

Sub-Contracting Fees & Charges Policy v1

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Version	Page No.	Paragraph / Bullet	Changes



Signed:

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Purpose

The Supply Chain Fees and Charges Policy (the Policy) is a mandatory requirement of the Educational and Skills Funding Agency (ESFA) funding rules for all Lead Providers (i.e. those who hold a direct funding contract with the ESFA) who sub-contract government funded activity to a third party, partner provider. This relates to the ESFA's definition of Provision Sub-contracting. The ESFA imposes guidance in this area and as such the Policy is directly influenced by this guidance which is contained in the Funding Rules 2024/25 document. The Policy is required to set out the Direct Skills Group rationale for sub-contracting funding to Partner providers and the approach taken to determine the fees and charges made for this area of work.

The ESFA further require the Policy to outline how its terms will support the **raising of standards in teaching and learning** as well as the typical fees charged for this, and the services provided Direct Skills Group in return for such fees. Within this, the Policy is required to outline payment terms and how these operate.

The Policy must detail how, when and where the Policy is communicated to Direct Skills Group's sub-contracted Partners and the schedule for the Policy review.

Scope

Following approval by the Governors, the Policy will be communicated via the Director of Business Service to all relevant staff within Direct Skills Group and to all sub-contracted Partners as part of the planning and contracting process for the new academic year. The Policy will be available to Sub-contractor via the Training Director in their position of contract management and published on the Direct Skills Group website.

Rationale

Direct Skills Group engages with sub-contractors to:

- Enhance the opportunities available to young people and adults.
- Fill gaps in niche or expert provision or provide better access to training facilities.
- Widening the range of Apprenticeship standards offered to employers and learners increasing subject areas.
- Support better geographical access for learners.
- Offer an entry point for disadvantaged groups.
- Provide consideration for the impact on individuals who share protected characteristics.

Provision that meets one or more of the following criteria will be prioritised:

- It meets the needs of residents and employers of our geographic footprints.
- It supplements and does not duplicate Direct Skills Group's curriculum offer within the same geographical areas.
- It offers progression opportunities into further and higher education.

Requirements and Responsibilities

Direct Skills Group is required to provide clear and accurate details on the list of services it will provide to the sub-contractor and the associated costs for doing so.

Within each sub-contracting contract, there will be a list of individually itemised, specific costs for managing the sub-contractor, specific costs for quality-monitoring activities and specific costs for any other support activities offered to the sub-contractor. The contract will also highlight how each of the costs will in turn provide a positive impact on high quality delivery of learning.

Responsibility for the Policy is described below:

4.1. The Governors

- Approval of the Supply Chain Fees and Charges Policy on an annual basis
- Approval of the annual sub-contracting plan

4.2. The Executive Team

- Director of Business Services and the Training Director, writing and reviewing the Supply Chain Fees and Charges Policy
- Director of Business Services and the Training Director, ensuring the application of the Policy and overseeing the delivery of the services to partners for the fees charged.
- Contract managing Direct Skills Group's sub-contractors, including the assessment of quality and the delivery of quality support services.

4.4. Data Manager

- Maintaining records of sub-contractors' delivery on Direct Skills Group's Management Information System (PICs) relation to evidence provided
- Reporting data returns to the ESFA and internally to inform contract management and sub-contractor payments.

4.5. Finance Team

- Agreeing a payment timetable to sub-contractors
- Making accurate payments to sub-contractors that are timely in accordance with the funding rules.

Strategy

In line with Direct Skills Group's Sub-contracting Strategy, Direct Skills Group will sub-contract to optimise the impact and effectiveness of service delivery and increase career opportunities to learners. Direct Skills Group will therefore ensure that supply chain management activities comply with the principles of best practice in the skills sector.

Direct Skills Group will always undertake fair and transparent procurement activities, conducting robust due diligence procedures on sub-contractors to ensure the highest quality of learning delivery is made available, demonstrating value for money and a positive impact on learner's lives.

Selected sub-contractors will share Direct Skills Group's educational aspirations and outcomes will benefit learners, employers, Direct Skills Group, and the sub-contractor. Sub-contractor relationships will be collaborative, and the parties will work together to contribute to Direct Skills Group's strategic developments for the long-term business plan.

Contribution to Improving Teaching and Learning

The quality of sub-contracted provision will be monitored and managed in line with existing Direct Skills Group's quality assurance processes, standards and expectations that cover selection, contracting, monitoring, intervention, and review of all sub-contracting arrangements in Direct Skills Group. To enable the continuous improvement of the quality of teaching and learning for both Direct Skills Group and its sub-contractors, Direct Skills Group will seek to promote the sharing of effective practice across the supply chain.

Sub-contractors will be directly supported by the Executive Team who are linked specifically to curriculum to support the development of teaching and learning, including:

- Actively working with sub-contractors to improve the quality of the teaching and learning they deliver and thereby improve the overall quality of teaching and learning for all learners.
- Undertaking observations (Deep Dives) on all aspects of teaching and learning including information, advice and guidance, progress reviews and assessment.
- Providing timely and meaningful feedback following the Deep Dives, to both the sub-contractor and their delivery staff and observations are incorporated into Direct Skills Group's standardisation process, in order that improvement actions impact both internal and sub-contractor quality.
- Carries out learner voice surveys to gather feedback from students.

- Supporting sub-contractors to implement effective policies and procedures relating to teaching and learning including assessment and verification policies and procedures.
- Ensuring that sub-contractors have appropriate policies and procedures in place to fulfil Direct Skills Group's statutory safeguarding obligations and duties under PREVENT.
- Supporting sub-contractors to develop an effective Self-Assessment Report (SAR) and Business Improvement Plan (BIP) for incorporation into Direct Skills Group's overall SAR.

Support provided to Sub-Contractors

Direct Skills Group recognises its responsibility to support all sub-contractor to develop, deliver and sustain high quality provision that meets the needs of the community and learners. The management fee deducted from allocated funds is used directly to provide a comprehensive programme of support and compliance measures to ensure public funds are protected and used effectively.

The mix of support will vary depending on the needs and experience of the individual contractors, and includes:

- Our Executive Team will manage the relationship with the subcontractor and take overall responsibility for subcontracting.
- Comprehensive quality management systems and controls, along with a Head of Quality to ensure that the quality of subcontractor's delivery meets its expectations and to support the continuous improvement of the subcontractor's provision.
- A commitment to undertake a regular and substantial programme of quality assurance checks on the education and training provided by sub-contractors, including visits at short or no notice and face-to-face interviews with staff and learners. These checks include whether the learners exist and are eligible and involve direct observation of initial guidance, assessment, and delivery of learning programmes.
- A commitment to ensure that all the subcontractor's delivery meets the ESFA Funding Rules.
- Self-assessment report and business improvement plan review and support as appropriate
- Overarching policies for key areas impacting on learners including safeguarding and prevent, health and safety, equality, and diversity.

- Data Services functions relating to the submission of funding claims to the ESFA, along with a Data Manager to ensure the timely and accurate recording of learner information on Direct Skills Group's ILR.
- Access to additional learner support

Fees & Payment

The fees charged by Direct Skills Group shall be agreed in the contracts between the parties and shall be determined by the following:

- The fee structure shall include a standard management fee for the agreed minimum level of service by Direct Skills Group and shall be at a standard proportion of the funding earned for the programmes delivered by the sub-contractor.
- All sub-contractors and delivery providers engaged by Direct Skills Group will be issued with a sub-contractor delivery contract.
- The contract will set out the maximum amount of funding that is available to the subcontractor. Direct Skills Group will agree a fee structure with each subcontractor that recognises the full extent of the subcontracted provision, the risks presented by this, and the costs of the contract management and risk mitigation.
- Direct Skills Group will agree with the subcontractor the total contract value and monthly profile payment.
- If necessary, Direct Skills Group will vary the profiles to meet the requirements of the funding body rules and the published performance management rules that apply. Where a subcontractor does not achieve the contracted profile, Direct Skills Group may adjust the remaining profiles within the whole subcontractor contract.
- No payment will be made in relation to a learner where the subcontractor has failed to notify Direct Skills Group of any relevant enrolment, attendance, or achievement by that learner in accordance with the provisions of the contract, or where a learner has failed to meet the start criteria in relation to funding eligibility.
- Direct Skills Group will not be under any obligation to make payment to the subcontractor in respect of learners over and above any upper limit on the number of learners or the maximum amount of funding allocated to the subcontractor.

- If Direct Skills Group pays any amounts to a subcontractor in relation to any learner who is subsequently deemed not to be eligible for payment of funding by the respective funding body, Direct Skills Group will be entitled to be fully refunded by the Subcontractor. At the discretion of Direct Skills Group such a refund will either be payable within 30 days of notice by Direct Skills Group to the subcontractor or may be deducted from the funding payable in relation to a subsequent payment period.
- If, in respect of any funded learner, the funding body shall for any reason whatsoever (being a reason outside the control of Direct Skills Group) refuse or fail to pay the funding of any learner Direct Skills Group shall be under no obligation to pay any part of the funds relating to that learner to the subcontractor and any part of the funding relating to the said learner shall be fully refunded to Direct Skills Group by the subcontractor.
- Direct Skills Group will retain a management fee not exceeding 20% of total funding (grant and fees or levy) in 2024/25 which is deducted from the funding income received prior to the allocation of funds to the subcontractors.
- The management fee represents a reasonable contribution towards the cost that Direct Skills Group incurs in effectively identifying, selecting, and managing all subcontracting provision, regardless of the level of support provided.
- Direct Skills Group will pay the subcontractor a monthly payment which is calculated based on the ESFA PFR occupancy list to consider funding generated to date, the management fee and payments made to date.

Due Diligence

Applicants who successfully complete the procurement process must pass Due Diligence checks and any applicable pre-contract requirements before a contract is issued. Applicants can be rejected at any stage of this process.

Direct Skills Group has a Due Diligence process that, if successfully completed, approves an organisation to work with Direct Skills Group as a subcontractor for an initial period of 1 year. This includes a review of standard policies and a check of financial stability in relation to future subcontracting arrangements. This activity will not be viewed in isolation and other pre-contractual checks will be considered, depending on individual contract requirements, e./g. site visit, full pre-contract visit.

Once subcontractors are on contract, they are required to complete an annual refresh of the Due Diligence process to remain as a sub-contractor. The refresh includes a review of standard policies and a check of the organisation's ongoing credit risk rating. Re-assessment of annual accounts also takes place, and a further full financial assessment is completed at this time.

Any subcontractor who does not meet, or continues to meet, the minimum due diligence and finance health checks will have their right to recruit new learners suspended and may have their subcontract terminated, dependant on the circumstances.

Where a subcontractor is in receipt of an aggregate subcontract value of ESFA funding for delivering education and training that totals £100,000 or more each funding year, Direct Skills Group will share the results of any due diligence checks with the ESFA via a signed return on a timely basis.

Direct Skills Group will not permit subcontracting to take place with anyone who does not hold a direct contract with Direct Skills Group. No secondary level of subcontracting is permitted.