



# Supply Chain and Subcontractor Fees and Charges Policy

Relating to provision funded by the Education & Skills Funding Agency

## 2019 - 2020



Education & Skills  
Funding Agency



European Union  
European Social Fund  
Investing in jobs and skills

## **Introduction**

Hull City Council Training and Adult Education (HTAE) works with a diverse range of partners and providers in the City. Our aim is to make sure that we and our partners work together towards the same priorities and give the people and businesses of Kingston upon Hull a high quality, flexible and appropriate offer of education that is truly fit for purpose.

## **Scope**

This Policy Statement details how HTAE will apply fees and charges to contracts with organisations subcontracted to deliver training on our behalf. This policy is limited to 'subcontracting provision' which means the delivery of full programmes or apprenticeships; it does not include subcontracting the delivery of a service as part of the delivery of a programme (for example, buying the delivery of a service as part of an apprenticeship or outreach support).

This document outlines our Supply Chain Fees and Charges Policy for the academic year 2019/20. This policy is published in-line with Education and Skills Funding Agency (ESFA) requirements stated in the relevant funding rules.

## **Disclaimer**

HTAE reserves the right to amend its subcontracting arrangements at any time in accordance with the terms and conditions of the contract for subcontracted provision.

## **Our Mission**

To be the training provider of choice for learners and employers in the city and surrounding area, by delivering high quality flexible education and training relevant to local business, learners and community needs.

## **Our Vision**

We will contribute to the economic regeneration and social cohesion of Hull by working with employers, partners and learners providing high quality and relevant education and training which ensures the City has a well qualified and skilled workforce and a culture of lifelong learning.

## **Our Values**

- Act with integrity and respect in our relationships with learners, employers, partners, staff and colleagues.
- Be learner centred, placing the interests of all learners at the centre of everything we do.
- Achieve excellence through delivering outstanding learning and training which inspires and motivates.
- Be creative, passionate, resilient and relentless to secure the best outcomes for our learners and partners.
- Celebrate and embrace the diversity of our City.

## **1. Why does Hull City Council subcontract provision?**

### **It allows us to facilitate a broader range of subject areas in the City**

Hull City Council recognises that there are individuals and organisations in and around Hull that have extensive expertise; some of which are in areas that may not be considered mainstream. They already have the contacts and the knowledge base specific to particular industries that is needed to underpin quality provision.

These are often small providers that would not be able to attract the numbers of learners needed for a prime contract with one of the funding agencies. As a Council we believe it is in the interests of the public to have as broad an offer as possible so that the people of the City have a good range of options available to them. The aim is for residents to be able to access whatever training they need to in order to upgrade their skills for employment in a wide range of industries, even if these are niche or specialist industries. We also recognise that different organisations have different cultures and ways of working that suit different learners, so it is important that people have a choice when it comes to choosing the right training provider. By subcontracting with these types of providers, we are able to do this.

### **It allows us to support good quality training provision that would otherwise not be large enough to hold its own prime contract with a funding agency**

As a Local Authority, particularly in the face of current economic challenges, our wish is to support small training businesses where possible and practical. As mentioned above we also appreciate how important it is that residents have choice when it comes to choosing their training.

Changes to central government policy mean that some smaller providers with a strong history of quality delivery in the city would no longer be able to operate because their size makes them ineligible for a direct contract arrangement with the funding agencies.

Rather than see training organisations forced to close under these circumstances Hull City Council has put arrangements in place to subcontract the same provision through our own direct contract. This maintains the level of choice for the learner as well as helping to safeguard jobs and small businesses in the city.

### **It allows us to support good quality training provision that is unable to sustain itself as a prime contractor**

There is a significant amount of administration resource needed as a prime contractor with the funding agencies. There are occasions where providers, often charitable status organisations, quite simply do not have the resources to fulfil the administration responsibilities such as data inputting or attending regional or national meetings.

Under these circumstances Hull City Council may work in partnership with the organisation to assume responsibility for its contract, and then adopt a subcontracting arrangement with that same provider to allow their delivery to continue. Once again, this comes back to the Council's wish to support businesses, jobs and learner choice within the City.

### **It gives a chance to fledgling training providers to gain their own track record and delivery history and go on to achieve a prime contract in the future**

In order to become a prime contractor with one or more funding agencies, training providers need to have a history of delivering quality training. It can be difficult for new training companies to gain this track record and therefore enter the market without some kind of funding. By offering quality new providers a contract with Hull City Council, they are able to gain a delivery history that they can then refer to when applying for a prime contract.

## **2. Improving the Quality of Teaching and Learning**

The Service puts the learner at the centre of all service activity. Hull City Council is continuously looking to improve the training and education that we offer and the way in which we offer it. The mechanisms for measuring quality and improving the quality of teaching, learning and assessment in line with the Ofsted Inspection Framework. We do this by following a strict and robust yearly quality cycle which takes into account the views of the learners and business that we serve as well as our own staff and partners including subcontractors.

We obtain these views by speaking to people face to face, over the telephone and by sending out written surveys either by post or email. Learners, businesses and staff at subcontractor organisations are surveyed in the same way as our direct learners. All these views are then fed into our annual self assessment report which is then used to write a Quality Improvement Plan that sets out exactly how we intend to improve the service we offer.

Training organisations that Hull City Council subcontract with are automatically brought into the service's detailed quality cycle and are included in Health and Safety, Safeguarding, Compliance and Quality audits that each of our own centres are subject to. Following each of these audits an action plan is written and/or updated and recommendations made. These plans are then monitored to make sure that the targets are being met.

The subcontractor will allow access by Hull City Council management team to review any aspect of the provision for monitoring, inspection or self assessment processes.

Poor performance against targets will require the sub contractor to prepare and implement recovery plans and could lead to the removal of their contract with Hull City Council.

Our subcontractors also have access to specialist training and support in areas such as Health and Safety, Safeguarding and quality. We have members of staff with significant expertise in each of these fields and provide advice and support as and when it is needed as well as at specific times in the quality cycle.

### **Support for Subcontractors**

In return for the management fee charged by the HTAE, subcontractors will receive: -

- Advice and guidance
- Regular meetings to discuss a wide range of issues which would include contract planning, audit feedback, performance monitoring reports etc.
- Teaching and learning quality updates and training sessions.
- Regular monitoring visits with detailed feedback identifying good practice and areas for improvement.
- Enrolment and audit compliance training.
- Safeguarding service
- SAR support.
- On-going administration support including in-depth checks of evidence submitted and regular feedback on issues identified.
- Ofsted guidance and requirements
- Input of enrolment documentation submitted.
- Submissions of data to funding agencies.
- On-going data checks and support to resolve data queries.
- On-going support to address any areas for improvement

### **3. Fees and Charges**

Hull City Council will charge a management fee of between 10% and 20% to a subcontracting organisation. This range is calculated by looking at the amount of staff hours allocated to subcontracting and attributing an overall cost to it. We then compare it to the amount of funding we receive to ascertain the actual proportion of funding that is retained as a management fee. This fee includes the costs of data and management staff as well as the subcontracting manager.

The actual fee will depend on how much support the organisation is judged to be in need of. For example, an organisation that has been delivering this type of funding for 10 years or more is likely to have a higher level of knowledge around funding and reporting systems, they are likely to already have the necessary policies in place and therefore will generally need less day to day support than an organisation that has only been operating for a year or so. It would not be fair to charge these two organisations the same fee, as the level of support needed would probably be very different.

Where a subcontractor is judged as needing a significantly high level of support, for example where they are a new provider and require several days of training in reporting systems, policy and general support, we may charge the maximum 20% fee. However, as the provider gains more expertise and therefore needs less support, the fee will be decreased accordingly. The fee is reviewed six months into the contract and again at the end of the first year.

Activities undertaken by Hull City Council as part of the Management Fee include:

- Regular Management Information reports; for example achievement and retention data
- Email and telephone support with queries about for example eligibility or policies
- Compliance, Health and Safety, Safeguarding and Quality audits
- Workshops and training for anything relevant – for example new policy like study programmes or quality processes
- Monthly data inputting and returns to the funding agencies
- Quarterly contract review meetings
- Access to specialist expertise and support in areas such as quality, safeguarding and health and safety

#### **4. Application Process**

To allocate funding providers are annually invited to complete a due diligence process. All applications are considered and will be provided feedback and support on the outcome. Subcontractor contracts are in place for 1 year and it is not an automatic process for contract renewal for existing subcontractors. A range of criteria will be considered within the decision making process for subcontractors. This will include (but is not limited to):

- Learner target group i.e. low skilled, job seekers, vulnerable adults, hard to reach groups.
- Type of training and if it adds value to our existing contract.
- Ofsted grade, success and achievement rates along with value for money.
- Staff experience and qualifications along with available resources.
- Delivery history and current learners on programme.
- How the subject area aligns with Hull City Council economic development plans and the future skills/labour market needs of the city.

## 5. Paying subcontractors

The payment methodology for all subcontractors is as follows:

### Study Programmes

- 50% of the total funding will be paid when the learner starts their programme. The remaining 50% will be paid when the learner reaches their planned date or achieves their core aim early.
- If a learner leaves the programme earlier than their planned end date without achieving their core aim then the remaining 50% will not be payable.

Study Programme Example payment					
Funding Value	Less Mgt Fee	Available payment to Sub C	Less completion payment	On programme payments (paid on start following qualifying period )	Completion Payment at end of programme
100%	15%	85%	50%		
£4,000	-£600	£3,400	-£1,700	£1,700	1,700

### Apprenticeships

- Payment will be made to the sub contractor (less the 10-20% management fee) within 30 days of HTAE receiving the funding from either the ESFA or Employer.

Apprentice Example payment						
Funding Value	Less Mgt Fee	Available payment to Sub C	Less Achievement (Paid on Achievement)	On programme payments	Months planned on programme	Monthly Payment (£3,400 divided 13)
100%	15%	85%	20%			
£5,000	-£750	£4,250	-£850	£3,400	13	£261.54

Payments for all other contracts outside of study programmes and apprenticeships will be agreed on an individual basis.

Subcontractors submit an invoice after the last day of every month for the learning that has taken place that month. Our official commitment is to pay within 30 days of a validate invoice being received.

No payment will be made where the activity exceeds the Maximum Contract Value unless a contract variation agreement has previously been signed.

The management fee retained by HTAE is calculated as a percentage of the contract value agreed with the subcontractor. The typical percentage of fees retained by the Group to manage subcontractors is 20%.

The actual management fee is calculated using risk assessment of the following factors:-

- Track record of the subcontractor with regard to meeting achievement and funding targets.
- Track record of delivery and outcomes within specific sector
- Length of time on RoATP
- Length and history of previous contract relationship with HTAE.
- Financial standing of the subcontractor.
- Anticipated demands of the contract on HTAE's resources.
- Contract size with regard to both funding and learner numbers.

## 5. How and when this policy is published

We discuss the policy with all current contractors in the pre-contracting negotiation meetings before signing the contract for the coming year.

For organisations that are interested in contracting with Hull City Council, this policy is shared with them at the initial enquiry stage.

The policy will be published on the Hull City Council website and the Hull Training website. It will also be sent via email to existing subcontractors.

Authorised to sign on behalf of The Council

Assistant Director



Date: 26<sup>th</sup> June 2019

Tracy Harsley

Accounting Officer



Date: 23<sup>rd</sup> June 2019

Sharon Gamble