Consortium Bidding

Consortium bidding is where two or more parties submit a joint bid for a procurement exercise. They come together specifically to bid for the opportunity.

There is no limit to the number of possible consortium members.

Suppliers normally submit a consortium bid when:

- they do not possess all of the skills or resources needed for a particular procurement exercise
- the procurement opportunity is a project which is too large for a smaller company to bid on

Consortium Examples

Goods recycling projects with a consortium of a local council, waste transport and waste recycling centre organisations

Software installation with a consortium of installation and training organisations

Road building project with a consortium of surveying, construction and equipment hire organisations

Benefits

There are many potential benefits that may occur through consortium bidding projects. Some of these come directly from the bidding process (or delivery of a contract if successful) while others support the development of the organisation(s) in the longer term.

The suppliers involved in a consortium:

- share risk
- share resources
- expand their skills and market knowledge

- are encouraged to problem solve and think outside of the box/their normal comfort zone. This could lead to innovation in the market
- potentially increase the future number of bids made
- create the possibility of increased competitive edge and bid success
- facilitate future company expansion/access to new markets
- increase innovation and social value opportunities

There is no limit to the number and size of the suppliers involved in a consortium bid. Consortium bids can be a good opportunity for SMEs and third sector bodies to bid for contracts that normally they would not be able to.

Risks

As with any project, there can also be risks, these can include:

- management costs
- tendering costs
- extra resource requirements e.g. personnel and time
- possible breach of contract by a consortium partner that may affect you
- late payment
- differing values between partners

How to do it?

If considering a consortium bid suppliers should seek legal advice.

The suppliers involved in a consortium can have differing legal status e.g. a consortium with three organisations where one is a limited company, another is a registered charity and the third is a private sole trader.

At each stage of the procurement process the suppliers need to be clear on the roles and responsibilities within each organisation and negotiate and agree on these before submitting a bid.

There are a lot of questions that should be clarified. When bidding these could include:

- Is there a lead organisation within the consortium?
- Who creates the tender bid document?
- Who reviews the bid document before submissions?
- How are bid changes raised, agreed and made?
- Who answers any procurement clarifications raised?

If the consortium bid is successful:

- How are decisions made?
- Who manages the contract on a day-to-day basis?
- How regularly does the consortium meet?
- Who is the escalation point for any issues?
- Who provides any reporting requirements, and how are the reports collated and published to the buyer?
- How are profits/losses split between the consortium members?
- How are disagreements raised and resolved?
- What happens if a supplier wants to leave the consortium/change their status?

What about future opportunities?

- Does the consortium cover only one bid, several, or a specific time frame, geographical area or customer?

A lead organisation should be agreed and appointed within the consortium.

Whether a legal entity is required will be dependent upon the contract which is being procured and will be decided by the buying organisation. (Please note, that current legislation does not require a legal entity to be formed at the time of bidding, but the contracting authority may request this by the time of awarding the contract).

When submitting a Single Procurement Document, there will be a question regarding whether you are bidding as a consortium. If you are, this must be ticked.

Each party should seek independent legal advice before entering into any agreement and maintain their own legal oversight and risk management throughout the bid process and any subsequent contract delivery.

When Bidding

Any bids made by a consortium should make clear:

- that this is a consortium bid
- the parties involved and
- how the contract will be run

- the legal form of the consortium (and any relevant documents should be provided)

When submitting a bid the lead supplier must state that this is a consortium bid within their Single Procurement Document (SPD). All of the partners involved must complete an SPD for their organisation. The lead consortium buyer must collect these SPD’s and submit them as part of the bid.

Consortia can bid for multiple procurement exercises over time, as long as the legal agreement between the suppliers allows for this.