



## SUPPLY-CHAIN FEES AND CHARGES POLICY

### Policy Aim

This document aims to provide consistency of approach and transparency to the College's supply-chain fees and charges in relation to its provision subcontracting.

### Definition of Terms

*Management Fee* – this fee is determined by the size of the subcontracted partnership contract (as per Maximum Contract Value figure), and is the fee applied to all such contracts to account for costs incurred by the College through its management of these contracts.

*Additional Contract Fees* – sometimes there will be a need to apply an additional fee to offset direct associated costs incurred by the College in its pursuance of the partnership arrangement. These will be determined on a contract-by-contract basis.

*Education and Skills Funding Agency (ESFA)* – Government funded agency that supports provision for learners in further education who are aged 16 or over, and including all Apprentices.

*European Social Fund (ESF)* – European Union's (EU) main financial instrument for supporting employment in the member states of the European Union as well as promoting economic and social cohesion. This funding is associated with bid for projects linked to education and skills provision.

### 1. Context

This policy is now a mandatory requirement of the ESFA, as stated in the Funding Rules 2018 - 2019. This policy supersedes all previous versions, where applicable, and is effective for the 2018 – 2019 academic year.

### 2. Reasons for subcontracting

The College recognises the need to offer as diverse a range of provision as possible, in as flexible and cost effective a way as possible. By working in partnership with subcontractors the College is able to do the following:

- Offer niche provision
- Engage with the wider community, thus increasing wider participation by attracting learners who are unable, or unwilling, to attend provision offered on campus
- Offer flexibility by delivering provision at times and venues convenient to learners and employers
- Be responsive to learner and employer requirements
- Ensure greater cost efficiency
- Engage with new markets
- Achieving growth, where this is consistent with College, local and regional strategic objectives.

### 3. Improving Quality

The College is committed to continual improvement in teaching and learning, both in its own direct provision and in its subcontracted provision. A range of approaches are employed in order to do this, such as session observations and Self Assessment Reports. In terms of provision subcontracting specifically, the following processes are in place to help monitor quality of provision, and actively improve quality on an on-going basis:

- A robust schedule of Quality Assurance Audits that are carried out throughout the year
- Annual Reviews with target setting
- Regular management meetings between the College and all its subcontractors (with a minimum of one management meeting per term)
- Training and Development workshops (as appropriate)

### 4. Fees

*Management Fee* – This fee is applied to all subcontracted contracts\*, and is the proportion of ESFA/ESF funding retained by the College to cover costs incurred through its management of these contracts. These costs include:

- Administration
- Quality assurance
- MIS functions relating to the submission of funding claims to the ESFA and ESF
- Provision of management meetings
- Provision of a dedicated Account Manager
- Provision of professional advice regarding ESFA /ESF funding matters
- Due Diligence support, guidance and checking.

The size of the management fee is determined by the size of the subcontracted contract as the smaller the contract the less cost effective it is for the College to manage. Therefore, the following scale of management fees are applied to all contracts:

<b>SIZE OF SUBCONTRACT (as per Maximum Contract Value of subcontract)</b>	<b>MANAGEMENT FEE APPLIED</b>
£100,000 and over	20%
£50,000 - £99,999	22.5%
£10,000 - £49,999	25%
Up to £9,999	27.5%

\*NB - for ESF projects subcontracted to the New Anglia Colleges Group, a flat management fee of 15% will be applied. <http://www.newangliacolleges.co.uk/>

*Additional Contract Fees* – In some cases the College will undertake further, additional functions in terms of providing the subcontracted provision, such as, but not limited to:

- registering learners with awarding organisations
- incurring the cost of examination fees
- incurring the cost of End Point Assessment (EPA) of Apprenticeship Standards
- responsibility for Internal Quality Assurance of provision
- increased Quality Assurance Audits and due diligence processes/monitoring if provision is new or is underperforming (it is acknowledged that new partnerships will require additional monitoring as they will be deemed High Risk provision until the quality of programme delivery and contract management has been evidenced over a minimum 12-month period)

- additional support necessitated due to subcontractors poor performance (in relation to delivery of provision, poor achievement rates or administration processes linked to provision)
- type of provision, for example more resources will be required to manage the administration of apprenticeship programmes than some other types of programmes

In these cases, an Additional Contract Fee will be applied to the subcontracted provision as well as the Management Fee. This fee will be agreed with subcontractors prior to the issuing of contracts, and will be reviewed prior to annual re-contracting.

Following the Apprenticeship Reform in April 2017 the way apprenticeships are funded changed substantially with the introduction of the Apprenticeship Levy and a new model of Co-investment for smaller businesses; Apprenticeship Standards are also being phased in to replace Apprenticeship Frameworks. The reform firmly puts the employer in a much more influential position regarding the apprenticeship training and the fees to be paid. Accounting for the above and the introduction of End Point Assessments (EPA) with the new Apprenticeship Standards, employer fees and associated costs will vary between employers and selected Standards. We will apply our Management Fee to the totality of the Subcontractors Partnership Agreement after the EPA costs have been accounted for via a schedule for each cohort of learners from a specific employer.

## 5. Payment Terms

Payment terms will be dependent upon the type and length of provision subcontracted:

- *Classroom Provision* – for programmes of short duration (12 weeks or less) payment will be split between an **on-programme payment** (made after enrolment forms and attendance registers have been received for the entirety of the funded programme and the College is satisfied that learner eligibility and attendance satisfies ESFA/ESF requirements) and an **achievement payment** (made upon receipt of proof of learner achievement that satisfies ESFA/ESF requirements). For programmes of longer duration overall payment may be further divided to allow for **on-programme payments** to be made mid-programme or at the end of each academic term or at other defined points during the programme; again payment will be based upon the receipt of appropriate attendance registers for specified periods of the programme and learner completion of the minimum qualifying period as stipulated in current funding guidance and associated publications (as per Section 8 of this policy).
- *Apprenticeship Provision* - payment will be split between an **initial payment** (made after submission of enrolment paperwork completed to ESFA/ESF requirements and learner completion of the minimum qualifying period as stipulated in current funding guidance and associated publications), followed by monthly **on-programme payments** (made on proviso that satisfactorily-completed learner reviews are submitted to the College in a timely manner) and an **achievement payment** (made upon receipt of proof of learner achievement of all elements that satisfies ESFA/ESF requirements).

Upon receipt of satisfactory evidence the College will pay associated invoices within 30 days of the invoice date. This payment will be made by BACS transfer. However, if any supporting evidence is queried by the College then payment will be withheld until these queries are resolved, and payment will then be made at the earliest possible opportunity.

## 5 **Policy Review**

The College will review this policy annually. This review will take place in June of each year, and any policy revisions will be completed and published prior to the commencement of the next academic year.

## 6 **Communication**

Any changes to the policy will be communicated to existing subcontractors at contract management meetings. Furthermore, the College will distribute a copy of this policy to all potential new subcontractors and discuss it with them as part of the College's pre-contracting process.

## 7 **Publication of Policy**

An up-to-date copy of this policy will be posted on the College's website. Hard copies of the policy will be made available on request.

## 8 **Related Publications**

There are a number of Education & Skills Funding Agency (ESFA) publications that should be referred to in conjunction with this policy that are available at <https://www.gov.uk/government/publications> , some of the key documents are listed below:

Funding guidance for young people 2018 to 2019 rates and formula

*[Education & Skills Funding Agency]*

Funding guidance for young people: 2018 to 2019 funding regulations

*[Education & Skills Funding Agency]*

Funding guidance for young people: 2018 to 2019 sub-contracting control regulations

*[Education & Skills Funding Agency]*

Adult Education Budget: funding rates and formula 2018 to 2019

*[Education & Skills Funding Agency]*

Adult Education Budget: funding and performance management rules 2018 to 2019

*[Education & Skills Funding Agency]*

Apprenticeship funding rules: 2018 to 2019

*[Education & Skills Funding Agency]*