



<b>Policy No:</b>	F7/23
<b>Subject:</b>	HRUC Subcontracting Fees and Charges Policy
<b>Origination date:</b>	July 2013
<b>Last approved:</b>	February 2024
<b>Effective date:</b>	February 2024
<b>Person responsible:</b>	Chief Finance Officer
<b>Approved by:</b>	Senior Leadership Team
<b>For action by:</b>	All staff involved in subcontracting
<b>For information to:</b>	All staff involved in subcontracting

## Scope

This policy applies to all supply chain activity supported by funds supplied by the Education & Skills Funding Agency, the Education Funding Agency and any successor organisations. The area of subcontracting that falls within this policy is that of subcontracted delivery of full programmes or frameworks, i.e. provision subcontracting.

## Context

This policy has been developed in line with the AOC/AELP Common Accord, the ESFA funding rules and the Supply Chain Management document.

## Overarching Principle

HRUC will use its supply chains to optimise the impact and effectiveness of service delivery to the end user. HRUC 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 publication including compliance with the subcontracting funding guidance as per ESFA website:

<https://www.gov.uk/guidance/subcontracting-using-funding-to-offer-education-and-training>

- b) HRUC 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 learner lives.

- c) 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 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.
- d) 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 Principle.

### **Rationale for Subcontracting**

HRUC engages with subcontractors to enhance the curriculum offer to meet local or sectoral needs. Reasons are varied but could be:

- To temporarily expand provision to meet a short-term need.
- To provide immediate provision whilst expanding direct capacity. This might include working with subcontractors to explore and learn about new standards or sectors prior to investment in resources.
- Providing access to, or engagement with, a new range of customers/employers.
- To support another provider to develop capacity/quality.
- To provide niche delivery where the cost of developing direct delivery would be inappropriate.
- To support employers with a wide geographic requirement

### **Quality Assurance**

Subcontracted activity is an integral part of HRUC's provision. The quality of the provision will be monitored and managed through the existing College QA b) The processes and procedures, as amended in order to fully encompass all subcontracted activity.

This Policy positions subcontracted provision as a key part of HRUC activity to enable continuous improvements in the overall effectiveness of the quality of provision for both HRUC and its subcontractor's.

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,

### **Contract details**

On completion of all due diligence, including an initial on-site quality health check, a contract will be issued to a successful subcontractor by HRUC. The contract will include an allocation against individual areas of delivery available to each subcontractor to include:

- AEB
- 16-18 apprenticeships
- 19+ apprenticeships
- Traineeships

The allocations to the detailed above will determine the maximum contract values. This may be varied from time to time, depending on performance and availability of funds. Quality targets are also included within the contract.

### **Payment terms**

All subcontractors are required to submit their claim information by 27<sup>th</sup> day of each month. Payment will be made by the 21<sup>st</sup> 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. Under normal circumstances, no retention is held against the payment. Full details of documentary evidence required to be submitted by subcontractors are included in the contract.

### **Publication of information relating to subcontracting**

In compliance with the Education & Skills Funding Agency and other agency funding rules that apply, HRUC will publish its subcontracting fees and charges policy and actual end-of-year subcontracting 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 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 outreach support). Provision subcontracting lists will be agreed with local ESFA Officials prior to publication.

HRUC will ensure all actual and potential subcontractors have sight of this policy and any other relevant documents.

### **Communication, Monitoring and Review**

The subcontracting policy will be available on the College website and will be issued to all existing subcontractors prior to contract agreements being confirmed. Any potential subcontractors will be directed to the policy on the College's website as the starting point in any relationship. The Senior Leadership Team of the College will monitor the policy to ensure its appropriateness, and will formally review and if necessary update the policy annually.

Subcontractors 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 would be reported to the Chief Financial Officer. In the event HRUC decides to withdraw from a subcontract arrangement, a subcontractor withdraws from their contract or a subcontractor goes into administration and liquidation, HRUC would take swift action to ensure continued delivery of provision and to facilitate learners to complete their learning and qualifications.

### **Contingency Planning**

Following the event of withdrawal from a contract the next step would be for Extended Management Team to hold a planning meeting and determine the best way forward. The subcontractor 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:

- Informing the funding agency of withdrawal from the subcontracting arrangement;
- A review of learner progress and assessment;
- To ensure learners complete their learning and qualifications, going forward the following processes would be implemented:
  - HRUC would deliver the provision;
  - HRUC would identify an existing sub-contractor with the capability and capacity to deliver the provision;
  - HRUC would engage with a new sub-contractor (subject to completion of the due diligence process) to deliver the provision.
- Informing and communicating plans to learners and to employers;

- Setting clear time scales for identified actions to be implemented;
- Allocating key roles and responsibilities to college staff for implementing, monitoring and reviewing the plan.

## **Audit**

HRUC holds a certificate confirming a satisfactory audit of its subcontracting provision by HRUC's external auditors subject to the maximum threshold determined by the ESFA. The previous audit took place in March 2022 and will be repeated in October 2024.

## **Fees and Charges 2023/24**

Standard College management fee is 15% 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 subcontracted provision. This includes the minimum amount of QA activity that HRUC would attach to the lowest possible risk subcontractor.

Further charges to cover additional costs may be added to the base 15% fee 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 success rates of any subcontracted provision. Additional cost is determined using a weighted table of risk factors. The table is available to all actual and potential subcontractors. 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 recalculated and negotiated each year at contract renewal, giving subcontractors the opportunity to reduce their fees through continuous improvement. This approach will allow HRUC to focus support where and when it is needed.

## **Additional Support for Subcontractors**

The precise additional support given to each subcontractor will be negotiated with that subcontractor, but will be based on a risk approach and may include:

- Additional site visits
- Additional lesson observation
- Additional tutor support
- More rigorous verification
- Bespoke training for assessors
- Additional administrative support
- Additional assessment health checks

## **Additional charges per learner**

HRUC may also retain funding to cover the cost of any funded activity that it might undertake on behalf of the subcontractor such as:

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

## Appendix 1

Fees paid to subcontractors for delivery in the period 1<sup>st</sup> August - 31<sup>st</sup> July  
(Figures are as per R13 return)

During the following academic year periods the College engaged with the following subcontractors:

<b>2020/21</b>	<b>UKPRN</b>	<b>Total Funding</b>	<b>Management Fee</b>	<b>%</b>	<b>Partner</b>
<b>HCUC</b>					
Ealing, Hammersmith & West London College	10002094	11,379	1,707	15%	9,672
Pathways Ldn Ltd	10239394	87,635	13,145	15%	74,490
Stanmore College	10009439	11,928	1,789	15%	10,139
The Skills Network Limited	10029308	113,278	16,992	15%	96,286
United Colleges Group	10001476	6,443	967	15%	5,476
West Thames College	10007434	5,996	899	15%	5,097
<b>Total</b>		<b>236,659</b>	<b>35,499</b>		<b>201,160</b>
<b>2021/22</b>					
<b>2021/22</b>	<b>UKPRN</b>	<b>Total Funding</b>	<b>Management Fee</b>	<b>%</b>	<b>Partner</b>
<b>HCUC</b>					
Pathways Ldn Ltd	10239394	205,202	30,780	15%	174,422
Remit Group	10023047	117,874	17,681	15%	100,193
Swiss Time	10083090	36,964	5,545	15%	31,419
The Skills Network Limited	10029308	270,333	40,550	15%	229,783
Time Training	10041629	1,368	205	15%	1,163
<b>Total</b>		<b>631,741</b>	<b>94,761</b>		<b>536,980</b>
<b>2022/23</b>					
<b>2022/23</b>	<b>UKPRN</b>	<b>Total Funding</b>	<b>Management Fee</b>	<b>%</b>	<b>Partner</b>
<b>HCUC</b>					
Pathways Ldn Ltd	10239394	105,486	15,822	15%	89,664
The Skills Network Limited	10029308	70,292	10,543	15%	59,749
<b>RUTC</b>					
Adult Training Network	10000147	220,000	44,000	20%	176,000
Lifelong Learning Centre	10024635	384,000	76,800	20%	307,200
The Skills Network Limited	10029308	140,000	28,000	20%	112,000
<b>Total</b>		<b>919,778</b>	<b>175,165</b>		<b>744,613</b>