

P O L I C Y

TITLE:	Delivery Subcontracting and Supply-Chain Fees and Charges Policy
AIM:	To outline the College's Policy on delivery subcontracting, and management fees for subcontracted provision
RELATED POLICIES & PROCEDURES:	Financial Regulations
APPROVED BY:	College Executive Team - September 2019 Audit Committee - September 2019
IMPLEMENTATION DATE:	September 2019
DATE OF NEXT REVIEW:	September 2020
DISTRIBUTION:	College Leadership Team All Staff via College Intranet College website, in accordance with Education and Skills Funding Agency requirement Subcontractors via contract documents
VERSION CONTROL:	Previous version approved September 2016
PERSON RESPONSIBLE:	Assistant Principal

EQUALITY IMPACT ASSESSMENT		
Phase 1 Initial Screening completed	Date:	8 August 2013
Phase 2	<input checked="" type="checkbox"/> Not required	(please tick if appropriate)
Full impact assessment completed/ not required	Completed on (if applicable):	n/a

1. SCOPE

This policy statement sets out the College's policy on delivery subcontracting and management fees for subcontracted provision. The policy applies to all delivery subcontracting and supply chain activity supported with funds provided by the Education and Skills Funding Agency (ESFA) or any successor organisations.

2. CONTEXT

The policy is a mandatory requirement of the ~~funding bodies~~ ESFA and must be in place prior to participating in any subcontracting activity. The content of this policy has been developed in line with the Association of Colleges (AoC)/Association of Employment and Learning Providers (AELP) Common Accord, the ESFA Funding rules and LSIS Supply Chain Management guidance.

3. OVERARCHING PRINCIPLE

The College will use its supply chains to optimise the impact and effectiveness of service delivery to the end user. The College will therefore ensure that:

- a. Supply chain management activities comply with the principles of best practice in the skills sector. In particular they will be guided by the principles given in the LSIS publication "*Supply Chain Management - a good practice guide for the post-16 skills sector*" (Nov 2012 and subsequent revisions).
- b. The College will at all times undertake fair and transparent procurement activities, conducting robust due diligence procedures on potential subcontractors and an annual due diligence review on existing subcontractors to ensure compliance with the Common Accord at all levels and to ensure the highest quality of learning delivery is made available, demonstrating value for money and a positive impact on learner lives.
- c. The funding that is retained by the College will be related to the costs of the services provided. These services, and the levels of funding being retained for them, will be clearly documented and agreed by all parties. The rates of such retained funding will be commercially viable for both sides and will be negotiated and agreed in a fair and transparent manner. They will be proportionate to the actual services being provided.
- d. Where disputes between supply chain partners cannot be resolved through mutually agreed internal resolution procedures, the College will submit to independent outside arbitration or mediation and abide by its findings. Contract documents will require both parties to agree that the achievements of supply chains are attained through adherence to both the letter and spirit of contracts or partnerships. Signatories therefore commit that all discussions, communications, negotiations and actions undertaken to build, maintain and develop supply chains will be conducted in good faith in accordance with the Overarching Principle.

4. SUBCONTRACTING RATIONALE

The College engages with subcontractors to;

- Better meet customer needs.
- Contribute to the College's mission and to widen participation.
- Directly support the achievement of national and local priorities for learning and skills.
- Temporarily expand provision to meet a short term need.
- Provide immediate provision whilst expanding direct capacity.
- Provide access to, or engagement with, a new range of customers.
- Support another provider to develop capacity/quality.
- Provide niche delivery where the cost of developing direct delivery would be inappropriate.
- Support employers with a wide geographic requirement.

The College will focus its subcontracted provision to its local/sub-regional recruitment area, but may pursue out of area regional or national contracts that are of significant strategic importance.

The College's reason for subcontracting will be discussed with each subcontractor prior to entering into a contract with them and the reason will be included in the contract documents.

5. IMPROVING THE QUALITY OF TEACHING AND LEARNING

Subcontracted activity is an important part of the College's provision. The quality of the provision will be monitored and managed through the existing College Quality Assurance (QA) processes and procedures, in order to encompass fully all subcontracted activity.

This Policy positions subcontracted provision as a core part of College activity to enable continuous improvements in the quality of teaching and learning for both the College and its subcontractors. This will be achieved through the sharing of effective practice across the supply chain, for example through the Self-Assessment Report process.

The management fee retained for each subcontractor will be used by the College to provide a comprehensive and thorough programme of monitoring, support and improvement measures. Risk bands will be used to allocate college charges. The risk assessment will determine the level of quality monitoring and support required.

Subcontractors can expect to receive the following, as a minimum;

- Data input and analysis
- Data reporting
- Review of self-assessment report and quality assurance processes
- Review of EV reports
- Review of learner paperwork
- Subcontractor monitoring reviews (at least termly ~~quarterly~~)
- Teaching and learning observations
- Learner survey reports
- Equality & Diversity support
- Safeguarding support
- Prevent support
- Business development support

- Organisation policy and procedure updating
- Funding and provision updating
- Collaborative tendering opportunities
- Staff development opportunities

6. ROLES & RESPONSIBILITIES

The Prime Contractor Role

As the prime contractor, the College accepts and retains full accountability for its subcontractors' performance and actions. Thus, the College must be completely satisfied with the subcontractors' financial health, capacity and capability, and quality of delivery, including their equality, diversity and ethical values. This is determined through the College's robust due diligence and risk assessment process.

The Subcontractor Role

The subcontractor accepts their responsibilities to the College, for example allowing scrutiny of their organisation, whilst also being compliant and governed by the ESFA Funding Rules.¹

7. PAYMENT TERMS

Management fees will be deducted at source. The subcontractor will be allocated a maximum contract value which will reflect the target number of learners to recruit, and the management fee will be deducted prior to this allocation. The College will issue the subcontractor with a monthly invoice instruction, subject to contractual evidence and data requirements being met, and following successful ILR data validation. Any amendments to payments will be made in accordance with the prevailing version of the Funding Rules. The College will normally make payments to the subcontractor within 30 days of receiving a valid claim for payment.

8. PUBLICATION OF INFORMATION RELATING TO SUB-CONTRACTING

In compliance with the Funding Rules that apply, the College will share details of the actual level of funding paid and retained for each of its delivery subcontractors with the ESFA, in line with the current funding rules, to enable them to publish the information on GOV.UK

The College will ensure all actual and potential subcontractors have sight of this policy and any other relevant documents, such as the Fees and Charges Risk Factor Table. The Fees and Charges Risk Factor Table includes:

- The typical percentage range of fees retained to manage subcontractors, and how this range is calculated.
- The rationale used to determine the level of fee retained through each sub-contract is a risk based approach.
- The contributory risk factors that would result in differences in fees charged for, or support provided to, different subcontractors might include:
 - Previous track record
 - Success levels

¹ Please refer to <https://www.gov.uk/guidance/sfa-funding-rules#to-2019-funding-year>

- Type of customers to be engaged
- Type of provision to be undertaken
- Contract duration
- The risk bands that will be used to allocate college charges. Risk factors are given a score in order that each subcontractor is aware of why they are in a particular band, this process will be used to give subcontractors an incentive to improve and thus reduce the risk band in to which they fall. For example, higher risk subcontractors will be allocated less funding but receive more monitoring and support.
- Details of any successful completion or achievement rate 'bonuses' where subcontractors are paid some of the monies retained, once it is clear that they will fulfil their contract.
- Payment terms between the College and subcontractors - timing of payments in relation to delivering provision and timescale for paying invoices and claims for funding received.
- The support subcontractors will receive in return for the fees charged.

9. MONITORING & REVIEW

An annual report summarising the outcome of the annual due diligence with all partners will be presented to the RF & HR Committee in the Autumn Term. This policy will be reviewed in each summer term and updated as required. The policy will be monitored by the Assistant Principal.

10. COMMUNICATION

This policy will be published on the College web site at the start of the academic year in which it will be applied. Potential subcontractors will be directed to it as the starting point in any relationship.

APPENDIX A

The Fees and Charges Risk Factor Table

The standard college management fee is 15% of all funding drawn down against the provision to be delivered. This figure represents the total cost that the College incurs in effectively identifying, selecting and managing all sub-contracted provision. This includes the minimum amount of QA activity that the College would attach to the lowest possible risk subcontractor.

Further charges to cover additional costs may be added to the base 15% fee to cover the cost to the College of any additional support that the College deems necessary to maintain an excellent quality of teaching and learning and to ensure the all learners have the best possible chance of success on their programme. Additional cost is determined using a weighted table of risk factors, as illustrated in Table 1 below. The table is available to all actual and potential subcontractors and is designed to ensure that the cost of any additional support provided to a subcontractor is covered through the funding retained. Additional costs will be recalculated and negotiated each year at contract renewal, giving subcontractors the opportunity to reduce their fees through continuous improvement. This approach will allow the College to focus support where and when it is needed.

The maximum score that a potential subcontractor can achieve is 100. Subcontractors must score a minimum of 60 points to be considered for subcontracting arrangements. This score will then be attached to a risk band, resulting in a percentage to be retained by the College, see Table 2 below.

Table 1 - Risk Factor

Criteria	Points	Weighting	Maximum Score
Quality	5	4	20
Previous track record	5	3	15
Success rate	5	3	15
Type of provision to be undertaken	5	3	15
Type of customers to be engaged	5	3	15
Contract performance and duration	5	2	10
New subcontractor (first engagement)	5	2	10

Table 2 - Risk Band

Score	Band	Percentage retained (%)
85-100	1	15
80-84	2	20
75-79	3	25
70-74	4	30
60-69	5	35

Additional Support for Subcontractors

The precise additional support given to each subcontractor will be negotiated with the subcontractor, but will be based on a 'risk band' approach and may include:

- Additional site visits
- Additional lesson observations
- Additional tutor support
- More rigorous verification
- Targeted staff development and support with performance management

Additional charges per learner

The College may also retain funding to cover the cost of any funded activity that it might undertake on behalf of the subcontractor such as:

- Awarding Organisation fees and charges
- Hiring of facilities/equipment within/from the College
- Internal Verification

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