



## Subcontracting Policy 2018/19

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# **Subcontracting Policy 2018/19**

## **1. Scope**

The policy statement, which is reviewed annually, details how Bath College applies funding to all supply chain activity supported with funds supplied by the Education and Skills Funding Agency (ESFA) or any successor organisations.

## **2. Context**

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

## **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:

- 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)
- The College will at all times undertake fair and transparent procurement activities, conducting robust due diligence procedures on potential 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 learners’ lives.
- The funding that is retained by the College will be related to contract management. This contract management and the levels of funding being retained, 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 contract management being undertaken.
- 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.

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### **4. Reason for subcontracting**

In line with overall strategic objectives of developing enterprise, employability, expertise and economic impact, Bath College engages with subcontractors to enhance the quality of the learner offer through

- Providing specialist programmes to complement the College's own provision
- Meeting regional community needs which the College is not able to provide directly such as specialist training for the unemployed
- Helping employees in target sectors to upskill and progress
- Providing learners and employers with access to a wider range of training to meet skill shortages
- Testing new provision prior to investment in resources for direct delivery

### **5. Contribution to improving the quality of teaching and learning for the College and its subcontractors**

The College works in partnership with its subcontractors towards continuous improvement in the quality of teaching and learning. This is achieved through the sharing of effective practice across the supply chain. In line with quality policies, the College conducts observations and provides constructive feedback to tutors and managers. Progress is reviewed at quarterly quality audits and monthly review meetings between the College and the subcontractor. As part of their contractual requirements, subcontractors participate in the College's annual Self-Assessment Report process to identify areas for further improvement.

### **6. The typical percentage range of funding retained by the College to manage subcontractors and how this is calculated**

A risk factor assessment is conducted for each potential and existing subcontractor based on thorough due diligence evidence provided including credit and Companies House checks. The risk factor table in Annex 1 shows the performance indicators, criteria and risk levels against which subcontractors are assessed. 20% of all funding drawn down against the provision to be delivered represents the typical contract management costs retained by the College to cover the range of support detailed in section 7 below. This can vary from up to 20% for low risk, 30% for medium risk and over 30% for high risk although a high risk assessment would prompt a review. Subcontractors are made aware of the results of the risk factor table which provides an incentive for them to improve in any areas where the risk is medium to high with additional monitoring and support from the College.

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### **7. The support subcontractors receive by the College**

The funding retained for contract management represents the total cost that the College incurs in effectively identifying, selecting, managing and monitoring all sub-contracted provision. It includes the following areas of support from the College:

- Strategic review meetings to identify areas for development
- Monthly meetings to review progress and achievement rates against national averages and targets and focus on any areas for improvement
- Monthly ILR reconciliations to ensure accuracy and timeliness of data
- Quarterly quality audits in line with the College's QA processes including quality sampling of learners to track learner progress
- Travel to subcontractor and delivery premises
- Quarterly reconciliations between ILR and invoice payments
- Announced and unannounced observations with checks on student attendance and constructive feedback to improve the quality of teaching, learning and assessment
- Learner surveys to gain feedback of learner experience and prompt any action
- Due diligence checks for potential and existing subcontractors (regular updates and reviewed annually)
- Data input of learner details for enrolment and completion
- Checking for learner eligibility, funding, accuracy and timeliness in line with ESFA rules
- External audit of subcontracted provision to meet Ofsted and ESFA requirements

### **8. The reason for any differences in retained funding or support provided to different subcontractors**

Further funding may be retained to cover the cost to the College of any additional support that the College deems necessary to ensure the quality of teaching and learning and the achievement rates of any sub contracted provision. Additional support will be negotiated with the sub-contractor based on the risk band in the risk factor table and may include:

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

The College 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 the College
- Internal Verification

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### **9. Payment terms between the College and its subcontractors: timing of payments in relation to delivering provision and timescale for paying invoices and claims for funding received.**

A monthly payment profile is agreed by both parties at the contracting stage and reconciled with the ILR on a quarterly basis to ensure that it accurately reflects delivery of provision. 2% of total contract value is held back to ensure that subcontractors actively participate in the College Self-Assessment process, course reviews and learner questionnaires as well as providing the required quality and destination information. The 2% is settled at final reconciliation stage provided that all stated requirements have been met. Payment terms are 30 days from receipt of the subcontractor's invoice for a valid claim.

### **10. How and when the policy is communicated and discussed with current and potential subcontractors**

This policy will be reviewed in each summer term and updated as required. It will be published on the College website by 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 followed by due diligence as part of the College's Selection and Quality Management process. The policy will be provided and discussed with existing providers during their due diligence annual review in the summer term. All potential subcontractors will be given a deadline for submitting applications.

Following due diligence, a written strategic and financial business case for each potential subcontractor is submitted to the Senior Management Team and Corporation for approval. The outcome is then communicated to potential subcontractors.

### **11. Where the policy is published**

In compliance with Education and Skills Funding Agency and other agency funding rules that apply, the College will publish its Subcontracting Policy on its website before the start of each academic year and actual end-of-year subcontracting funding as required by the ESFA. 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 standard or outreach support). Any provision subcontracting lists will need to be agreed with local ESFA Officials prior to publication.

### **12. Contingency plans**

In the event that the College needs to withdraw from a subcontract arrangement, a subcontractor withdraws from the arrangement or a subcontractor goes into liquidation or

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administration, the College will take steps to ensure that provision is made so that the learners involved are able to complete their qualifications.

For medium to long courses under classroom based provision, the College will ensure that it has the ability to deliver the courses in the local area. For short, medium and long courses delivered outside the local area, other arrangements would be made such as transferring to other training organisations through an interim subcontract to enable learners to complete the qualifications.

For individual subcontract arrangements, risks have been considered as part of the selection process including losing qualification status, losing financial status, organisation sale/change in ownership, staffing issues and funding for more than 1 year. Specific contingency plans for each subcontractor are developed as part of the subcontractor selection and quality management process (Annex 2) to include operational aspects to ensure that learners can complete their qualifications.

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### Annex 1 Risk factor table

Performance indicator	Criteria	Risk level	Score
Previous track record in terms of meeting funding and success rate targets	1. All fully met and evidenced	1. Low risk	5
	2. Up to 10% below funding target and/or up to 5% below national success rates	2. Medium risk	10
	3. More than 10% below funding target and/or more than 5% below success rate targets	3. High risk	15
Length and quality of the relationship with the College	1. 2 or more years as sub-contractor – no issues	1. Low risk	5
	2. 2 or more years as sub-contractor – some issues	2. Medium risk	10
	3. 2 or more years but serious issues or new with no previous relationship with the College	3. High risk	15
Financial stability of sub-contractor	As a result of due diligence tests:	1. Low risk	5
	1. Fully compliant – accounts, insurance, credit rating	2. Medium risk	10
	2. Compliant but some issues requiring further guidance 3. Compliant but requiring additional guidance and support – both in depth and timing	3. High risk	15
Type of provision to be undertaken	1. Short* funded programmes	1. Low risk	5
	2. Medium* courses under classroom based provision	2. Medium risk	10
	3. Long* courses or apprenticeships	3. High risk	15
Contract performance and duration	1. Fully compliant with quality assurance procedures	1. Low risk	5
	2. Near full compliance with some issues	2. Medium risk	10
	3. Additional support substantial to ensure compliance with more serious issues	3. High risk	15
Contract size	1. Up to £350,000	1. Low risk	5
	2. £350,001 to £500,000	2. Medium risk	10
	3. £500,001 and above	3. High risk	15

Low risk = 30-45 (up to 20% for contract management) score 5

Medium risk = 50-70 (up to 30% for contract management) score 10

High risk = >70 (>30% for contract management and review) score 15

\* relates to qualifying days for funding in SFA common funding rules 2016/17 clause A33:

fewer than 14 days (short), 14-167 days (medium), 168 days (long)

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## Annex 2 Subcontractor Selection and Quality Management Process

