

## Subcontracting: Supply Chain Fees and Charges Policy 2020 - 2021

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## 1. Introduction

This policy sets out both the subcontracting strategy of SR Apprenticeships (SRA) and the applicable supply chain fees and charges. The policy aims to ensure transparency and equitability around subcontracting and the associated management fees.

## 2. Scope

Where appropriate SR Apprenticeships will contract with other parties to deliver programmes and activities funded by the Education & Skills Funding Agency. The organisations with which it will contract will be subject to the requirements of the Subcontracting Policy and procedure.

This policy governs all subcontracting within SR Apprenticeships. SR Apprenticeships recognises that it holds full accountability for the delivery of subcontracted activity and that this cannot be assigned to subcontractors. Both SR Apprenticeships and their Subcontractors refer to the Education & Skills Funding Agency (ESFA) Funding Rules documents and any future updates in all matters regarding the delivery of the contract.

Roles and responsibilities for SR Apprenticeships and the subcontractors are clearly defined from the outset of the partnership and all subcontractors are required to agree and sign a Contract for the provision of training services with SR Apprenticeships.

## 3. Definitions

**Subcontractors:** Refers to all other providers delivering education or training on behalf of SR SR Apprenticeships. This includes all subcontractors listed on the ESFA 'Declaration of Subcontractors'.

## 4. Responsibilities

This policy is owned by the Directors of SR Apprenticeships.

All subcontracting must take place via the Contracts direction of SR Apprenticeships, to ensure compliance with legal, funding, and contractual requirements.

## 5. Procurement Process

### 5.1. Aim

To define the basis on which any subcontracting arrangements will be procured, managed and monitored.

### 5.2. Objectives

- To define the procurement, selection and recruitment procedures for potential subcontractors including due diligence (financial and quality) requirements
- To define the expectations for teaching, learning and assessment
- To develop and implement an effective approach for the quality assurance of subcontracted performance for all aspects of the learner journey
- To define the reporting and monitoring requirements for the duration of the contract to measure against national benchmarks and contract requirements
- To further develop and improve teaching and learning and the sharing of best practice
- To define the principles, management fees and payment arrangements for subcontracted provision
- To define the interventions that SR Apprenticeships may take in managing subcontracted provision

## 6. Subcontractor Strategy

Subcontracts will be reviewed and awarded annually. All subcontracted provision must fulfil at least one of the following aims:

- To support the strategic objectives of SR Apprenticeships or local/national government (e.g. creating progression into apprenticeships)
- To serve a specific demographic need that would not otherwise be met (e.g. hard-to-reach learners)
- Temporarily expand provision to meet a short-term need
- Provide immediate provision whilst expanding direct capacity. This might include working with subcontractors to explore and learn about new frameworks or sectors prior to investment in resources
- To bring positive local community benefits
- To build capacity in high demand subjects areas

In addition to the above, all subcontracted provision must:

- Add value by enhancing the quality of SR Apprenticeships provision
- Aim to build supportive and mutually rewarding relationships with its Subcontractors, built on trust and respect, for the benefit of the local community
- Not be for a way of SR Apprenticeships to fulfil short-term funding objectives
- Ensure delivery is in the best interests of learners and employers
- Ensure delivery has a clear strategic fit with our mission, objectives and values
- Be approved by our due-diligence process

## 7. The Subcontracting Process

### 7.1. Procurement and Recruitment Procedures

#### Procurement

To subcontract with SR Apprenticeships all sub-contractors with subcontracts totalling £100,000 and above must be entered on the Register and in the case of apprenticeships, the Register of Apprenticeship Training Providers (RoATP). All lead providers and subcontractors must register on the UK Register of Learning Providers (UKRLP) annually and hold a valid UKPRN to be eligible to receive funding, either directly or through a subcontracting arrangement.

When appointing subcontractors SR Apprenticeships will take steps to avoid conflicts of interest, and will tell the Chief Executive of the ESFA, in writing, about any circumstances (for example, common directorships) which might give rise to an actual or perceived conflict of interest. SR Apprenticeships will not proceed to award the contract without the Chief Executive of the Education & Skills Funding Agency's permission in writing.

Subcontractors that are not listed on the Register of Training Organisations will not be appointed if they already hold contracts with an overall value of £100,000 or above per academic year with one or more directly funded providers, or if the subcontract from SR Apprenticeships would take the total value of contracts over £100,000. In such cases, the subcontractor must be listed on the Register before SR Apprenticeships will enter into a subcontracting agreement.

SR Apprenticeships remain ultimately responsible for all provision sub-contracted and will make sure that learners and employers supported through subcontracting arrangements know about SR Apprenticeships and the subcontractor's roles and responsibilities in providing the learning.

SR Apprenticeships will have a legally binding contract with each subcontractor and will only award contracts for delivering funded provision to legal entities. If the legal entity is a registered company, it must be recorded as 'Active' on the Companies House database.

SR Apprenticeships will not award a contract to a legal entity if:

- it has an above average risk warning from a credit agency
- it has passed a resolution (or the court has made an order) to wind up or liquidate the company, or administrators have been appointed, or

- its statutory accounts are overdue

Rigorous Due diligence is conducted for each potential subcontractor using information requested via the Subcontractor Full Due Diligence Form. Financial due diligence is conducted by the Board of Directors and Quality related due diligence is conducted by the appropriate contract manager. Due diligence is refreshed on an annual basis for each subcontractor.

Information requested complies with ESFA funding requirements with information provided on the contract values held across all partners and SR Apprenticeships must be informed of any additional contracts that may affect the current funding threshold and also of any financial irregularity that arises.

Subsequent checks may also be conducted if appropriate including the acquisition of references, additional documentation and could include a due diligence visit to the subcontractor site. Each subcontractor is risk rated (high/medium or low) with the outcomes shared at the Subcontracting Management Meeting for review and agreement to proceed. The final decision and approval to subcontract is made by the Board of Directors.

## **7.2. Expectations for teaching, learning and assessment**

Subcontracted partners will be expected to meet SR Apprenticeships's quality assurance standards. The quality of the provision is monitored and managed through existing quality improvement processes with SR Apprenticeships's Self-Assessment Report/Quality Improvement Plan process ensuring continuous improvement in all parts of the learner journey.

The Subcontractor contract abides with the ESFA funding rules of 2018/19 of which evidence will be required for performance to be assessed against the OFSTED new Common Inspection Framework.

Subcontractor performance will be monitored on an on-going basis. If underperformance is identified, interventions will be put in place and the level of this intervention will be proportionate to the risk to the learner and to funding from the ESFA. Failure to provide an acceptable standard of training will result in more formal compliance procedures which may and can result in the contract being terminated.

## **7.3. IAG and Induction**

Subcontractors must-

- Ensure a robust process is in place to deliver and monitor high quality IAG, including the use of initial assessments to ensure the right learner is enrolled on the right course according to their individual needs and ability.
- Ensure a comprehensive induction is completed by every learner and recorded appropriately within the ILP.
- Ensure any additional learning support needs are actioned and recorded appropriately.

## **7.4. Teaching, learning and assessment**

Subcontractors must-

- Ensure all courses have their content defined within a scheme of work and all sessions planned using appropriate lesson/session plan documentation. Documentation should be consistent with the requirements of SR Apprenticeships
- Ensure teaching and assessment is mapped to the specification of the awarding body and complies with its requirements
- Ensure teaching, learning and assessment is of a high quality and enables learners to maximise their attainment in a timely manner through detailed, timely and constructive feedback
- Ensure staff are appropriately trained and engage with continuous professional development to enhance the quality of teaching, learning and assessment

- Ensure progress reviews are completed in accordance with ESFA and SR Education's requirements.
- Ensure all contact with learners is recorded to comply with SASE and IfA regulations.
- Ensure all facilities and resources are 'fit for purpose' and comply with all current Health and Safety Legislation.

## **7.5. Quality Assurance**

Subcontractors must-

Ensure a robust process is in place to quality assure their provision including:

- observations of teaching & learning, assessment and progress reviews
- audits of all documentation to include: ILPs, progress reviews, H&S
- analysis of learner and stakeholder feedback
- audits of learner work including checks on progress, assessor feedback and internal quality assurance
- analysis of customer complaints
- complete an annual self-assessment report and quality improvement plan in the format required by SR Apprenticeships by September with an update to the IMPROVEMENT PLAN in March.

## **7.6. Safeguarding**

Subcontractors must have-

- Clear priorities for safeguarding and promoting the welfare of learners, explicitly stated in strategic policy documents
- A clear commitment by senior management to the importance of safeguarding
- A clear line of accountability and defined roles and responsibilities within the organisation for safeguarding
- Recruitment and human resources management procedures that take account of the need to safeguard learners, including arrangements for appropriate checks on new staff and volunteers
- Safe working practice which staff/volunteers have read and understood
- Procedures for dealing with allegations of abuse against members of staff and volunteers, including a Named Senior Manager to whom allegations and concerns are reported
- Arrangements to ensure that all staff undertake appropriate training and keep this up-to-date by refresher training at regular intervals; and that all staff, including temporary staff and volunteers who work with learners, are made aware of the establishment's arrangements for safeguarding and their responsibilities
- Safeguarding policy and related policies (as appropriate to specific circumstances), and procedures consistent with those in use by SR Apprenticeships.
- Arrangements to work effectively with other organisations to develop safeguarding practice, including arrangements for sharing information
- Appropriate whistle-blowing procedures and procedures which enable issues about safeguarding to be addressed

## **7.7. Policies and procedures**

Subcontractors must have the following policies and procedures in place which are maintained, reviewed and updated regularly:

- Equality and Diversity
- Safeguarding and PREVENT
- Health and Safety
- Data Protection Policy (GDPR compliant)
- Document Retention
- Environmental Sustainability

- Staff Recruitment and Development
- Financial Management
- Quality Assurance, including performance monitoring and development of-
  - Teaching and Learning Practice
  - Initial Assessment
  - Additional Learning Support
  - Information, Advice and Guidance
  - Assessment and Verification
  - Self-Assessment

### **7.8. Quality Assurance of Subcontracted provision**

SR Apprenticeships will quality assure subcontracted provision through the following processes.

- Rigorous due diligence with each subcontractor subsequently coded and rated according to levels of risk
- Review of documentation received including
  - Feedback from contract managers on the performance of the subcontractors at the monthly Subcontracting Management Meeting
  - Annual self-assessment report and quality improvement plan updated in year
    - Audits
    - Lesson observation records
    - Interviews with staff and learners
    - External scrutiny reports
  - Performance monitoring visits with a minimum of three per academic year
  - Observation of teaching & learning and assessment in accordance with the subcontracting calendar

### **7.9. Reporting and Monitoring Requirements**

Subcontracting Management Meeting

The SR Apprenticeships Subcontracting Management Meeting will meet monthly, chaired by the Operations Director with key members of staff present representing finance, quality and MIS.

The purpose of the group is to oversee all aspects of subcontracted provision, review each subcontractor performance against monthly reports and data and identify any under/over performance against contract. Resulting actions are agreed by the group with an opportunity to share any audit/visit outcomes and discuss any subsequent concerns. The group is also a platform for initial discussions for new subcontracted provision.

Identification of under/over performance against contract and resulting action

A discussion between SR Apprenticeships and the subcontractor will take place as a result of under or over performance against contract value to determine future action which could include

- Variation to contract (increase or decrease)
- Payment to contract value and terms only

Continued under/over performance against the contract terms as specified in the contract could include

- Contract termination

Reporting

- SR Apprenticeships will provide a fully completed Subcontractor Declaration Form twice annually and must also update and return the Subcontractor Declaration Form if the subcontracting arrangements change during the year.

## 8. Supply Chain Fees and Charges

The 'Supply Chain Fees and Charges' applies to all subcontractors of SR Apprenticeships, as listed on the 'Declaration of Subcontractors' and notified to the ESFA.

SR Apprenticeships retains a management fee from all subcontracted partner organisations, with this ranging from 15% to 20%. The fees charged reflect the cost of the procurement process and the management of the contracts. The fee is calculated to cover day-to-day management of subcontracted delivery, monitoring of learner progress, collecting and updating due diligence, ensuring audit compliance, dealing with partner queries, coordinating self-assessment processes, quality and compliance monitoring, as well as other similar services as needed.

The exact mix and level of support for each Subcontractor will vary depending on the needs of the individual Subcontractor and will include:

- Quality management systems.
- Certification and registration with awarding bodies if required.
- Management Information Services and data control advice.
- The extent to which SRE contributes to improving the quality of teaching and learning through:
  - CPD Opportunities and planned training and development.
  - Teaching, Learning and Assessment observations and coaching.
  - Safeguarding, British Values, Prevent and Equality and diversity support.
  - Audit of learning/visit evidence as requested.
  - Audit of management systems and delivery and observation of teaching, learning and assessment.
  - Safeguarding of Young People and Vulnerable Adults procedures.
  - Health and Safety compliance.
  - Policy development.
  - Support with Funding Rules compliance.
  - Regular national updates regarding funding and policy guidance.

Not all Subcontractors are charged the same management fee with the differences in fees being dependent upon the level of support required, the experience of the Subcontractor, their target learners; their track record, published success rates and the level of risk as determined by the due diligence process.

SR Apprenticeships will endeavour to ensure that the fee arrangements for different subcontractors are fair and equitable based on these parameters. If additional/exceptional services are required of SR Apprenticeships in ensuring quality subcontractor provision, there will be a separate fee agreed to be charged above core management fee based on usage (such as Internal Verification, additional training etc.) This will be explained in the annual Subcontracting Procedure document.

Subcontracting which is risk rated as HIGH as identified by the Subcontracting Management Meeting will be subject to SR Apprenticeships's Intervention Policy. As part of the implementation of this policy period payments may be suspended, reduced or stopped depending on the outcome of audits or investigations.

### 8.1. Payments

Payments are made on a monthly basis by the end of the following month.

Following validation of the evidence in the ILR return, SR Apprenticeships will make the appropriate payment to the Subcontractor based on the level of income calculated by the validation process in that month less the agreed management fee. Payments are made by BACS.

SR Apprenticeships expects that the Subcontractors will fully engage in the assessment of accuracy of payments and they therefore have the responsibility to review their monthly remittance advices to

identify any inaccuracies.

## 9. Intervention Process

To enable SR Apprenticeships to take corrective action where a subcontractor is assessed as being of risk. The outcome of any intervention is to enable the effective completion of any subcontracted learners. Intervention is required if a subcontractor:

- Fails to provide suitable evidence of learning and progress in a visit to support the funding claim.
- Fails to submit evidence as part of an audit or investigation commissioned by SRE
- Gives cause for concern regarding a breakdown of trust.
- Fails to comply with reasonable requests for information.
- Demonstrates poor or declining achievement rates based on learner progress updates.

In any of the circumstances above the subcontractor will be deemed to be of HIGH RISK and a Notice of Concern will be issued.

### Stage 1 – RISK ASSESSMENT

During this stage no further payments will be made to the subcontractor. The subcontractor will be required to provide a sample of evidence to support learning, visit or review activity for the learners selected. The sample may range from 25% to 100%.

Outcome	Evidenced by	Intervention
Evidence satisfies the requirements of the ESFA Guidance	Sampled evidence is 100% compliant with guidance	Funding reinstated – Subcontractor intervention ceases
Evidence does not fully meet the requirements of the ESFA funding guidance	Sampled learner evidence is not fully compliant	Implement Stage 2 – Intervention action
Evidence is wholly unsatisfactory in meeting the ESFA funding guidance	Sampled evidence is non-compliant	Implement Stage 3 – Termination of contract

### Stage 2 - INTERVENTION ACTION

SR Apprenticeships will work with the subcontractor on a range of support measures. The funding proportion paid to the subcontractor will reduce by a further 15% to cover the costs of such intervention. The support measures will be agreed with the subcontractor and may

- Increased monitoring and audit activity include:
- Increased support visits
- Further audits to check that learning/visits are taking place.

### Stage 3 – TERMINATION OF CONTRACT

In the event that the evidence of learning provided by a subcontractor does not provide confirmation that learners are actively engaged in learning, SR Apprenticeships will make arrangements to terminate this contract as per section 10 of this Subcontracting Delivery Agreement. Learners currently enrolled will remain the responsibility of SRE and will continue with their learning.

## 10. Procedures

Subcontracting intentions for each year will be proposed by the Operational and Commercial teams in accordance with the Compliance Manager, based on an allocated budget, and signed off by the Directors. As part of this process, it will be demonstrated how the proposed subcontracted provision meets the



Subcontracting Strategy. This will also apply to any in-year subcontracting.

A Subcontracting Procedures document, to be reviewed annually and accompany annual subcontracts, will set out contain the full detail around:

- In-year contract management processes
- Data processing
- Expectations for both parties
- Annual due diligence and ongoing quality assurance/audit and compliance checks
- Process for sourcing and selecting new Subcontractors.

## **11. Quality Assurance**

Quality assurance will ensure continuous improvement in the quality of teaching, learning and assessment for both SR Apprenticeships and its subcontractors. This will be achieved through the sharing of effective practices across the supply chain.

## **12. Contingency Plan**

If for any reason, financial or otherwise, a subcontractor is unable to continue delivery either temporarily or permanently; SR Apprenticeships will work with the subcontractor to ensure the continuity of delivery for learners enrolled on SR Apprenticeships programmes appropriate to the circumstances. SR Apprenticeships will assess the best option, from those listed below, for completing the learners. Options may include, but are not limited to:

- Deliver the remaining programme as a prime provider using SRE employees or self-employed consultants
- Seek a suitable alternative partner to deliver the remaining programme as a new or extended subcontracting arrangement

SR Apprenticeships will assess the best method based on variables such as employer location, learner location, the proportion of the programme left to complete.