# Subcontracting Policy

# 2015/2016

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## 1. Scope

The policy applies to all supply chain activity supported with funds supplied by the Skills Funding Agency, the Education Funding Agency or any successor organisations.

## 2. Context

The policy is now a mandatory requirement that must be in place prior to participating in any sub-contracting activity from 1 August 2013. The content of this policy has been developed in line with AoC/ AELP Common Accord, the SFA Funding rules and the LSIS Supply Chain Management document.

The Skills Funding Agency defines a sub-contractor as an organisation that is engaged in a contractual and legally binding arrangement with a lead provider to deliver provision ultimately funded by either the Skills Funding Agency or the Education Funding Agency.

Resources North East has a long history of working with select sub-contractors and partners to deliver high quality teaching and learning. In recent years our sub-contracted and partnership provision has included learner responsive delivery to 16-18 year old learners, apprenticeship provision, and learner responsive delivery to adult learners in a variety of settings.

Subcontractors and partners have been used to engage a variety of communities that have typically been underrepresented in further education across the region.

As a result of funding changes and an anticipated increase in the proportion of our curriculum that is delivered directly, Resources will reduce the scale of its sub-contracted provision in 2015/16.

Because of this, Resources will prioritise the engagement of sub-contractors that:

• Can demonstrate consistent delivery of the highest quality teaching and learning.

• Can facilitate a high level of progression into employment or higher learning for our students. (We are particularly keen to work with sub-contractors that are able to deliver student progression into employment with Advanced and Higher Apprenticeships

• Are financially secure and can enter into a sustainable relationship with Resources

• Have or are committed to adopting robust quality assurance processes that complement those in place at Resources

Resources make a conscious decision between sub-contractors and delivery partners although our relationships with both share many common features. However, our partnerships are typically:

• Long term. Partnership agreements are expected to be maintained and developed for a number of years, whereas as sub-contractors will only be engaged for a maximum of one year at a time.

• Of strategic value to Resources and the local region. In some cases the Resources may decide to engage in partnership delivery that offers little or no financial benefit but confers a significant reputational or other advantage.

To date, our delivery partnerships have been focussed on the development of 16-18 apprenticeship provision and it is anticipated that this will continue, as the government priorities are in this age group and funding stream, to increase apprenticeship uptake to 3 million.

Our sub-contracted and partnership delivery is overseen by the Senior Management Team.

Directors will receive a regular report on the scale and mix of our sub-contracted provision through the monthly management accounts.

Resources have sought to ensure sub-contractors and delivery partners are fully engaged with our teaching and learning quality assurance processes. In 2015/16, our sub-contracted provision is subject to lesson observation in the same way as our directly delivered programmes of study.

Resources will seek to ensure that where appropriate, sub-contractors and delivery partners adopt our approach to self-assessment and quality improvement for 2014/15 and beyond.

## 3. Overarching Principle

Resources will use its supply chains to optimise the impact and effectiveness of service delivery to the end user. Resources 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 iterations)

b. Resources will at all times undertake fair and transparent procurement activities, conducting robust due diligence procedures on potential sub-contractors 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 Resources 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.

d. Where disputes between supply chain partners cannot be resolved through mutually agreed internal resolution procedures, Resources 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. Definition of Sub-Contracting

**What is a lead provider?**

A lead provider is a college, training organisation or employer that has a direct contractual relationship with the SFA. (Known as the Prime)

**What is a Sub-Contractor?**

A sub-contractor is an organisation that is engaged in a contractual and legally binding arrangement with one or more lead providers to deliver provision that we fund. Sub-contractors may be informally called partners in the sector. However, for SFA purposes, they are classified as sub-contractors.

## 5. Rationale for Sub-Contracting

Resources have a strategic aim to minimise the level of sub-contracting entered into. Resources aim to use its funding allocations to support our local learners, employers and communities through direct delivery. Minimising levels of subcontracting also reduces the exposure to risk of poor performance by other organisations.

Resources will in the first instance consider direct delivery. However, Resources recognises the benefits that effective sub-contracting can bring in extending the range and accessibility of provision for learners and employers and will consider sub-contracting in the following circumstances:

• Where our existing employers or learners require additional provision which is beyond our existing scope or capacity

• Where subcontracting will allow us to meet short term needs of learners or employers without exposing Resources to the risks and entry and exit costs of setting up new provision

• Where sub-contracting will allow us to capacity-build in new sectors or territories to allow us to move to a position of direct delivery or to grow income such as 16-18 apprenticeship funding

• For very specialist provision which Resources would not be able to adequately resource.

## 6. Quality Assurance

Sub-contracted activity is a fundamental part of the Resources provision. The quality of the provision will be monitored and managed through the existing Resources QA processes and procedures, as amended in order to fully encompass all sub-contracted activity.

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

All Sub-Contractors with combined contract values (from other Primes for SFA funding) of over £100,000 must be approved on ROTO

As minimum Resources will carry out the following Quality Assurance measures with subcontractors;

- Desk top checks and due diligence visit for new providers
- Annual due diligence review for existing providers
- 2 Quality Assurance visits per year, of which at least 1 will be a short-notice visit
- 2 Self-Assessment Monitoring visits (SAMs)

Resources will provide a programme for each visit as follows;

- Standard visit agenda
- Short Notice visit agenda
- Quarterly contract management meetings, with the Managing Director. These meetings may coincide with Quality Assurance visits
- Annual survey of learners
- Annual survey of employers (if applicable)
- Annual audit of MIS data including enrolment forms and attendance records
- Annual review of learner documents including tracking records, reviews and ILPs
- Quarterly review of the sub-contractor success rates, self-assessment process and Quality Improvement Plan.

Resources may require the sub-contractor to undergo the following quality improvement measures, at a cost to the sub-contractor in accordance with Resources published fees:

- Additional standard or short notice visits
- Additional survey of learner or employer views

・Lesson or assessor observations

・Staff CPD

・Consultancy from Resources or other external consultant

## 7. Publication of Information Relating to Sub-Contracting

In compliance with Skills Funding Agency and other agency funding rules, Resources will publish its sub-contracting fees and charges policy and actual end-of-year sub-contracting fees and charges on its website before the start of each academic year (and in the case of actual end of year data, as required by SFA). This will only relate to 'provision subcontracting' i.e. subcontracted delivery of full programmes or frameworks. It will not include the delivery of a service as part of the delivery of a programme (for example, buying the delivery of part of an Apprenticeship framework or outreach support).

Resources will ensure all actual and potential sub-contractors 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 sub-contractors, 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 sub-contractors might include:

- Previous track record
- Success levels
- Type of customers to be engaged
- Type of provision to be undertaken
- Contract duration

・The risk bands will be used to allocate Resources charges. Risk factors are given a score so that each sub-contractor is aware of why they are in a particular band, this process will be used to give sub-contractors an incentive to improve and thus reduce the risk band that they fall in. For example, higher risk sub-contractors will be allocated less funding but receive more monitoring and support.

・Payment terms between the Resources and sub-contractors – timing of payments in relation to delivering provision and timescale for paying invoices and claims for funding received.

・The support sub-contractors will receive in return for the fees charged.

## 8. Communication

This policy will be reviewed in each summer term and updated as required. It will be published on Resources web site during the July prior to the start of the academic year in which it will be applied.

Potential sub-contractors will be directed to it as the starting point in any relationship.

## 9. The Fees and Charges Risk Factor Table 2015/16

The standard Resources management fee is 20% of all funding drawn down against the provision to be delivered. This figure represents the total cost that Resources incurs in effectively identifying, selecting and managing all sub-contracted provision. This includes the minimum amount of QA activity that Resources would attach to the lowest possible risk sub-contracted partner.

Further charges to cover additional costs may be added to the base 20% fee to cover the cost to resources of any additional support that Resource's deems necessary to ensure the quality of teaching and learning and the success rates of any sub-contracted provision. Additional cost is determined using a weighted table of risk factors. The table is available to all actual and potential sub-contractors. It 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 re-calculated and negotiated each year at contract renewal, giving sub-contractors the opportunity to reduce their fees through continuous improvement. This approach will allow Resources to focus support where and when it is needed.

See Annex 2

## 10. Additional Support for Sub-Contractors

The precise additional support given to each sub-contractor will be negotiated with that subcontractor,

but will be based on a 'risk band' approach and may include:

- Additional site visits
- Additional lesson observation
- Additional tutor support
- More rigorous verification

The risk band will be determined using the table in annex 2.

## 11. Additional Charges per learner

Resources may also retain funding to cover the cost of any funded activity that it might undertake on behalf of the sub-contractor such as:

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

## 12. How We Select and Appoint our Sub-Contractors

In selecting our partner providers we will consider the following:

- PQQ and ITT held every year
- Reputation – providers may be referred to us by employers or other Providers
- Specialism – providers may offer niche provision where there are few alternatives

・Geographic location – where possible we will support local partners

・Quality measures – based on a range of measures including Ofsted rating, success rates, track record etc.

・Responsiveness – how readily the provider can meet the needs of our learners and employers.

・Lack of a track record, such as providers who are new organisations, or who offer new or immature provision will not necessarily be a barrier to sub-contracting.

・However, the quality assurance measures and associated costs will reflect the additional risks of new provision. Following initial selection, Resources will undertake a desktop due diligence check of potential partners. This will be followed by a due diligence visit to the delivery premises prior to contracts being issued.

・Existing sub-contractor partners will undergo an annual due diligence review.

Full details of the desk top checks, due diligence visit and annual due diligence review checks are included in Annex 1.

## Annex 1 – Due Diligence Checks

Sub-Contracting Requirements

| **Due Diligence documents required for desktop assessment** | **Notes / Resources Actions** |
|---|---|
| Copy of latest set of audited accounts | To be reviewed by Head of Finance |
| Full names of all Heads / Trustees / Senior Managers | Complete company house check |
| Copy of most recent Ofsted report | Require grade 1 -2 |
| Copy of most recent Self-Assessment Report (SAR) – where applicable | Require grade 1 -2 |
| CVs for all staff delivering training / assessment | To be reviewed by Head of Quality & Compliance or Lead Auditor |
| Copy of contract of employment / evidence of contract of employment for all staff delivering training/assessment | To be reviewed by Head of Quality & Compliance or Lead Auditor |
| DRB numbers for all staff delivering training /assessing | To be reviewed by Head of Quality & Compliance or Lead Auditor |
| Copy of staff certificate for the member (s) of staff responsible for training/assessing | To be reviewed by Head of Quality & Compliance or Lead Auditor |
| Copy of Health & Safety Policy | To be reviewed by Health & Safety Manager |
| Copies of risk assessments | To be reviewed by Health & Safety Manager |
| Copy of disaster recovery policy | To be reviewed by Health & Safety Manager |
| Copy of Employers/Public/ Occupiers liability insurance certificate | Minimum<br>£10 million for Employers Liability Insurance<br>£5 million for Public Liability Insurance. Certificate to be in date. |

| | |
|---|---|
| Evidence of Initial Advice & Guidance (IAG) and IAG Policy | To be reviewed in line with ReNE policy |
| Copy of Complaints procedure | To be reviewed in line with ReNE policy |
| Copy of equality and diversity procedure | To be reviewed in line with ReNE policy |
| Details/evidence of DDA compliance | To be reviewed in line with ReNE policy |
| Copy of Safeguarding Policy | To be reviewed in line with ReNE policy |
| Copy of Sustainability Policy | To be reviewed in line with ReNE policy |
| Copy of Mission Statement | To be reviewed in line with ReNE policy |
| Copy of Data Protection Policy | To be reviewed in line with ReNE policy |
| Copy of Awarding Body Centre Approval – where appropriate | To match qualifications being delivered |
| Copy of most recent External Verifiers Reports where appropriate | To be reviewed for serious issues |

The Sub-Contractor will provide the following:

| **Required during Funding Year** | **Frequency / Due by** |
|---|---|
| Return signed contract and appendices | Before 1st August / start of delivery programme |
| Deliver the Programme (s) in accordance with Resources quality assurance arrangements | In line with the ReNE's timetable |
| Self-Assessment Reports in line with the ReNE's requirements | In line with the ReNE's timetable |
| Signed and fully completed enrolment form/ILR for each learner;<br>(Copy of recent benefits evidence if claiming fee remission) | Within 2 weeks of the course commencing |
| Full registers or contact records (Apprentices) | Every Month |
| Withdraw any learners who have missed more than 4 consecutive weeks | Within 1 month after missing 4 consecutive weeks |
| Timetable of delivery including session times, venues and teaching staff | Before course(s) commence |
| Copies of achievement certificates as soon as received from the Awarding Body including ACE certificates | As Soon as received – ACE certificate to be received no later 3 months after learner achievement date |
| Copies of all EV reports | As soon as received |
| Feedback questionnaires from learners | In line with the ReNE's timetable |
| Raise invoices per agreed payment amounts and schedule | Per agreed schedule |

## Annex 2 – Quality Assurance Measures

**Resources will score each performance indicator as follows:**

| **Performance Indicator** | Risk Rating Score | | | |
|---|---|---|---|---|
| | Low | Medium | High | No Measurable |
| | 1 | 2 | 3 | 3 |
| Delivery experience of the sub-contractor | More than 5 full years | 2 to 5 full years | Less than 2 full years | |
| Previous years success rate | 3% or more above benchmark | Within + or = 2% of benchmark | More than 2% below benchmark | No previous delivery record |
| Ofsted or SAR grading | Grade 1 or 2 | Grade 2 | Grade 4 | No Ofsted Grading |
| Type of provision & PQQ Results | Provision deemed to be low risk eg ReNE experience<br>PQQ >90% | Medium risk eg<br>ReNE experience in managing this type of delivery<br>PQQ >75% | Provision deemed to be high risk eg distance learning or difficult client group<br>PQQ >60% | No self-assessment process<br>PQQ <59% |
| ReNE audit and QA measures | Compliant and no actions or recommendations | Mainly compliant but recommendations to improve | Not compliant and actions required to improve | No previous audit as new provision |

| | | | | |
|---|---|---|---|---|
| | | | | |

| Overall Score | Risk Rating |
|---|---|
| 5-7 | Low |
| 8-12 | Medium |
| 13-15 | High |

| Funding Element Retained for Sub-Contract Management | | | |
|---|---|---|---|
| Volume | Low Risk | Medium Risk | High Risk |
| Under £50,000 | 20% | 25% | 30% |
| £50,000-£100,000 | 20% | 25% | 30% |
| Over £100,000 | 20% | 25% | 30% |

## Annex 3 – Fees and Charges Structure

The following activities are included in the standard contract management and covered by the retained funding element;

| Activity | Number/Frequency included in standard retained funding element |
|---|---|
| **Pre-Contract Processes** | |
| Due diligence desk top checks | 1 at set-up |
| Due diligence visit 1 per site | up to 3 sites |
| Annual due diligence | 1 per year |
| Issuing standard sub-contract agreement | 1 per year |
| **MIS Processes** | |
| Issuing RENE document templates and forms to be used by the subcontractor | As and when amended |
| Agreeing use of sub-contractor templates and forms (if at least as good as RENE documents) | 1 per year |
| Entering learner data and amendments onto PICS (MIS) | All |
| Entering attendance data and reconciling with ILR | All |
| Calculating fees due and processing payments received | All |
| Data-match checks with other main contractors with whom the subcontractor works | All |
| **Quality Assurance Processes** | |

| | |
|---|---|
| Quality assurance visits and lesson/assessor observations | At least 2 per year |
| SAM meetings | At least 2 per year |
| Annual survey of learners (in addition to your own surveys) | 1 per year |
| Annual survey of employers (if applicable) (in addition to your own surveys) | 1 per year |
| Annual audit of MIS data including enrolment forms and attendance records | 1 per year |
| Review of learner documents including tracking records, reviews and ILPs | At least 3 times per year |
| Annual review of the sub-contractor provision within Resources self-assessment process and Quality Improvement Plan | 1 per year |
| Incorporate the sub-contractor provision within the partnership manager | Typically 1 or 2 phone calls or emails per week, more for new providers |
| Sub-contractor staff to attend Resources CPD activity | |

The below will be implemented from August 1st 2015.

The sub-contractor will incur the following charges if additional activity is required to address poor performance or reduce risk:

| **Activity** | **Cost to sub-contractor** |
|---|---|
| **Pre-Contract Processes** | |
| Additional due diligence investigation, e.g. to investigate financial records or take additional references | £40 per hour |
| Produce action plan as a result of unsatisfactory due diligence checks or visits | £40 per hour |
| Additional due diligence visit to monitor improvements | £40 per hour |
| Additional due diligence visit to additional delivery locations | £40 per hour plus transport costs |
| **MIS Processes** | |
| Returning enrolment forms or other documents due to incorrect completion | Normally no charge but continued non-compliance will incur noncompliance letter charge |
| Non-compliance letter from Managing Director requiring improvement | £40 |
| **Quality Assurance Processes** | |
| Self-assessment report (if not produced to satisfactory standard by sub-contractor) | £40 per hour |
| Quality Improvement Plan (if not produced to a satisfactory standard by sub-contractor) | £40 per hour |
| Quality assurance – site visits | £40 per hour plus transport costs |

| | |
|---|---|
| Quality assurance – remote (desk top review) | £40 per hour |
| Contract Management review meetings | £40 per hour |
| Additional survey of learners | £200 + external survey costs |
| Additional survey of employers (if applicable) | £200 + external survey costs |
| Providing consultancy support (Senior level) | £60 per hour |

The following rates will apply to additional services which Resources may provide for the subcontractor;

| **Service** | **Cost** |
|---|---|
| Registration of learners on Resources centre approval with Awarding Bodies | Cost + 10% |
| Certification of learners from awarding body | Cost + 10% |
| Certification of apprentices with ACE | Cost + 10% |
| Internal verification | To be agreed depending on provision |
| Providing consultancy support (Senior level) | £60 per hour |

# Annex 4 – Payments made to Subcontractors

**PAYMENTS MADE TO SUBCONTRACTORS 2013/14**

| Subcontractor | UKPRN | Contract Start Date | Contract End Date | Provision | Received from SFA | Paid to Sub Contractor | Retained | Other Fees |
|---|---|---|---|---|---|---|---|---|
| 1st 2 Achieve Ltd | 10031126 | 01/08/2013 | 31/07/2014 | 16-18 & 19+ Apprenticeships | £36,787.04 | £29,429.63 | £7,357.41 | £0 |
| Monumental Training Ltd | 10040503 | 01/12/2013 | 31/07/2014 | 16-18 & 19+ Apprenticeships | £161,695.78 | £129,356.624 | £32,339.16 | £0 |
| TDB Training Specialists Ltd | 10019323 | 01/08/2013 | 31/07/2014 | 16-18 & 19+ Apprenticeships | £68,996.59 | £55,197.27 | £13,799.32 | £0 |
| Agility People Services Ltd | 10024018 | 01/08/2015 | 31/07/2014 | 16-18 & 19+ Apprenticeships | £139,040.07 | £111,440.87 | £27,599.20 | £0 |

**PAYMENTS MADE TO SUBCONTRACTORS 2014/15**

| Subcontractor | UKPRN | Contract Start Date | Contract End Date | Provision | Received from SFA | Paid to Sub Contractor | Retained | Other Fees |
|---|---|---|---|---|---|---|---|---|
| 1st 2 Achieve Ltd | 10031126 | 01/08/2014 | 31/07/2015 | 16-18 & 19+ Apprenticeships | £67,640.55 | £53,313.88 | £14,326.67 | £0 |
| Monumental Training Ltd | 10040503 | 01/08/2014 | 31/07/2015 | 16-18 & 19+ Apprenticeships | £450,787.80 | £360,630.24 | £90,157.56 | £0 |
| TDB Training Specialists Ltd | 10019323 | 01/08/2014 | 31/07/2015 | 16-18 & 19+ Apprenticeships & Classroom Learning | £28,135.67 | £21,781.82 | £6,353.85 | £0 |
| Agility People Services Ltd | 10024018 | 01/08/2014 | 31/07/2015 | 16-18 & 19+ Apprenticeships | £98,165.01 | £77,881.90 | £20,283.11 | £0 |
| Nova Payroll | 10038387 | 01/09/2014 | 31/07/2015 | 16-18 & 19+ Apprenticeships | £22,015.93 | £17,386.42 | £4,629.51 | £0 |