

Finance planning tools for Consortia - notes

These brief notes explain the thinking behind the suite of tools we have designed to assist with financial planning for organisations involved in consortia.

Consortia can take many forms. Most common are **hub & spoke** where there is a common central body to hold and administer contracts; and the **lead body** format where one of the partners holds the contract and delivers some of the services.

The examples show the impact of a contract for delivering a Youth Plan through the consortium. The total value for the contract is £1.3m pa. The lead body retains £100,000 for administering the contract and delivering a small part of the service itself. One of the members will receive a subcontract for £90,000.

We have three basic templates

Consortia member template

This is for an ordinary member of the consortia who will be delivering one or more parts of the contract(s). The services delivered through the contract may form a new unique cost centre or 'service', or they may be incorporated within existing cost centres. For example, if the organisation already delivers advice, and the contract is to deliver more of this in one part of the city, then the additional income and costs can simply be built in to the existing service (just like having one large new client)

Consortia lead body template

This is for the organisation that is leading and administering the contract, sub-contracting to partners as well as delivering some of the services itself.

Again it has a choice of treating the contract as a separate cost centre or integrating it into its existing planning model. It is probably best to begin as a separate service as it is easier to isolate the relevant figures.

Consortia hub template

This is where a number of organisations jointly establish a separate entity to administer contracts. It does not deliver services itself (although this can easily be added later), but it may earn income by delivering 'back office' services to members or even external organisations.

The Hub may well establish a trading subsidiary, possibly due to considerations of the rules on charity trading. This subsidiary can use the ordinary member template. One of its 'costs' will presumably be the transfer of non-retained profits to the parent charity (the Hub), which will have a corresponding income line.

Cash flows

We then have a cash flow template that can be used for any entity involved in the consortium.

VAT

With any contract, the issues around VAT will arise and advice should be sought – you don't want to get this wrong. These templates should generally be completed excluding VAT. However, where you are unable to recover VAT on your inputs (expenditure) you will need to plan for this. This may arise either because you are not registered for VAT or you are only able to recover part of your VAT.

The basic principles behind all the templates

The aim is to see if the organisation is financially viable. Some activities may make surpluses, others losses. Managers can then see the impact of changing the assumptions, eg increasing pensions, reducing hours, recruiting staff, increasing prices, etc.

At CA Plus I actually project the budget live on to a wall at our board meetings and show the impact of potential decisions to help the board consider and set the budget.

Each template covers all financial activity within the entity. Activity is divided into "services". You may already call these "cost centres", or "departments" or "projects".

All overheads (non- direct service delivery costs or "overheads") are initially held within the 'Support' heading. The models then share these costs out across the activities, since these are where the organisation earns its money. The overheads are shared in proportion to staff time spent in each activity. This gives you the full cost of each activity. If there is any general central income like donations or bank interest, this is also shared out proportionally.

The templates are designed in a way that you can edit and amend them as you see fit, but it gets tricky as the underlying formulae can be a little complex.

One little glitch

One thing I haven't solved is that when you download the templates, the help notes appear automatically and they should be hidden as they are on the originals I have. To clear them out of the way, just move your mouse over the 'guidance' or 'explanation' box, right click and 'hide comment'. If you know how to fix this – let me know!

We strongly recommend that you take time to read the help notes on each sheet within the templates before you type anything!

Enjoy...

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