

RISE

Retrofit information,
support & expertise

Consortium forming

Toolkit

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Summary

Forming a consortium can be an effective way to deliver the objectives of a retrofit project. By collaborating with partners and pooling resources, you can potentially benefit from economies of scale and more diverse skills and opinions, compared to developing projects as a single organisation. This toolkit provides considerations for forming a consortium and presents and explains the different options available to help you decide whether the consortium route might be suitable for your retrofit project.

Who should use the toolkit?

The toolkit provides guidance to organisations who are considering leading or entering a consortium to deliver a retrofit project. The intended audience is those individuals and teams who are engaged in the design and development of social housing retrofit programmes that facilitate the retrofit of residential properties. The organisations they represent may lack the necessary in-house expertise, influence, or project size to bid for funding, and / or deliver these programmes, as a single organisation. Typically, these tend to be smaller organisations; nonetheless, the toolkit could also be useful to larger organisations who are looking to develop area-based schemes, supporting smaller applicants with their retrofit goals and ambitions.

When should you use the toolkit?

Organisations should utilise this toolkit at the onset of contemplating bids and/or delivering a retrofit programme to evaluate the advantages of collaborating with other organisations.


How should you use the toolkit?

The toolkit has three levels of increasing detail:

- **Level 1** – a brief introduction
- **Level 2** – a framework for understanding the steps to consider before entering a consortium, how a consortium is managed, and what to do at the end of a contract
- **Level 3** – an explanation of the key questions and guidance in developing a consortium, plus links to more detailed information

Recommended process

1. Read the information in Levels 1 and 2 to understand the basics
2. Answer the self-assessment checklist to get a picture of your current areas of strength and weakness and where you need to focus your attention

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3. Use Level 3 to focus on improving your areas of weakness. It suggests key activities and provides links to additional resources

Level 1 Introduction

A consortium is a partnership, association, or group of organisations working together to achieve a common goal. Typically, the organisations will be bound by a legal agreement, which will define the objectives, responsibilities, and ways of working together. There is a broad spectrum of consortium structures, from informal agreements all the way to rigorously bound legal vehicles and entities. Specialist legal support is likely to be needed for specific advice pertaining to the particulars of legal structures and their suitability for your circumstances.

This toolkit points out what to look out for when forming a consortium, what the main pitfalls are and how to overcome them. It provides some practical tools to help with the operational side of being in a consortium, regardless of the specific legal structure used.

Why is consortium forming important?

There are some key reasons why an organisation may wish to form, or join, a consortium:

- There is a desire and need to learn from peers who are further along with their decarbonisation and retrofit journey, and build capacity together
- Pooling resources to make a greater impact may enhance a funding application's appeal
- Working together can enable joint procurement opportunities and the ability to utilise economies of scale when engaging the supply chain
- Sharing bid writing resources and ideas can provide efficiencies for consortium members
- Blending the property mix may help address 'pepper-potting' stock issues, e.g., in case of average Energy Performance Certificate (EPC) starting bands, maximum mixed tenure allowances, etc. This can result in a more innovative and attractive proposal, leaving less houses behind in a local area, and lowering delivery costs for contractors by concentrating the work geographically
- The opportunity to be more ambitious than a single organisation can afford to be
- Organisations may have complementing skills and service offerings, making a joint bid more attractive to funders
- By working together, organisations can share the risks associated with large-scale retrofit projects, making it more feasible to undertake ambitious initiatives
- Each member can bring unique expertise to the table, enriching the consortium's collective capability to handle various aspects of retrofitting projects

What does the toolkit cover, and what does it not cover?

- What to consider before forming or entering a consortium to determine if it is the right choice for your organisation
- How to manage a consortium, including processes and helpful tips
- It will not cover any legal advice, or the technical aspects of structures like Joint Ventures (JVs) or Special Purpose Vehicles (SPVs). For advice in these areas, a consortium should seek specialist legal advice is sought from the outset of their project

Level 2 Framework

In this level we provide a simple overview and explanation of a four-step framework for understanding the consortium forming process.

The four stages of consortium forming

The four broad stages to consider feed into and out of the wider retrofit project development process. Once the fourth step is reached and you have completed your project, you can decide whether to go through the steps again or end the consortium there.

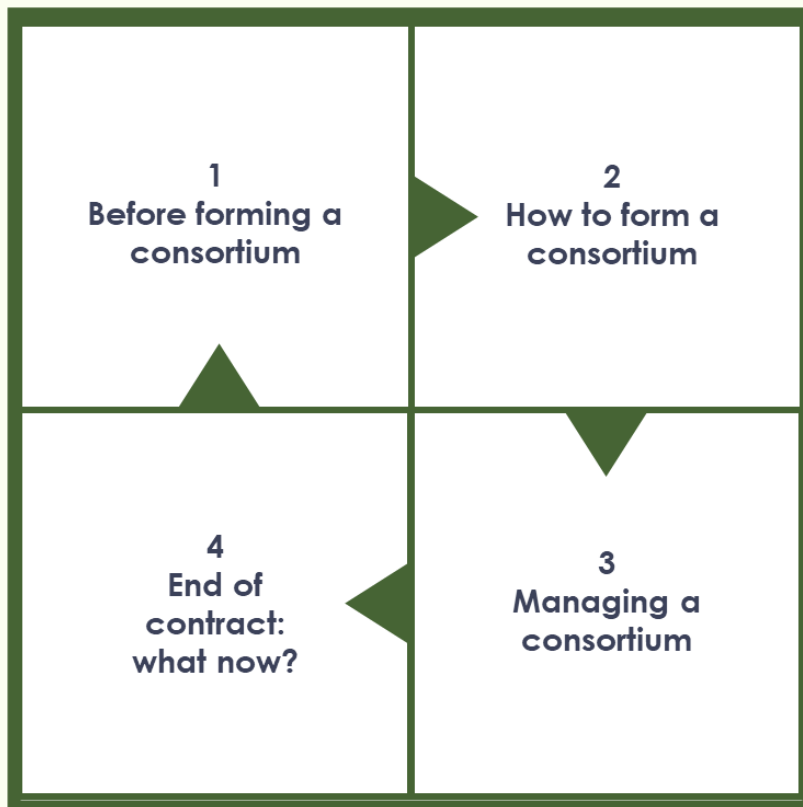


Figure 1: The four stages of what to consider when forming a consortium

1. What to consider before forming or entering a consortium
2. How to establish a consortium and what to look out for before entering into an agreement
3. Managing a consortium
4. What happens when the contract comes to an end – should we continue working together, e.g. on a new project?

Level 3 Questions, actions, and supplementary information

In this section we provide further detail about the specifics of the framework in Level 2. There are also example tools and checklists to help you manage and keep track of tasks, responsibilities and individual project members.

Consortium forming checklist

We recommend that you take some time to work through the below checklist as a starting point. You can then decide where your areas of relative weakness are and where to focus your attention. In areas of relative weakness, you are encouraged to explore this toolkit further. Revisit this checklist when you near the completion of your project. This will help you meet all project objectives and identify and address any potential issues.

Before forming a consortium:

- Do you have a simple clear statement of the desired objectives of your retrofit project?
- Are your objectives outcome orientated?
- Have you assessed the resources and skills available within your own organisation to deliver this project by yourselves? Do you have sufficient skills and resources?
- Have you checked that you meet all criteria of the fund(s) you might be bidding into? Do you meet the criteria?
- If the answer is 'no' to either of the above questions, do you have subcontractors who could help meet the required criteria?
- If the answer is 'no', do you have the time and resources to consider forming or joining a consortium?
- Are the project timescales outlined in your objectives? When do you need to submit a funding bid, and when do you need to deliver the project? Are there completion deadlines?
- What is the scale of the project – are you looking for a long-term partnership (1-5 years), or is this a one-off project?

Establishing a consortium:

- Have you included organisational strategic objectives (e.g. reduction in fuel poverty, or social value targets)? Are there any conflicting strategic objectives between partners?
- Have you reviewed funding requirements – are all partners able to meet the eligibility criteria, and have you run the necessary financial and legal checks?
- Are the capabilities and resources of each partner well understood by the others – and are these resources secured?
- Are everyone's responsibilities and assurances clearly understood?
- Are the flows of information, reporting requirements, and governance procedures in place and understood by all members?
- Have you clarified the end point of the project, and whether you will have the option to continue the consortium beyond the initial project?
- Are all partners happy with the structure of the consortium? Are they ready to sign formal contracts?
- Is every partner's senior leadership team happy to proceed?

Managing a consortium:

- Is every partner adhering to procurement and delivery timelines and responsibilities?
- Are there any unanticipated risks which have emerged?
- Is everyone being kept up to date, i.e. is the information flowing as required?

End of contract:

- Have your objectives been achieved?
- What successes / failures / challenges have you encountered?
- Did all partners find the consortium mutually beneficial?
- Could success be replicated, and challenges mitigated in a future consortium?
- Would partners be interested in continuing to work together, and what might this look like?

Pre-consortium considerations

Forming a consortium is a decision that warrants careful consideration. It requires a significant investment of time to ensure proper alignment and, while success is not assured, it is a strategic move. The initial step involves a thorough assessment of the advantages and potential drawbacks to determine if a consortium aligns with your organisation's objectives. The below table sets out some of the key things you should be thinking about:

Set-up costs	Delays	Need for compromise	Reputational impacts	Governance
Are there any financial commitments required to form the consortium, such as legal costs?	How long will it take to get all parties mobilised and formally committed?	Are all potential members able and willing to deliver the vision you have for the consortium?	Will a bad consortium damage your ability to secure funding or work with others in the future?	How will you structure your consortium? Who will lead it? How powerful will individual voices be?
Do partners have the administrative capacity to effectively liaise with other members and/or the lead?	What governance processes will each member have to go through?	Will you have to make any compromises to get potential members involved?	Does your reputation for delivery help or hinder you in finding partners?	What will your Memorandum of Understanding (MoU) or bidding agreement look like? Who is responsible for drafting this? Who will be responsible for ensuring compliance with legal issues, i.e. VAT rules, or <u>Subsidy Control</u> rules which may be attached to grant funding?
Are there cheaper, alternative routes to deliver your scheme through partnering with (known) contractors and their subcontractors?	When does the lead partner need those commitments by?	Will these dilute the objectives you had hoped to achieve by forming a consortium?	How will your tenants view you, depending on the outcome of the project - and what consequences could this have in the future?	Are your senior managers onboard with your proposals? Who else do you need to bring onside? We recommend viewing our Senior Management Buy-in toolkit for advice on how to bring them onside.

Establishing a consortium

Once you have decided that forming a consortium makes sense for your situation, it is time to find the right partner(s). Deciding on the objectives you want the consortium to achieve makes this much more manageable. It ensures you do not waste time approaching organisations whose ambitions and capabilities do not match your own. Take time to talk to potential partners whose reasons to form a consortium align with yours and start having those talks early.

Prospective partners can be identified by answering the following:

- Who have you worked with in previous programmes?
- Is your organisation part of a strategic partnership?
- Which other organisations are active in your geographic area?
- Is your organisation member of any relevant group, e.g. the G15 or the g320 in London?
- Have you contacted your local authority, who may either be a prospective partner themselves or can point you into the direction of other organisations in the area?

If your organisation has been part of a consortium before, or if you have in a previous role, whether related to housing or another topic altogether, spend some time reflecting on any learnings you can take from that experience. Talk to colleagues, establish what went well and what didn't. Can the processes behind the things that went well be replicated and the ones that didn't went well avoided?

There is a range of possible consortium structures, from informal collaboration agreements, through written MoUs, to very specific legal structures such as Joint Ventures (JVs) and Special Purpose Vehicles (SPVs). We advise seeking expert legal advice whatever you choose to do – as you would with any other contractual relationship. Whatever structure and level of partnership you go with, ensure it is written down and responsibilities are made clear.

It is perhaps at this stage more than any other that you need to be asking the right questions – some important checks to carry out are listed in the box below. Do it right now, and you could prevent potential issues in the future.

Checks that need to be carried out before entering into an agreement:

Management System Agreement

- Decide on a leadership structure (lead, steering group, etc.)
- Determine who will lead and the structure they will oversee
- Assign responsibility for drafting the agreement

Due Diligence

- Conduct credit checks on all members
- Perform additional due diligence as needed, based on the depth of cooperation

Financial Flow

- Outline how cash flows will be managed
- Address management of funds if one member is responsible for releasing cash

Risk Assessment

- Identify risks, challenges, and costs
- Research lessons from successful or experienced bidders

Performance Management

- Plan for implications of performance failures
- Establish management strategies for such events

Contingency for Leadership Failure

- Define actions to be taken if the lead fails

Insurance Consideration

- Evaluate the need for insurance

Communication Plan

- Determine how information will flow between members

Data Sharing

- Clarify data sharing details: how, what, and when
- Ensure partners can meet funding requirements

Task and Responsibility Allocation

- Specify who is responsible for each task
- Discuss assurances required between partners

Exit Strategy

- Define exit terms, notice periods, and responsibilities

Sustainability and Growth

- Consider long-term sustainability
- Plan for scaling up and integrating new members

Managing a consortium

Tensions can arise between consortium members, so clear agreements and (operational) structures are essential. How you will manage the consortium might vary slightly depending on the formal level of cooperation but maintaining a 'golden thread' of communication from the lead partner right through to delivery teams on the ground will always be key. As is making sure everyone knows who is accountable (or responsible) for what.

- **Roles** and responsibilities – agree roles and responsibilities to deliver, and where necessary a process to review performance. A RACI Chart (Responsible, Accountable, Consulted, Informed) can be a useful tool to help you think about this.
- Staffing requirements – are the necessary resources in place to manage the day-to-day admin?
- Change management – how will you monitor, review, learn, and adapt, as you go?
- Quality management and reporting – how will this be done within the consortium and also for compliance with funding / contract requirements?
- Dispute resolution – how will disagreements and disputes be navigated and resolved?
- Communication – how will you ensure the effective flow of information? Are there any information silos, or bottlenecks which might affect this?

End of contract

Having a clear end point is important and needs to be considered from the very start – not just when and how the consortium will disband, but whether you have the option to carry it on under new or extended contracts.

- **Ownership** – who will own any assets, goods, leases, and equipment purchased for the delivery of the contract?
- **Follow-up contracts** – is there the option to extend the consortium if there are future contracts members want to consider? What if not all members want to continue, or new members wish to join? What if a new contract will have a different goal or focus?
- **Monitoring and evaluation** – there will almost certainly be ongoing obligations to do this for publicly funded retrofit works, so who should be doing it and when?

RACI chart for managing consortiums

A RACI chart provides a quick overview of the stakeholders for each task of the project. At the start, identify per task who is **R**esponsible, who is **A**ccountable, who should be **C**onsulted, and who should be kept **I**nformed during the delivery of the task. A template is provided below, with example tasks in the top row.

	Gathering retrofit survey data for bid	Identifying procurement method	Establishing governance procedures	Completing legal and financial checks	Writing bid
Responsible (small number)					
Accountable (one person)					
Consulted (any number)					
Informed (any number)					

Wrapping up

At its core, consortium forming is about managing relationships successfully – a task which is certainly sounds more straightforward than it often is in practise. However, by being clear about objectives from the start, asking the right questions, and maintaining good lines of communication, it doesn't need to be as arduous as it could be. Bear in mind these simple prompts and refer to this toolkit for more detail when you need it.

- **Start early.** It takes longer than you think to create a successful consortium
- Think about the **objectives and critical needs** of your project. Who has the resources, interests, and skills?
- **Spend time creating a shared project plan.** Don't expect everyone to fall in with your ideas
- Make sure **each partner brings something significant and additional** to the collaboration
- Make sure **each partner knows what they will deliver in the project and when**
- Think about the **mechanics of the collaboration.** How will you make decisions? How will you share information?
- Make sure you **spend time getting the consortium agreement right**
- **Seek legal advice** before entering into a consortium agreement

RISE Toolkits available online

The full selection of RISE Toolkits are available at:
www.riseretrofit.org.uk/resources/toolkits

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