

Sub-Contracting Supply Chain Fees Policy

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Person Responsible	Deputy Chief Executive
Approval/ review bodies	Senior Leadership Team
Frequency of Review*	12 months

**Policies will be reviewed more frequently if legal changes or good practice require*

Review History:		
Date of review	Reviewed by	Reason for review
July 2013	Vice Principal Finance & Resources	Policy completely written
June 2014	Vice Principal Finance & Resources	Review
April 2015	Vice Principal Finance & Resources	Review
June 2017	Vice Principal Finance & Resources	Review
May 2018	Deputy Principal Finance & Resources	Review
May 2019	Deputy Principal Finance & Resources	Review
July 2021	Vice Principal – Strategy & Development	Update to reflect audit recommendations
July 2022	Deputy Executive Principal – Curriculum and Strategy	Update to reflect audit recommendations
July 2023	Deputy Executive Principal – Curriculum and Strategy	Review – no material changes

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1. Statement

North Kent College (“the College”) is committed to growing and diversifying the range of courses it delivers to widen participation; deliver to niche markets; engage in new and emerging markets; and meet the regional and local economic development agenda. In some cases, the College may take the strategic decision to subcontract part of its provision to subcontractor organisations who can demonstrate high quality delivery only where the provision would be otherwise unavailable without this arrangement.

2. Scope

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

This strategy covers two key areas of Sub-contracting:

- 2.1. provision subcontracting where there is the delivery of full programmes or frameworks by the Sub-contractor; and
- 2.2. service subcontracting where the delivery of a service as part of the delivery of a programme such as procuring the delivery of part of an Apprenticeship, framework or outreach support.

Within both cases, the College retains full accountability for contract delivery.

3. Overarching Principle

In line with the Common Accord, the College will commit to the overarching principle to optimise the impact and effectiveness of service delivery to the end user by:

- 3.1. aligning our processes with the LSIS Supply Chain Management document;
- 3.2. undertaking fair and transparent procurement activities, conducting robust due diligence procedures; and
- 3.3. relating the management fee to the costs of the services provided

4. Subcontracting Rationale

Upon commencement of the subcontracting process, the College will consider a Business Case Proposal to ensure that the subcontracting will be in the best interests of all parties.

We will ensure that:

- 4.1. the proposed delivery is in the best interests of learners and employers;

- 4.2. the proposed delivery has a clear strategic fit with our mission, objectives and values;
- 4.3. there is sufficient expertise within the College to quality assure the provision;
- 4.4. there is sufficient staff resource in support areas to administer the processes;
- 4.5. the Sub-contractor is selected via a transparent evaluation mechanism and approved by our due-diligence process;
- 4.6. there is sufficient funding available within our funding contract; and
- 4.7. the Sub-contractor agrees to work within the terms of our contract.

5. Improving the Quality of Teaching and Learning

Subcontractors will be expected to meet the College's quality assurance standards with the College being committed to supporting, developing and sharing good practice and professional development of staff through quality reviews, operational meetings, observations of teaching and learning and learner and employer feedback.

Sub-contracted activity is an increasingly small part of the College's provision, but where it takes place, it is seen as a fundamental part of the Colleges operation and must reflect the overall quality and ethos of the College. The quality of the provision will be monitored and managed through our existing quality improvement process with the College's Self-Assessment Report / Quality Improvement Plan process ensuring continuous improvement in all parts of the learner journey.

6. Management Fees

For apprenticeship programmes, it is not permissible to subcontract whole programmes. The College will from time to time engage subcontractors to deliver short programmes of training or to provide specific mandatory qualifications within apprenticeship standards. Where this constitutes subcontracting of services, the College will not charge management fees, but will instead negotiate and pay a fee to the subcontracted provider which reflects the direct cost of delivery. Such arrangements will only be entered into where it can be demonstrated that the College is not able to provide the delivery internally in a cost-effective manner or at Good or Outstanding quality.

The College does not seek to subcontract whole programmes and does not do so currently, but should this become the case, where permitted (e.g. for AEB funded provision), the College retains a management fee from all subcontractor

organisations of typically 12.5%, up to a maximum of 20%. The fees charged will reflect the cost of the procurement process and the management of the contracts.

These fees will be broken down as follows broadly within the indicated typical ranges:

- 3-6% funding retained for quality assurance and oversight;
- 5-10% funding retained for administrative functions such as data returns;
- 0-4% funding retained for mandatory training delivered to subcontractor staff by the directly funded provider.

There will be no performance related fees, including no clawback for under delivery or other contract performance reasons.

The funding remaining after management fees will be broken down in the subcontracting agreement and in employer agreements into detailed costs elements. We will determine by benchmarking with other providers, that each cost claimed by a subcontractor is reasonable and proportionate to the delivery of their teaching or learning, and they will be required to state how each cost contributes to delivering high quality learning. This breakdown of costs will be reviewed prior to contract commencement and annually.

The College previously agreed to take on subcontracted apprenticeship provision as part of the process of Education Administration to ensure continuity of provision for learners, and there may be future cases where this is necessary. In these exceptional cases, the College will retain management fees for the remaining proportion of programmes. This will be priced at 12.5% of the income, or at the same rate as the pre-existing agreement with the subcontractor if this is lower. No new starts will be allowable in these circumstances as the arrangement will be entered into solely to ensure that pre-existing arrangements can be seen to completion.

The exact mix and level of support for each Sub-contractor will vary depending on the needs of the individual Sub-contractor. However, they will receive a high level of support and guidance and access to College services, including:

- 6.1. quality management systems;
- 6.2. certification and registration with awarding bodies if required;
- 6.3. Management Information Services and data control advice; Audit of management systems, and annual subcontracting risk and assurance audit.
- 6.4. Safeguarding of Young People and Vulnerable Adults procedures;
- 6.5. Health and Safety compliance;

- 6.6. Teaching, Learning and Assessment observations and coaching;
- 6.7. CPD Opportunities and planned training and development;
- 6.8. policy development;
- 6.9. support with Funding Rules compliance;
- 6.10. regular national updates regarding funding and policy guidance;
- 6.11. termly review meetings and where appropriate annual subcontractor quality improvement events involving all subcontractors;
- 6.12. Equality and Diversity support; and
- 6.13. administration of the Employer Incentive schemes.

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

- 6.14. For any subcontractor of whole programmes, we will determine a detailed list of specific activities to be provided, and these will be costed at 12.5% of the income, or at a higher rate if the total of staff hourly costs (at £25 per hour for admin staff, and £56 per hour for teaching and curriculum management staff), and administrative expenses of providing these services, can be shown to be higher than this value.
- 6.15. For any subcontractor of whole programmes, we will determine that the minimum cost of 12.5% of income is reasonable and proportionate to delivery of their teaching or learning by providing a cost breakdown of the services provided, and by evaluating whether it is cost effective for the subcontracted provider to utilise these services. If this minimum cost cannot be justified, the College would not enter a subcontracting arrangement, as the overhead cost of subcontract management would be disproportionate to the value of the programme delivery.
- 6.16. For programme where management fees are levied, the College is required to demonstrate how each cost contributes to delivering high quality learning, and it will do so by providing a clear rationale for why the programme is necessary and could not take place without its subcontracting management support. This will include a written rationale approved by the Governing Board determining that:
 - 6.16.1. that the historical quality record of the subcontractor is at least Good, but preferably Outstanding;

6.16.2. the provision meets a need which could not be provided for by an equivalent or better provider elsewhere; and

6.16.3. that the provision aligns with the strategic aims of the College.

7. Payment Arrangements

7.1. Payments are made on a monthly basis by the end of the following month in which the activity is successfully processed and uploaded to the Data Service by the College.

7.2. Following validation of the evidence in the ILR return, the College will make the appropriate payment to the Sub-contractor based on the level of income calculated by the validation process in that month less the agreed management fee.

7.3. The College operates a self-billing process and invoices are not accepted. Payments are made by BACS.

7.4. The College expects that the Sub-contractors' 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.

8. Policy Communication

The policy is available on-line at www.northkent.ac.uk and can be made available in alternative format or language upon request.

The policy will be discussed with all current and future Sub-contractors during contract negotiation meetings and reviewed at least annually in July of each year. Any changes will be notified to subcontractors as part of their regular performance review or via separate correspondence.