

Supply Chain Fees & Charges Policy 2018-19

Scope

The policy applies to supply chain activity supported with funds supplied by the Education & Skills Funding Agency (ESFA) or any successor organisations. It applies to delivery subcontractors, that is, any separate legal entity that has an agreement with the College to deliver any element of the education and training funded by the ESFA.

Context

The policy is now a mandatory requirement that has been in place prior to participating in any subcontracting activity since 2013-14 funding year. The content of this policy has been developed in line with the AoC/AELP Common Accord, the ESFA Funding Rules and the LSIS Supply Chain Management: document.

Overarching Principle

The College will use its supply chains to optimise the impact and effectiveness of service delivery to the end user. The College 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 LSIS publication "Supply Chain Management – a good practice guide for the post-16 skills sector" (Nov 2012 and subsequent iterations)
- b. The College 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 the College 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, the College 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

The College engages with subcontractors to better meet customer needs. Reasons are varied but could be:

- To provide immediate provision whilst expanding direct capacity. This might include working with subcontractors to explore and learn about new frameworks or sectors prior to investment in resources
- Providing access to, or engagement with, a new range of customers
- To meet a specific local community need
- 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
- To support another provider to remove barriers to work and training for different groups

Quality Assurance

Subcontracted provision is an important part of College activity. The quality of all subcontracted provision will be monitored and managed through the existing College Quality Assurance (QA) processes and procedures, as amended in order to fully encompass all subcontracted activity.

To enable continuous improvements in the quality of teaching and learning for both the College and its subcontractors the College will seek to promote the sharing of

effective practice across the supply chain, for example through the Self-Assessment Report process.

Fees retained by the College

The standard College management fee is 15% of all funding drawn down against the provision to be delivered. This figure represents the total cost that the College incurs in effectively identifying, selecting and managing all subcontracted provision. This includes the minimum amount of QA activity that the College would attach to the lowest possible risk subcontractor.

Difference in fees retained by the College

Fees charged to individual providers may differ. Fee differences would cover additional costs which may be added to the base 15% fee to cover any additional support that the College deems necessary to ensure the quality of teaching and learning and the success rates of any subcontracted provision. The College will only subcontract provision to prospective partners deemed to be of high quality and low risk. This notwithstanding, the College recognises that there will be factors which may require different levels of management fee to apply to different low-risk subcontractors. Additional cost is determined using a weighted table of risk factors as detailed in the Annex to this policy. 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 additional fees through continuous improvement. This approach will allow the College to focus support where and when it is needed.

The table is available to all actual and potential subcontractors.

Additional charges to Subcontractors

The College 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
- Marketing
- Recruitment

Support for Subcontractors

In return for the management fee retained by the college, all Subcontractors will receive:

- A designated Partnership team
- Regular contract review meetings
- Inputting of submitted paperwork
- Data checks and support to resolve data queries
- MIS returns completed
- Monthly funding reports
- Access to learner support
- Regular performance and quality visits
- Audits of paperwork, processes and procedures
- Ongoing support to address areas for improvement
- Support on key quality processes such as self-assessment report (SAR) writing
- CPD opportunities which may be face-to-face or digital
- Updates regarding funding and policy guidance

Additional support for Subcontractors

The precise additional support given to each subcontractor according to their risk banding will be negotiated with that subcontractor but could include:

- Additional site visits
- Additional lesson observations
- Additional tutor support
- Additional funding and compliance support

The risk band will be determined using the table available in the Annex.

Payment terms

The standard payment terms are monthly in arrears based on actual delivery recorded on the College ILR. Full details of payments are included within Section 4 and Appendix 3 of the contract between West Thames College and subcontractors. These are summarised below:

- The College and the subcontractor will agree a maximum contract value the details of which will be detailed in appendices to the contract.
- The College will pay monthly payments to the subcontractor which are calculated based on the Main Occupancy Report available from The Hub following

submission of each monthly ILR return. These payments will take into account funding generated to date, the management fee and cumulative payments to date.

- In line with the ESFA funding methodology and formula applying to Adult Education Budget provision, 20% of the total funding is withheld until evidence of achievement is received.
- Invoices are payable within 30 days of the date of issue.

Details of any rights by West Thames College to withdraw, reduce or withhold funding are published in the contract and relate to the protection of ESFA funds and not to the benefit of West Thames College.

West Thames College expects subcontractors to fully assess the accuracy of payments and to have a responsibility to review their monthly financial reports to identify any inaccuracies.

Publication and communication

The College will ensure all actual and potential subcontractors have sight of this policy. It will be published on the College website during the July prior to the start of the academic year in which it will be applied and potential subcontractors will be directed to it as the starting point in any relationship.

Alongside this policy, the College will also publish the actual level of funding paid and retained for each of its subcontractors where this is required by the ESFA.

Review

This policy will be reviewed by the Executive Director – Finance & Compliance in each summer term and updated as required.

Last review: Jul-18

Next review: by 31-Jul-19

Approval

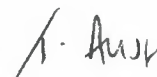
This policy is hereby approved by the College's Chair of Corporation and Accounting Officer.

Signed:



Date: 19th July 2018

Signed:



Date: 19th July 2018

Annex

The Fees and Charges Risk Factor Table 2018-19

	Score 1/2/3	Risk Level		
		Lowest < ----- > Highest		
		1	2	3
Value of the contract		<£100k	£100k to £500k	>£500k
Number of learners		<200	200 to 500	>500
Length and history of relationship with the college		1 year minimum No serious issues	1 year minimum Some remediable issues identified	No previous contract or serious issues identified
Track record – financial targets (with the College for existing partners; with other lead providers for new partners)		All targets met or exceeded	1-15% below funding target	16% or more below funding target
Track record – success rates (with the College for existing partners; with other lead providers for new partners)		All targets met or exceeded	1-5% below success rate target	6% or more below success rate target
Financial standing of the subcontractor		Up to date accounts with clean audit (where appropriate) and at least 3 years trading history; diversified supply chain with contract with college representing <15% of Subcontractor turnover	Up to date accounts with clean audit (where appropriate) and at least 2 years trading history; diversified supply chain with contract with college representing 15%-30% of Subcontractor turnover	Qualified (where appropriate) accounts or less than 2 years trading history; diversified supply chain with contract with college representing >30% of Subcontractor turnover
Geographical location of delivery		Over 90% of delivery within M25 or 50 mile radius of the college	50%-90% of delivery within M25 or 50 mile radius of the college	Less than 50% of delivery within M25 or 50 mile radius of the college

Low (7-11) – fee 15%

Medium (11-16) – fee 17.5%

High (17-21) – fee 20%