations (Coles G) 2012	WCVA summary report and guidance on joint tendering.
Maximising the Impact of Welsh Procurement Policy. (McClelland JF) Aug 2012	A review into the effectiveness of Welsh procurement.
More for Your Money – A Guide for Procuring from Social Enterprises, 2006	Recommendations for buyers produced by the Social Enterprise Coalition and the New Economics Foundation.
NHS All Wales Procurement Strategy 2007-2010	NHS Wales' guidelines on procurement practices.
Opening Doors: The Charter for SME Friendly Procurement, 2008	Outline recommendations for SME friendly working published by Value Wales.
Procurement and the 3rd Sector Guidance for the Public Sector in Wales, Mar 2008	Summary of some of the advantages and challenges of working with the third sector.
Procurement Reform Bill Consultation Scotland, Aug 2012	Procurement Reform Bill consultation document published by The Scottish Government.
Progress in improving government efficiency: lessons from case studies of efficiency initiatives, Feb 2006	UK National Audit Office report containing a case study on The Terrence Higgins Trust and collaborative working in the voluntary sector.
Public Services Social Value Act 2012	Summary of the Public Services Social Value Act 2012 published by the Social Enterprise Coalition.
Remedies in Procurement Law, Mar 2012	Overview by Nigel Giffin QC prepared for Bangor University Procurement Week 2012.

Article Title	Summary
Raising the Standard for Collaboration, Harnessing the benefits of BS11000: Collaborative Business Relationships by David E Hawkins. June 2013	An introduction to collaboration and BS11000.
Scottish Government's Procurement Capability Assessment, 2012 (web site)	Procurement Capability Assessment – an on line tool.
Smaller Supplier – Better Value? The Value for Money that Small Firms can Offer, 2005	OGC and Small Business Service Report highlighting the opportunities for service and cost effectiveness for the public sector using small businesses.
Supplier Qualification Information Database (SQuID) Parts 1, 2 and 3 Feb 2012	Guidelines and instructions on how to assess suppliers produced by Value Wales.
Target Costing: The Next Frontier in Strategic Cost Management (Ansari SL, Bell JE) 1997	A detailed explanation of how to plan and deploy target costing within a supply chain/network. It proposes 6 principles and summarises the work of the Consortium for Advanced Management – International's special interest group.
Tendering for Public Sector Contracts (in Scotland) 2nd edition 2007	A guide for social enterprises and voluntary organisations in Scotland that want to enter the public service delivery market.
The MIDAS Proposition: Enhancing the role of Small and Medium size enterprises through Collaborative clusters. (Hawkins DE) 2011	A reference paper exploring the concepts of collaborative interdependent clusters as a mechanism for increasing the potential opportunities for Small and Medium sized enterprises (SMEs).
The Networked Enterprise: Competing for the Future Through Virtual Enterprise Networks (Thompson, K) 2008	Handbook for business leaders who what to enhance revenues and profits through effective participation in virtual collaborative business networks.
The New Public Procurement Directives, 2010	An explanation on the directives published by the UK Office of Government Commerce.
The Partnering Intelligence Fieldbook: Tools and techniques for building strong alliances for your business (Dent SM and Naiman SM) 2002	Practical step by step handbook containing diagnostics, tools and techniques to improve partnering skills.
The Social Enterprise Guide for people in local government	The Social Enterprise Guide for people in local government. Published by the Social Enterprise Coalition.

Article Title	Summary
The Speed of Trust: The One Thing That Changes Everything (Covey SMR and Merrill RR) 2006	A handbook explaining how building trust can improve performance delivering what is termed a trust dividend amongst partners.
Third Sector Commissioning Guide: A checklist to intelligent commissioning and intelligent bidding, 2009	Third Sector Commissioning Guide by Voluntary Norfolk and National Council for Voluntary Organisations.
Value Enhanced Collaborative Working (Gohil U) 2010	Results of a 4 year research programme into collaborative working carried out at Loughborough University.
Wales Procurement Policy Statement, Dec 2012	Policy and 9 principles of Welsh Procurement Policy.
Winning In Wales: A guide to tendering for public sector contracts, 2007	Guide to Tendering for public sector contracts published by the Welsh Government.
Working in a consortium – A guide for third sector organisations, Dec 2008	Published by The UK Government's Cabinet Office December
Working with the Public Sector – Busting the Myths, May 2011	Social Enterprise Coalition document aimed both at social enterprises who wish to enter the public sector market and contracting bodies who want to work with social enterprises and commission for social value.

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Appendix B – Case Studies

These case studies were prepared following detailed interviews with a cross section of organisations from the public, private and third sectors involved with joint bidding. The case studies summarise the views expressed by senior people. Each case study includes a summary of their experiences with joint bidding, some key observations and lessons learnt.

Table B1 – Case Study Observations and Lessons Learnt

Case Study	Key Observations and Lessons Learnt
Caer Las and Partners	Agree the mission Assess your core competence Pre formation and timely planning
Caerphilly Area Farmers	Building trust Sharing information Cost sensitivity Aggregation
Cartrefi Cymru, Park Prison, Gofal	Complementary skills Sharing resources Opportunity assessment Shared success
Jones Bros Engineering and Balfour Beatty	Pre formation and complementary assessment Advanced planning Opportunity assessment
Local Consortium (Wales) LLP	Pre formation Complementary skills Consistency and continuity Flexibility
Magnox and the Welsh Government, Nuclear Decommissioning	Sharing Financial thresholds Persevere
Secure Wales	Have a clear exit plan Review collaboration on a regular basis Have the right procedures in place as soon as possible Sharing, knowledge transfer and innovation
ServQ Alliance and the WLGA	Pre formation Transparency and detail Board level sponsorship from all 10 Clients

Case Study	Key Observations and Lessons Learnt
Square 5 Ltd and the Nuclear Sector	Pre formation Building strong customer relationships Agreeing contract delivery structure for the bid Assessing your core competence
That Useful Company Consortium	Maintaining and growing each business Adding capacity and capability without additional staff
Victory Consortium	Procurers' views on risk Innovation and creativity versus risk Robustness and flexibility
Yorkshire Forward's faith in a Welsh start-up firm	An entrepreneurial Sponsor Pre formation Value for Money Use minimum proven capacity in decision criteria

Caer Las and Partners – Collaborative Intent

Caer Las had previously had some involvement in joint bidding – but the experience had been disappointing. With a change of strategy, led by the Executive Director, the charity sought to build a service delivery partnership that would genuinely benefit those suffering poverty in Swansea. This would also enable the partnership to bid for funding under European and other programmes. Caer Las has jointly bid with partner organisations for funding under the Welsh Government Regeneration Programme. If approved, this will enable the partners to establish the Access Point building in Swansea as a centre for the delivery of integrated services for those at the sharp end of poverty. The partners and delivery agents are:

- Swansea Housing Association;
- The Cyrenians;
- The Wallich;
- Swansea Drugs Project; and,
- The Big Issue.

In addition, the longer-term revenue stream for this service will be secured by collaborative funding from EU. The partnership is also in the process of establishing a Special Purpose Vehicle for its members with formal incorporation. This will enable it to bid for an initiative to further combat the levels of poverty and social exclusion in Wales. The partnership's goal is to gain funding in the 2014-2020 round of grants/tenders. Partners for this work include:

- Caer Las;
- The Cyrenians;
- Shelter Cymru;
- Cymorth Cymru; and,
- Cadwyn (Housing).

Preparations for this are well advanced. Officials from Welsh Government have indicated that they would prefer to see a lead body model for the consortium's delivery approach with one of the agencies taking the lead role.

Lessons Learned

Agree the mission. The partners are clear that they share common values and common clients. The priority is the end-user; delivering the best service for vulnerable adults.

Assess your core competence. The partners all collaborate by focusing on what they each do well, recognising their complementary skills and experience.

Pre formation and timely planning. Whilst they have yet to secure the funding, the partners are well prepared, optimistic and believe that collaboration is the best way to secure the funding to deliver the best service for their Clients. See www.caerlas.org

Caerphilly Area Farmers' Collaborative

Caerphilly County Borough Council wanted to enable local farmers to supply meat and other products for the Council's food needs, including school meals provision. This foresighted approach would support the local economy, keep spend local and ensure that miles travelled by food before consumption would be kept low. Whilst the Council knew it would need to acquire the service via tender, it recognised it would need to encourage local farmers to collaborate in order to compete.

The Council facilitated collaboration by bringing local farmers together and encouraging a joint bid. After some initial hesitance on sharing information between the local farmers, the initial steps proceeded positively. Farmers learnt about the procurement process and the potential advantages for them of joint tendering. Responses seemed favourable. However, as the process progressed, internal competition between the farmers increased and concerns emerged over pricing and aspects of contract detail. Eventually, the goodwill to collaborate was overridden by the commercial differences between the farmers and no joint tender was eventually submitted.

Lessons Learned

Building Trust. This case emphasises the need to build interpersonal trust between joint bidders in advance of preparing a bid. Joint trust can be measured relatively easily. Increasing trust builds a culture of openness and a willingness to share what some parties might have originally considered commercially sensitive information.

Sharing Information. It is important to agree what information you are prepared to share and what you are not prepared to share as part of the formation stage of a Consortium. As long as the reasoning is logical your potential members will retain trust and collaborate to compete.

Cost sensitivity. The closer the opportunity is to a commodity offering, the more sensitive potential members can be over their cost base. This is often true where the members compete in other local markets.

Aggregation. In this instance the Council was aggregating its demand via a supply framework, with the aim of reducing cost and minimising management overheads – hence the pressure was on to procure for the lowest cost. Some of the farmers felt they could not supply the products at what they considered to be commercially acceptable price.

Cartrefi Cymru, Parc Prison, Gofal

The opportunity arose to support ex-prisoners at risk of re-offending. Funded by LloydsTSB, the programme would provide: a mentor for each prisoner; support during the court process; preventive work; early intervention and resettlement support. The programme was planned for up to 200 participants.

Two charities, Cartrefi Cymru and Gofal, partnered with HM Prison &Young Offenders' Institution Parc at Bridgend, the only private prison in Wales, in order to tender for this work. The partnership was created when Cartrefi Cymru realised that it could better serve its clients who had learning disabilities by working with Gofal, a mental health and wellbeing charity. The two organisations already had strong connections. Therefore expanding to collaborate with Parc seemed a logical step.

The Consortium's tender was prepared jointly in a 'round table' partnership. Gofal provided the lead person for delivery who line-managed staff seconded from Cartrefi Cymru. Whilst this arrangement was initially considered challenging the Consortium was successful and the programme was delivered successfully.

The three agencies worked in partnership on a contract of more than £300k over three years, achieving its outcomes and providing training in addition. It also won the Cymorth Cymru Promoting Independence Awards 2011 and the Private Sector Partnership Award.

Lessons Learned

Complementary skills. The two original partners recognised that they have complementary skills and had existing positive experience of joint working. This helped them in planning which organization took the 'lead role'.

Sharing resources. Where a programme required dedicated resources a practical approach is to second people or work under a 'transferred' cost arrangement. It is important to ensure that there is sufficient cover within the secondees' organization and they have jobs to return to after completing such a programme.

Opportunity assessment. In this case the two existing partners realised the added value of collaborating with Parc to give greater credibility to the programme and to cover any gaps in specialist areas such as logistics, security, legal responsibility and facilities.

Shared success. This case is an excellent demonstration of how a well planned and executed joint bid/project enhances your teams' profile. It then becomes an excellent reference for all the Consortium members to use for the next bid.

Jones Bros Civil Engineering and Balfour Beatty

Jones Bros is a large business by Welsh standards. Therefore growing the business in a small country is a challenge, especially when tenders for larger contracts draw major competitors from outside of Wales. Furthermore, the financial threshold level of large public sector contracts may well exclude companies even as significant as Jones Bros.

Jones Bros wanted to tender for a major Welsh contract whose original threshold level was beyond their financial standing on turnover. By joining with a large company from outside of Wales it was possible to jointly cross the tender turnover threshold. This would keep the contract delivery team in Wales, support Welsh jobs, sub-contractors and suppliers. Jones Bros therefore negotiated to partner with a large civil engineering group, Balfour Beatty. The proposed partnership was helped by strong personal contacts: The Managing Director (MD) Mr Huw Glyn Jones knew a key individual within Balfour Beatty and had worked with him before. Mr Jones was able to build on this relationship to develop the partnership.

The partnership won the contract for the design and construction of the Porthmadoc By-Pass. The contract was valued at £40m. It was shared between the two companies, completed on time, and was a financial success for all parties. It was clearly to Jones Bros' advantage to partner with Balfour Beatty and gain access to a large contract. It was also to Balfour Beatty's advantage to tender with a Welsh company and use Welsh labour on a contract funded by the Welsh Government.

This successful collaboration has stimulated the partners to bid for more work together. Plans are in hand to tender for an even larger contract, as well as a range of other civil engineering contracts in Wales. The contract was managed equitably with a lot of the delivery by Jones Bros. As Mr Jones put it:

"The Welsh marketplace is too small. We cannot create businesses of size and value if we sell only in the Welsh market. We must go out and bring high value businesses, jobs and wealth to Wales so we can prosper. The Welsh Government must understand this and use the procurement process to enable this. Joint tendering is not about helping small companies to get low value pieces of work. We must work over the border to bring the cash back in."

Mr Jones also believes that, *"You will never get good jobs if you stay deep in the supply chain because the main contractor controls the good jobs. Let's be clear, if I could do it without collaborating I would; any business would do the same. If we had thought joint tendering would disfavour the bid, we never would have done it."*

Lessons Learned

Pre formation and complementary assessment on strengths and weaknesses. Everyone must know and understand what each party has to put in and what they expect to get from the tender and contract. Jones Bros needed Balfour Beatty's size and financial strength. Balfour Beatty needed a Welsh company that could successfully deliver whilst protecting its international brand and reputation.

Advanced planning. Businesses should consider each tender before deciding on partnerships. If it is small enough for the business to complete, there could be no need to partner.

Opportunity assessment. The contract size needs to be balanced with capability, location and capacity. Sometimes a partnership is formed for more than an individual tender and contract.

Local Consortium (Wales) LLP

The Welsh Government announced its plans for the renovation and construction of schools in Wales called the 21st Century Schools programme. A framework contract was to be offered for competitive tender.

Two companies, R M Williams and John Weaver Contractors, formed a limited liability partnership (LLP) in order to bid for this and other contracts. The two businesses had identified strategic value for their customers by pooling their resources, integrating best practice and adopting innovative thinking and policy. This would also enable the businesses to tender for larger contracts than were possible as single organisations.

As a partnership, the companies tendered for the 21st Century Schools Framework Contract worth £450M and were successful in Lot 1 for contracts worth £1-3.5M.

In addition, the Partnership has bid for other contracts. They won the Penarth, Barry, Vale of Glamorgan restoration of Leisure Centres Contract for £1.5m and have come second or very close in three other tenders. The Partnership has also collaborated with Bron Afon Housing to tender for Cardiff Council's maintenance contracts worth between £15m and £20m.

Both partners are clear that they collaborate where they cannot bid alone. They do this on the basis of complementary skills and histories. Working together gives them a strong financial and delivery track record and enables them to offer a wider range of products and services. Working together they cross turnover thresholds for tenders that would be otherwise be out of reach as single entities.

Lessons Learned

Pre formation. The Partnership sees the value of building collaboration well before any tendering opportunity is identified; it takes time and effort to create successful partnerships.

Complementary skills. This is a partnership by design with each party adding to the combined team's capability and resources. This helps the Partnership's external credibility.

Consistency and continuity. The Partnership is a legal entity and both partners acknowledge that it has been created to pursue and deliver a series of projects and construction frameworks. By working together on an initial project both members are able to promote joint working when it is required without the need for a formal merger.

Flexibility. Their formal partnership and size means that when larger opportunity appears, both organisations are ready to go.

See www.lcwllp.co.uk for more information.

Magnox and the Welsh Government, Nuclear Decommissioning

Magnox wished to decommission nuclear facilities in North Wales and secure external services to achieve this. The company had two purposes:

1. To gain the best decommissioning service; and,
2. To pursue its policy of corporate social responsibility and use local businesses.

The Welsh Government conducted a pilot initiative with Menter a Busnes to facilitate the process by which local companies might secure contracts with Magnox. With the support of external facilitators, opportunities were identified for local businesses to tender for work with Magnox. Many of the potential provider companies in North Wales are small and the Welsh Government's appointed facilitator sought to bring the businesses together to jointly tender to Magnox.

A total of 50 companies initially showed interest. However, not all businesses were able to pursue the pilot through to preparing joint bids[1]. Three opportunities were identified for joint bidding and relevant companies were invited to tender. Although none of the bids was successful, Magnox was impressed at the level of capability shown by the consortia.

None of the businesses would have been able to tender for the work without their collaborating partners. For example, the tender for one work package required a threshold turnover of £9m per annum. Each of the three companies who tendered as a consortium had a turnover of less than £4m. Together they crossed the turnover threshold and could tender. Magnox indicated that the tenders were strengthened by collaboration. One company has gone on to successfully work collaboratively.

Lessons Learned

Sharing. Potential consortia members need to be comfortable about what they are prepared to share, especially around cost information in a relatively closed market. This is why it is important to built up trust and have sound confidentiality agreements in place to protect data. Negotiations may also need professional and/or skilled facilitators.

Financial thresholds. Working as a consortium can help achieve financial threshold requirements even for sizeable contracts.

Persevere. A contract is never guaranteed just because you have teamed up. It may take more than one tender to achieve success. However, there are economies of scale in pursuing larger bids. Win one and it can underpin your workload.

[1] Several reasons were given by the facilitator. The main reasons were caution regarding collaboration as a matter of principle and concerns on being open about business costs in a relatively closed community marketplace.

Secure Wales

A public sector contract was announced to fund safety and fire protection within Wales. A number of businesses were interested in tendering for the contract. However, each of these had previously tendered for similar work and been unsuccessful. A partnership was created between five of these businesses to tender to provide the services. One of the partners was a social enterprise. Known as Secure Wales, the consortium tendered for the contract and was successful.

Secure Wales is a collaboration between the top providers of security and fire protection in Wales. Together the members provide help and advice on any aspect of security to ensure a safe working environment and secure property. Prior to winning tenders, they sought new business together, sharing a common website and jointly presenting to potential clients. To date the consortium has won contracts ranging between £20k and £100k. The five partner organisations are:

- Alpha Projects Security Limited;
- Creating Media;
- Cynon Valley Crime Prevention;
- D&M Design and Manufacture; and,
- Spectrum Positive Identity and Training Ltd

The original contract ended in 2012. The partnership has reduced by two members, with one of the businesses now being sold. The original contract provided clear incentives for each of the member businesses. On its completion the case for collaboration is less compelling for some members. Not all the Consortium's businesses see a future together.

Lessons Learned

Have a clear exit plan. There is clear evidence that this project driven collaboration served a specific purpose. Once this purpose was achieved the collaboration was no longer required by some member businesses.

Review collaboration on a regular basis. Three of the partners still value joint working and are continuing. Respect the fact that some organisations no longer want to be involved.

Have the right procedures in place as soon as possible. The remaining partners believe the relationship must now be formalised, possibly via a membership constitution in order to facilitate decision-making.

Sharing, knowledge transfer and innovation. Three members believe that there are additional benefits over winning the original contracts including: opening doors for other bids; extensive networking; and growing the strengths of individual businesses through the partnership.

ServQ Alliance and the Welsh Local Government Association

The ServQ Alliance emerged from an SME founded in 2001 in Cardiff. It specialises in advising public and private sector clients on performance improvements that come from collaboration, joint working and shared services. As an alliance, it practices what it teaches. Alliance members are selected from industry, universities, authors and experts on collaboration, innovation and partnering. They all specialise in performance improvement.

In 2010 the Alliance identified an opportunity to bid for a significant consultancy project funded by the Welsh Local Government Association on behalf of 10 Local Authorities. This was a fast track project needing many consultants working as an integrated team. Its initial bid/no-bid assessment indicated that it needed additional expertise. Therefore a project specific team was created from its network based on close alliances with the University of Leeds (for Value Management), Cardiff Metropolitan University (for Welsh Public Sector Policy), Actica Consulting (for ICT), Redburn Consulting (for Virtual Working), Performent Consulting (for Asset and Property Management).

The team co-presented and won this major contract pitching against some top UK consulting, accounting and facilities management firms. To win the project the Alliance needed to show how it could manage such a large team and over 100 client contacts. Its bid contained a detailed project plan showing which member would deliver each of over 70 activities. The Alliance also showed how it could manage and co-ordinate complex projects using a high quality hosted e-portal. Having resourced every line of the project plan, and supplied detailed individual cost rates, the Alliance demonstrated a high level of openness and transparency to the Client's selection panel. All team members were contracted via the Alliance which managed the six figure headline contract and project management activity. It also prepared a Project Initiation Document for the Project Board.

To direct the project the Client group elected a Project Board of 3 Local Authority CEOs, 3 Education Directors, specialist staff from the WLGA and Cardiff County Council. A Project Manager from the Alliance was invited to attend the Project Board to liaise between the Board and the consulting team. The project was complex, having to deal with challenges on harmonising cost and performance data for £360 million per annum of support services provided by 4300 staff, outsourced contractors and agencies. The Alliance delivered a report and interactive computer models to simulate very significant performance and efficiency savings that could be achieved through closer collaboration within the 10 Local Authorities. Implementation started in 2011 and is on-going.

Lessons Learned

Pre formation. The Alliance and its extended network was able to configure itself in days.

Transparency and detail. The bid was open book with project activities and costs assessed by a panel of senior sponsors. See www.servq.co.uk/references/

Board level sponsorship from all 10 Clients. This was critical to ensure excellent communications and to ensure robust information was accessible for creating benchmarks.

Square 5 Limited and the Nuclear Sector

The former Regional Development Agency, Yorkshire Forward (YF) wanted to enable local companies across the region to enter the nuclear energy industry especially as preferred suppliers. This was part of the nuclear renaissance. The agency wanted to offer local companies strategic advices, training and practical help with accreditation to work in the industry. YF decided to acquire the advisory and training service via competitive tender.

The contract, valued at £500k was won via a joint bid from three companies. The principal reason for the joint bid was that they were each based in different geographical locations.

All three companies contributed to the bid process with one business, Square 5 Limited, taking the lead based on its previous track record and experience working with Yorkshire Forward. The contract was successfully completed to the mutual advantage of the supported business, Yorkshire Forward and the three Consortium businesses.

Lessons Learned

Pre formation. The businesses were aware that the opportunity was going to be advertised. They also configured themselves to cover the region, successfully sharing the work.

Build strong Customer relationships. The lead member Square 5 had established a good relationship with the Sponsor, having delivered several successful programmes in the region.

Work out the contract delivery structure to prepare your bid. In this instance the firm with the best relationship and track record 'fronted' the bid. As it already had a comparable turnover to the contract from the Client over many years, some of the perceived procurement 'financial risks' working with the three SMEs were negated.

Assess core competence. The teams had delivered similar training and development programmes. Together they were even stronger.

That Useful Company Consortium

That Useful Company is a Swansea-based consortium of three individual businesses that came together to deliver a wider range of bespoke marketing services to clients across Wales. The Useful Company offers an integrated range of marketing services including marketing strategy, social media, web design, branding, email marketing and print. By forming a consortium the members are able to tender for larger contracts and offer a wider range of services to their existing customers.

The three businesses decided that a formal structure was needed for their consortium. They believed that a consortium approach would make them stronger contenders for larger contracts and thereby expand the individual businesses. With support from the Wales Co-operative Centre, funded through the European Regional Development Fund and the Welsh Government the business was incorporated.

The Consortium's first piece of work was delivering marketing and social media for the 'The Business Network B2B Exhibition'. That Useful Company has bid on several public sector opportunities. The team has also been approached by a number of large private and public sector organisations to discuss possible future delivery.

The benefits of working as a consortium have surpassed the individual business' original expectations. The three members believe they have gained from sharing their knowledge and experience and working as a team. They are delighted at this collaborative approach to growing their member businesses.

Lessons Learned

Maintaining and growing each business. Many businesses wish to preserve their identity whilst working with others. A consortium approach allowed the three individual businesses to operate independently and maintain their own identity, but also to collaborate. By collaborating they were able to work for larger clients and grow their individual businesses.

Adding capacity and capability without additional staff. By forming a consortium, the three businesses avoided the need for staff recruitment at this stage. For very small businesses, with considerable fluctuations in the flow of business, adding new staff can be a risk. Collaborating with two other businesses provided additional resource capacity and capability coming from additional skills, knowledge and experience.

Victory Consortium

The Victory Consortium comprises 12 separate third sector organisations based in Portsmouth. They decided to formally collaborate as joint bidders. Each of the organisations has a particular niche or sector offering. The team believed that they would be able to submit stronger joint bids offering to work collaboratively. They believed this offered greater flexibility to procurers by bringing together a range of different skills, experience and complementary offerings in a single, more innovate bidding consortium.

The members agreed that a formal arrangement was necessary. In May 2011 they set up an entirely new charity organisation called the Victory Consortium. The Consortium was pre formed and had considered the legal aspects of bidding, contracting and operations. As a well designed and prepared consortium matters affecting future roles, delivery and finances had been agreed before any bid was considered.

Several bids have been submitted by this new organisation. To date, the Consortium has not been successful. Its tenders have not passed beyond the prequalification stage. The limited feedback received by Victory Consortium has led them to conclude that procurers see their joint bids as too high a risk. Members believe this perception of risk by procurers relates to an absence of a track record and financial references for the new organisation. This is despite having good individual member track records and organisational longevity.

Following these disappointing procurement reviews, the members continue to collaborate via the model of a single lead partner with a strong track record and financial references and the other members work as sub-contractors. Victory Consortium members consider this is a more accepted model for procurers despite the innovation and investment.

Lessons Learned

Procurers' views of risk. This case demonstrates the crucial role of the procurers' assessments of risk in determining the success of a joint bid. Although the Consortium had been carefully planned and organised, and a legal body created for tendering, this was not enough to satisfy the risk assessment of several procurers. The impact of the procurers' perception of risk in evaluating joint bids from new entities cannot be overstated. Procurement risk criteria for selection need to be made explicit so that joint bidders can identify the model that best matches the procurer. Equally, procurers should recalibrate their risk criteria to encourage the innovation and value for money from consortia.

Innovation and creativity versus risk. The Victory Consortium was able to offer innovative solutions to the procurers which, arguably, single service providers could not. They offered an integrated range of services which could be personalised to users. However, the criteria relating to track record and financial track record excluded the Consortium. This meant that the innovation and creativity elements of the tenders were not sufficiently highly weighted.

Robustness and flexibility. The model of collaboration chosen by partner organisations needs to be robust so that it can outlive the disappointment of individual failed tenders. It must also be flexible so that it can change as needed to match the procurers' analysis of risk.

Yorkshire Forward's faith in a Welsh start up firm

In 2003 an 18 month old Welsh firm structured as an alliance applied for and won a contract worth £100k from Yorkshire Forward. It was an open tender procedure with the start up alliance bidding against many famous professional services firms. The Welsh firm delivered the project on time over 3 months. The project was successful, well referenced and helped 10 manufacturing firms, with a collective turnover of £60+ m, improve their cost structures and profits/ It also created a more accurate costing method for SMEs. This meant the Welsh firm's minimum proven capacity on a single project was £110k/0.25 years = £440k per annum. It also demonstrated that it could readily handle risks within a fast track project.

In 2004 Yorkshire Forward advertised a much larger contract, broken down into five substantial Lots, totalling £3.6m. Given the contract's size, the Client used a restricted tender procedure. This time the Welsh firm passed the prequalification stage because the Client was confident that the firm's minimum proven capacity was at least £440k per annum. The firm had also retained £55k of the 2003 contract's value as cash on its balance sheet. That was a lesser consideration. Again it pitched against major accounting and consulting firms and won a Lot worth £220k to be delivered over 6 months. After this Lot was successfully delivered the Welsh alliance and a spin off were awarded another £600k on a 3 year framework. They also successfully collaborated with the four other Lot suppliers.

£1m of profitable work started with Yorkshire Forward's transparency and foresight. Its use of an open tender procedure in the first place emphasised value-for-money as a key decision criterion. The Client had faith in its progressive approach accepting that delivery capability, good Client references and a minimum proven capacity had a greater weighting than balance sheet analysis. This resulted in a win for all parties. The alliance supported Yorkshire SMEs designing a transparent costing system enabling them to work as consortia.

Lessons Learned

An entrepreneurial Sponsor. The Project Sponsor had come from the procurement department of a multi-national aerospace business and was prepared to back an open tender process with value-for-money assessment criteria. He also wanted an SME if possible as the team needed to work with 10 SMEs on the first project and communicate as equals.

Pre formation. The Alliance had its team in place to tender for the work at short notice. The original project was also highly aligned to its capability and experience. The CVs of the delivery team were more important than the young age of the business.

Value for Money. The young firm was able to submit a high quality bid at a lower price than its mainstream competitors having designed itself as a low overhead, alliance based organisation. Its consultants could offer a similar quality of expertise to the mainstream competitors for about 60% of their rates per day, offering excellent value for money.

Use minimum proven capacity in decision criteria. Proven capacity and capability outweighed traditional balance sheet analytics. It backed the Sponsor's faith in SMEs.

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