

## Sub- Contracting: Supply Chain Retained Funding & Charges Policy 2020 - 2022

<b>Owner:</b> Commercial Director	<b>Implementation</b> Subcontracting Manager
<b>Description:</b> The Sheffield College's policy on the amount of funding it retains for management, administration and quality assurance when it subcontracts training provision	

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	Finance, Employment and General Purposes Committee  <b>Executive Owner:</b> Commercial Director	24 June 2020	1 August 2020	No later than 31 July 2022

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## Background to Policy

This Policy outlines The Sheffield College's position in relation to its subcontracting provision and funding to supply chain delivery partner organisations.

The policy is designed to ensure:

- The provision offered by the subcontractor organisations supports the strategic objectives of The Sheffield College
- The Sheffield College's mission, commitments and values are upheld by subcontractor organisations
- That the College's subcontracted arrangements are delivered within a robust framework which is transparent and in the best interests of all parties involved
- That subcontracted provision is fit for purpose and of high quality
- That the College's learners receive the best service possible
- That subcontracted arrangements adhere to relevant Education and Skills Funding Agency (ESFA) guidelines and funding rules and to The Sheffield College's relevant policies, including Equality and Diversity, Safeguarding and Preventing Extremism and Radicalisation.

The Sheffield College's approach to subcontracting is to work with supply chain partners where there is a gap in the College's own provision yet there is demand in the region that would not otherwise be serviced, or where there is a need to provide a national delivery service.

The reasons for working with each individual subcontractor will vary and will be discussed at the selection/annual renewal process and documented in the contract. If the reasons for partnership are not clear, then a contract will not be entered into.

The Sheffield College will only use subcontractors who are of a high quality and low risk. Selection of new subcontracted provision will be carried out in a way that meets The Sheffield College's strategic aims and enhances the quality of the training offer to learners.

As per The Sheffield College Subcontracting Procurement, Contracting and Monitoring, Reporting procedures, The Sheffield College's Governing Body will be informed of all subcontracting activity.

The Sheffield College does not subcontract to meet short-term funding objectives.

## Sub-contracting – Retained Funding and Charges Structure

### General Terms

The policy includes the fees and charges arrangements with subcontractors and only includes provision subcontracting.

The Sheffield College will receive all the funding for subcontracted delivery through the payment mechanisms of the ESFA. A proportion of that will then be passed to the subcontractor in accordance with the 'funding terms' section that follows.

To determine the value of the funding retained, The Sheffield College will work with the subcontractor at the due diligence and contract stage to compile a list of services and products that will be provided to support quality delivery. These will be broken down into three main headings:

- Managing the subcontractor (including management contract meetings, compliance visits and review meetings either on site or via online conference call facilities e.g. Skype, due diligence, and contingency planning)

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- Production of compliant funding returns (incorporating exam, and data collection and return costs)
- Quality monitoring activities (including staff development activities, teaching observations, staff and student reviews and feedback)

The Sheffield College will agree a retained funding and charges structure with each subcontractor that recognises the full extent of the subcontracted provision.

The standard college percentage of retained funding is 15% of all funding drawn down against the provision to be delivered. This figure represents a reasonable contribution towards the cost that the College incurs in effectively identifying, selecting and administering all sub-contracted provision. This includes the minimum amount of quality assurance (QA) activity that Sheffield College would attach to the lowest possible risk sub-contracted partner. An increased percentage of funding above the standard 15% is retained if the subcontractor is deemed to be of higher risk as shown in the Weighted Risk Table.

The activities that are included as standard within the College's base retained funding of 15% are listed in the "Table of Costs".

Further charges to cover additional costs may be added to the base 15% to cover the cost to The Sheffield College of any additional activity that the College deems necessary for it to undertake to ensure the quality of teaching and learning and the success rates of any sub-contracted provision.

Where The Sheffield College is required to undertake additional activities beyond normal administration processes or deliver a part of a qualification or Apprenticeship Framework and/or Standard, an increased percentage of funding to be retained by Sheffield College will be agreed with the subcontractor.

The subcontractor submits an invoice to The Sheffield College upon request for all learners on programme within the invoiced month. All subcontractors are paid within 30 days of receipt of a valid invoice and paid through the BACS system.

## **Adult Education Budget (AEB) and 16-19 Study Programme Funding Terms**

For Adult Education Budget (AEB) funding and 16-19 Study Programme Funding, The Sheffield College will agree with the subcontractor the monthly profile amount and further agree quarterly budgetary targets that are expected to be achieved. The Sheffield College will manage the subcontractor period allocation within the context of the whole of The Sheffield College prime contract and if necessary vary the profile to meet the requirements of the ESFA Funding Rules and the published ESFA Performance Management rules that currently apply. Where a subcontractor does not achieve the quarterly profiles, The Sheffield College may adjust the remaining profiles for that subcontractor.

## **Apprenticeship Levy Funding Terms**

For Apprenticeship Levy subcontracting under ESFA Funding Rules, the Employer needs to approve:

- i) the use of named subcontractors;
- ii) the scope of the subcontracted provision i.e. is it for the delivery of an apprenticeship programme in full or in part;
- iii) the amount of funding that the College is allowed to retain for the administration and quality assurance of the subcontracted provision.

For Apprenticeship Levy subcontracting the amount of funding retained by The Sheffield College may vary depending on what is agreed with the employer.

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## Payment terms between The Sheffield College and Subcontractors

For any payments to be made to the subcontractor, the subcontractor must conform to the terms of the contract and provide the required paperwork, data and information for The Sheffield College to make a successful claim via its Individual Learner Record (ILR) to the relevant funding agency.

Subcontractors are paid for the learning activity delivered the previous month subject to meeting contractual requirements and subject to approval of levy funds on the Apprenticeship Service.

The subcontractors are required to produce an invoice following the confirmation of amount to be paid by The Sheffield College. Alternative payment conditions may operate, following discussions with the subcontractor, depending on the contract delivery model and contract delivery time.

Subcontractors receive detailed monthly payment information, showing the management fee withheld and the funds that are being paid to subcontractor to ensure transparency.

All subcontractors are set up as suppliers on The Sheffield College's finance system. The payment is made to the Subcontractor via BACS.

Funds due to the subcontractor may be held back with terms highlighted in the contract if the subcontractor fails to adhere to terms of contract (including where there is poor quality of delivery), and escalation processes will be followed.

In agreement with both parties, variations to the contract may be issued during the contract period. The variation may relate to, for example:

- Changes in the management fee dependent on the level of support required
- Changes to the volumes of learners and funding
- Changes to the range and scope of provision delivered by the subcontractor.
- Changes to ESFA funding rules and apprenticeship rules and guidelines

## Weighted Risk Table

Funding Element Retained for Sub-Contractor Administration and Quality Assurance			
Volume	Low Risk	Medium Risk	High Risk
Under £50,000	15%	20%	25%
£50,000 -£100,000	15%	20%	25%
Over £100,000	15%	20%	30%

## Table of Costs

<b>Subcontract Management Activities</b>		
<b>Cost Item</b>	<b>Minutes spent on activity in a year</b>	<b>Cost £</b>
Lead Provider MIS system (proportional)	60 per learner	£45.00
Contract Preparation	120 per contract	£90.00
Audit Preparation	90 per contract	£67.50
Due Diligence	150 per contract	£112.50
Invoice Payments	390 per contract	£292.50
Monitoring, Performance & Management Meetings	780 per contract	£585.00
Performance Board Reviews	240 per contract	£180.00
Partnership Operational Meetings	420 per contract	£315.00
<b>Quality Monitoring Activities</b>		
<b>Cost Item</b>	<b>Minutes spent on activity in a year</b>	<b>Cost £</b>
Data Management	15 per learner	£11.25
Ofsted Management	180 per contract	£135.00
Quality Assurance Visits	240 per contract	£180.00
Lesson Observations	120 per contract	£90.00
Lesson Observation Feedback	60 per contract	£45.00
Mileage Claims – (per mile)		0.45
Travel Time in Work Hours	960 per contract	£720.00
Remote Sampling of Progress	120 per contract	£90.00
<b>Other Support Activities</b>		
<b>Cost Item</b>	<b>Minutes spent on activity in a year</b>	<b>Cost £</b>
ILR work	30 per learner	£22.50
Examination Fees (EPA)	15 per learner	£11.25
Examination Entry Administration	15 per learner	£11.25

The above administration and quality assurance activities are included as standard and are covered by the College's standard retained funding element (15%);

The sub-contractor may incur the following charges if additional activity is required to address poor performance or reduce risk: These are reviewed on an annual basis.

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Activity	Cost to sub-contractor
<b>Pre-Contract Processes</b>	
Additional due diligence investigation, e.g. to investigate financial records or take additional references	£45 per hour
Produce action plan as a result of unsatisfactory due diligence checks or visits	£45 per hour
Additional due diligence visit to monitor improvements	£45 per hour
Additional due diligence visit to additional delivery locations	£45 per hour plus transport costs
<b>MIS Processes</b>	
Produce action plan as a result of unsatisfactory submission of Learner enrolment paperwork	£45 per hour
Additional investigation, e.g. to investigate inaccuracy of program information being submitted which has led to input errors	£45 per hour
Additional investigation, e.g. to investigate inaccuracies in the Calculating of fees due to previous prior learning not being considered and reconciling and adjusting payments made	£45 per hour
Undertaking further visits to undertake Data-match checks with subcontractors to ensure accuracy of Data Entry	£45 per hour plus transport costs
<b>Quality Assurance Processes</b>	
Additional Quality assurance visits and lesson/assessor observations	£45 per hour plus transport costs
Additional review of the sub-contractor provision within the college self-assessment process and Quality Improvement Plan	£45 per hour
Returning enrolment forms or other documents due to incorrect completion (10% threshold)	Normally no charge but continued non-compliance will incur noncompliance letter charge
Non-compliance letter from College Business Development Manager for Sub-contracting requiring improvement	£45
<b>Compliance Visit processes</b>	
Two quarterly partner meetings to disseminate information and share good practice.	£45 per hour
Annual Partner conference.	£45 per hour
Updates on changes to funding guidance.	£45 per hour
Monthly upload reports.	£45 per hour
Regular success rate reports.	£45 per hour
Opportunity to collaborate on other projects	£45 per hour
Minimum of quarterly contract management meetings.	£45 per hour
Contract Management review meetings	£45 per hour

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<b>Quality Assurance Processes</b>	
Self-assessment report (if not produced to a satisfactory standard by sub-contractor)	£45 per hour
Quality Improvement Plan (if not produced to a satisfactory standard by sub-contractor)	£45 per hour
Quality assurance – site visits	£45 per hour plus transport costs
Quality assurance – remote (desk top review)	£45 per hour
Contract Management review meetings	£45 per hour
Additional survey of learners	£250 + external survey costs
Additional survey of employers (if applicable)	£250 + external survey costs
Providing consultancy support (Head level)	£65 per hour
Independent observations of Teaching, Learning and Assessment, and portfolio audits.	
Opportunity for Peer Audit and Peer Review of quality assurance systems	

The following costs will apply to additional activities which the college may undertake where it is not being provided by the subcontractor; these additional costs will be reflected in the % of funding retained by the College.

<b>Service</b>	<b>Cost</b>
Registration of learners on college centre 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 (Head level)	£65 per hour

## **Data Protection**

Subcontractors will be required to warrant that they shall comply with the General Data Protection Regulation 2018 and all United Kingdom legislation implementing it, and shall not cause the College to be in breach of such provisions. Subcontractors will be required to indemnify the College against all liabilities, costs, expenses, damages and losses, and all other professional costs and expenses suffered or incurred by the College arising out of or in connection with this warranty.

## **Management of the Policy**

The Subcontracting Committee, reporting to the Executive, is responsible for overseeing compliance with the policy.

The Commercial Director on behalf of the Executive is responsible for the administration of the policy and for approving variations to the policy for specific subcontractors where required, provided that the variations are within the overall policy framework. The Subcontracting Committee of the College is responsible for ratifying any variations.

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## Publication of the Policy

This policy is communicated and discussed with all our current and potential supply chain partners and is published on the Sheffield College public area of the website. The policy can be accessed via this link: <http://www.sheffcol.ac.uk/about-us/public-documents>

## References

ESFA Funding Rules

Supply Chain Management: A good practice guide for the post-16 skills sect

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