

Delivery Subcontracting Fees and Charges Policy

HARROW, RICHMOND AND UXBRIDGE COLLEGES POLICY AND PROCEDURES



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Person responsible:	Chief Finance Officer
Approved by:	Finance, Audit & Risk Board
For action by:	All staff involved in sub-contracting
For information to:	All staff involved in sub-contracting

1. Scope

- 1.1. This policy applies to all supply chain activity supported by funds supplied by DfE and any successor organisations. The area of sub-contracting that falls within this policy is that of sub-contracted delivery of full programmes or frameworks, i.e. provision sub-contracting.

2. Context

- 2.1. This Policy has been developed in line with DfE Funding Rules, the Supply Chain Management document, the Greater London Authority (GLA) Funding Rules and related guidance and the Common Accord.
- 2.2. This Policy sets out the principles and procedures governing sub-contracting arrangements and the charging of fees within HRUC for sub-contracted provision.
- 2.3. Its purpose is to ensure that all sub-contracted provision and fee structures are managed transparently, consistently, and in compliance with applicable DfE Funding Rules, GLA Funding Rules, regulatory expectations, and good financial and corporate governance.
- 2.4. HRUC is committed to delivering high-quality education and training, whether directly or through sub-contracted partners, and to ensuring that learners and stakeholders are treated fairly and equitably in all financial matters.

3. Overarching Principles

- 3.1. HRUC will use its supply chains to optimise the impact and effectiveness of service delivery to its learners. HRUC will therefore ensure that:
 - 3.1.1. 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 publication including compliance with the sub-contracting funding guidance as per Department of Education guidance: [Sub-contracting post-16 education and training - GOV.UK](#) and the DfE Sub-contracting Standard (in each case as updated from time to time) and any relevant guidance or requirements of the Greater London Authority (GLA) (where the sub contracted provision is GLA funded).

- 3.1.2. HRUC will always undertake fair and transparent procurement activities, conducting robust due diligence procedures on potential sub-contractors to ensure compliance with relevant funding rules and to ensure the highest quality of learning delivery is made available, demonstrating value for money and a positive impact on learner lives.
- 3.1.3. The use of sub-contracting will be justified, proportionate, and aligned to HRUC's strategic objectives, including widening participation, enhancing provision quality, or accessing specialist expertise. Sub-contracting will not be used solely to generate income.
- 3.1.4. All charges levied by HRUC will be transparent, reasonable, and clearly communicated in advance. Learners and partners will fully understand what they are being charged for and why and the funding that is retained by HRUC 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 to 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 services being provided.
- 3.1.5. Where disputes between supply chain partners cannot be resolved through mutually agreed internal resolution procedures, HRUC 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 Principles.

4. Rationale for Sub-contracting

- 4.1. HRUC engages sub-contractors to enhance the curriculum offer to meet local or sectoral needs. Reasons are varied but could be:
 - 4.1.1. To temporarily expand provision to meet a short-term need.
 - 4.1.2. To provide immediate provision whilst expanding direct capacity. This might include working with sub-contractors to explore and learn about new standards or sectors prior to investment in resources.
 - 4.1.3. Providing access to, or engagement with, a new range of customers/employers.
 - 4.1.4. To support another provider to develop capacity/quality.
 - 4.1.5. To provide niche delivery where the cost of developing direct delivery would be inappropriate.
 - 4.1.6. To support employers with a wide geographic requirement.
- 4.2. Each sub-contracting arrangement must have a clear educational and strategic justification documented before approval and must be in line with the relevant funding rules that apply to the sub-contracted activity (as may be updated from time to time).

5. Due Diligence

- 5.1. HRUC will undertake a robust due diligence process before engaging any sub-contractor. This includes assessment of financial stability and sustainability, quality of teaching, learning, and assessment, past performance and track record and safeguarding, governance, and compliance arrangements.
- 5.2. Contracts will only be awarded following formal approval in line with HRUC Financial Regulations, and, where required, by the HRUC governing body.

6. Quality Assurance and Oversight

- 6.1. Sub-contracted activity may be an integral part of HRUC's provision. The quality of the provision will be monitored and managed through the existing HRUC quality assurance processes and procedures, as amended to fully encompass all sub-contracted activity.
- 6.2. This Policy positions sub-contracted provision as a part of HRUC activity to enable continuous improvements in the overall effectiveness of the quality of provision for both HRUC and its sub-contractors.
- 6.3. This will be achieved through the sharing of effective practice across the supply chain, for example through the Self-Assessment Report process and Quality Improvement Plans.
- 6.4. Sub-contracted provision will be actively managed through regular performance monitoring, including learner outcomes, quality assurance visits and audits, financial monitoring and reconciliation and compliance checks against the relevant funding rules that apply to the sub-contracted provision.

7. Contract details

- 7.1. On completion of all due diligence, including an initial on-site quality health check, HRUC will enter into a written agreement with the successful sub-contractor. The contract will include all required DfE or GLA mandatory requirements (as the case may be) relating to sub-contracts as set out in the relevant funding rules.
- 7.2. Each contract will include an allocation against individual areas of delivery available to each sub-contractor. The allocations to these areas will determine the maximum contract values. This may vary from time to time, depending on performance and availability of funds. Quality targets and sub-contracting standards must also be included within the contract.
- 7.3. When signing the sub-contract, the HRUC signatory must also sign to the effect that he/she is satisfied the proposed sub-contractor is high quality and low-risk.
- 7.4. All sub-contractors must be legal entities. The sub-contract will specify that the sub-contractor must meet the relevant funding bodies' regulations and will include any contract terms specifically required by the relevant funding bodies.
- 7.5. The relevant funding body will have the right to enforce the terms of the sub-contract, to visit the sub-contractor's premises, and to access all relevant documents.
- 7.6. Double funding is not permitted.
- 7.7. No second-level sub-contracting will be permitted without the advance written permission of both HRUC and the relevant funding body.
- 7.8. HRUC will not engage brokers to recruit learners.
- 7.9. HRUC will require all GLA and DfE funded sub-contractors to declare the details of all other GLA and DfE sub-contracts they hold.
- 7.10. The mixture and level of support for each sub-contractor, and any additional support and associated charges, will be itemised in the contract with the sub-contractor.

8. Payment terms

- 8.1. All sub-contractors are required to submit their claim information by the 27th day of each month. Payment will be made by the 21st of the month following receipt of paperwork and is calculated using the PFR report generated from the ILR return. The management fee is calculated and deducted monthly.
- 8.2. Under normal circumstances, no retention is held against the payment. Full details of documentary evidence required to be submitted by sub-contractors are included in the contract.

9. Publication of information relating to sub-contracting

- 9.1. HRUC 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). This will only relate to 'provision sub-contracting' i.e. sub-contracted 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).

- 9.2. HRUC will ensure all actual and potential sub-contractors have sight of this policy and any other relevant documents.

10. Communication, Monitoring and Review

- 10.1. The Policy will be available on the HRUC website and will be issued to all existing sub-contractors prior to contract agreements being confirmed. Any potential sub-contractors will be directed to the policy on HRUC's website as the starting point in any relationship.
- 10.2. The Senior Leadership Team of HRUC will monitor the policy to ensure its appropriateness and will formally review, and if necessary, update the policy annually.
- 10.3. Sub-contractors are also required to participate in regular and ongoing monitoring processes as part of a robust risk management process. If any problems are identified which place a contract and delivery at risk, this will be reported to the HRUC Chief Financial Officer.
- 10.4. In the event HRUC decides to withdraw from a sub-contract arrangement, a sub-contractor withdraws from their contract, or a sub-contractor goes into administration and liquidation, HRUC will take swift action to ensure continued delivery of provision and to facilitate learners to complete their learning and qualifications.

11. Contingency Planning

- 11.1. Following the event of withdrawal from a sub-contract, the next step would be for Executive Management Team at HRUC to hold a planning meeting and determine the best way forward. The sub-contractor may also be invited to the planned meeting. Learners are the responsibility of HRUC and would be the primary focus of any contingency plan. A contingency plan would include:
 - 11.1.1. Informing the relevant funding body of withdrawal from the sub-contracting arrangement
 - 11.1.2. A review of learner progress and assessment
 - 11.1.3. To ensure learners complete their learning and qualifications, going forward the following processes will be implemented:
 - a. HRUC would deliver the provision
 - b. HRUC would identify an existing sub-contractor with the capability and capacity to deliver the provision.
 - c. HRUC would engage with a new sub-contractor (subject to completion of the due diligence process) to deliver the provision.
 - d. Informing and communicating plans to learners and employers.
 - e. Setting clear time scales for identified actions to be implemented.
 - f. Allocating key roles and responsibilities to HRUC staff for implementing, monitoring and reviewing the plan.

12. Audit and Funding Data

- 12.1. HRUC holds a certificate confirming a satisfactory audit of its sub-contracting provision by HRUC's external auditors subject to the maximum threshold determined by the DfE. The previous audit took place in November 2024.
- 12.2. Data regarding the actual level of funding paid and retained for each sub-contractor will be made available according to regulatory or contractual requirements.

13. Fees and Charges

- 13.1. HRUC is committed to the principle that rates for sub-contracted activity are commercially viable and are negotiated and agreed in a fair and transparent manner, ensuring most of the funding is placed with the delivery provider.
- 13.2. The standard HRUC management fee is 20% of all funding drawn down against the provision to be delivered. This figure represents the total cost that HRUC incurs in effectively identifying, selecting, and managing all sub-contracted provision. This includes the minimum amount of quality assurance activity that HRUC would attach to the lowest possible risk sub-contractor.
- 13.3. Further charges to cover additional costs may be added to the standard 20% fee to cover the cost to HRUC of any additional support that HRUC deems necessary to ensure the quality of teaching and learning and the success rates of any sub-contracted provision.
- 13.4. Additional cost is determined by 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 sub-contractor is covered through the funding retained. Additional costs will be recalculated and negotiated each year at contract renewal, giving sub-contractors the opportunity to reduce their fees through continuous improvement. This approach will allow HRUC to focus on support where and when it is needed.
- 13.5. Where HRUC part-delivers the learning programme the calculation of fees payable will relate only to that part of the programme delivered by the sub-contractor.
- 13.6. A breakdown of the core and additional support and management costs will be agreed with the sub-contractor during contract negotiation and included in their written contract. This breakdown will include:-
 - 13.6.1. Funding retained for quality assurance and oversight.
 - 13.6.2. Funding retained for administrative functions such as data returns.
 - 13.6.3. Funding retained for mandatory training delivered to sub-contractor staff.
 - 13.6.4. Clawback for under delivery or other reasons.
 - 13.6.5. How each cost is reasonable and proportionate and contributes to delivering high quality learning.
- 13.7. HRUC may also retain, in addition to the management fee, an appropriate amount of funding to cover the cost of any funded activity which it undertakes and is related to the provision, such as awarding organisation fees and charges and hiring of facilities/equipment within/from HRUC.
- 13.8. In all cases, these costs must represent reasonable and proportionate costs based on the management and support required to deliver the relevant programme and each cost must contribute to the delivery of high-quality learning. This will be determined as part of the initial due diligence and contract negotiation process and for each sub-contract will be explained further in the schedules to the relevant sub-contract.
- 13.9. Payments to sub-contractors will be made in a transparent and timely manner, reflecting the delivery of provision and the accuracy of submitted data. Funding is not paid in advance of delivery.

14. Additional Support for Sub-contractors

- 14.1. The precise additional support given to each subcontractor will be negotiated with that sub-contractor, but will be based on a risk approach and may include:
 - 14.1.1. Additional site visits
 - 14.1.2. Additional lesson observation
 - 14.1.3. Additional tutor support
 - 14.1.4. More rigorous verification
 - 14.1.5. Bespoke training for assessors

- 14.1.6. Additional administrative support
- 14.1.7. Additional assessment health checks

15. Additional charges per learner

- 15.1. HRUC may also retain funding to cover the cost of any funded activity that it might undertake on behalf of the sub-contractor, such as:
 - 15.1.1. Awarding Organisation fees and charges
 - 15.1.2. Hiring of facilities/equipment within/from the HRUC Internal Verification

16. Equality implications

- 16.1. The impact of sub-contracting on the employment, delivery or use of services by individuals with protected characteristics varies, depending on factors including the sub-contractor's organisation, location, employment policies, subjects delivered and learner recruitment processes. The impact on learners is assessed through the HRUC Self-Assessment Process. Contractual terms set out the requirement for the subcontractor to have a full range of Equality and Diversity policies.

Appendix 1

- 1.1. Fees paid to subcontractors for delivery in the period 1st August – 31st July (Figures are as per R13 return).
- 1.2. During the following academic year periods HRUC engaged with the following subcontractors:

Activity	% of Funding Retained	Services Provided
Contract Management and Performance Monitoring	5%	Contract reviews, performance monitoring, partner meetings, risk management and oversight
Quality Assurance and Improvement	4%	Quality reviews, learner outcomes monitoring, training, self-assessment and quality improvement support
Funding Compliance and Audit	4%	Due diligence, compliance checks, audit preparation and assurance activities
MIS and Data Management	4%	Enrolment, ILR and data processing, validation, reporting and funding returns
Finance, Governance and Learner Support Services	3%	Payment processing, management and governance oversight and access to relevant college support services.
Total Management Charge	20%	