

Sub-contracting Fees and Charges Policy 2021/22

1 Scope

The policy applies to all provision subcontracting supported with funds supplied by the Education and Skills Funding Agency (ESFA) or any successor organisations.

The policy is a mandatory requirement that must be in place prior to participating in any sub-contracting activity from 1 August 2013. The content of this policy has been developed in line with AOC/AELP common Accord, the LSIS Supply Chain Management document alongside the relevant funding agency rules.

The policy provides transparency for all subcontractors, funding bodies and other associated parties. It outlines the rationale for subcontracting, the due diligence process, support and charging policy related to subcontracted provision under Petroc's direct contract with the ESFA.

2 Purpose of Policy – Overarching Principles

The College will use its supply chain to optimise the impact and effectiveness of service delivery to the end user.

The College will at all times undertake fair and transparent procurement activities, conducting robust due diligence procedures on potential subcontractors. This is 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, whilst considering impact on individuals who share protected characteristics.

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 and are outlined in section 4.4.

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.

Policy Name: Sub-contracting Supply Chain Fees and Charges Policy	Policy No: P77009
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This policy is in line with the Equal Opportunities Policy of Petroc.

3 Rationale for Subcontracting

In line with Petroc's mission to achieve excellence through learning, this policy outlines the approach to subcontracting and partnership activity.

Petroc engages with sub-contractors to better meet customer needs and will subcontract for the following reasons:

- To provide immediate provision whilst expanding direct capacity into new geographical areas or curriculum areas
- To provide access to, or engagement with, a new range of customers
- To provide niche delivery where the cost of developing direct delivery would be inappropriate
- To provide specialist provision to meet industry and community need including disadvantaged groups
- To engage in new delivery models with specialist partners
- To support other providers with the aim to serve the community more effectively
- To meet the specific requirement of an employer for apprenticeship delivery

The rationale for subcontracting a particular piece of work will be outlined in the contract provided to each subcontractor.

4 General Principles / Procedures

The implementation of this policy will be managed by the Vice Principal Finance and Resources.

The Vice Principal Finance and Resources will be supported by relevant specialist curriculum and support staff as required.

The process will be managed in an open, transparent and fair manner with all decisions and contract awards documented.

4.1 Sub-contractor Approval and Due Diligence:

All potential sub-contractors will be subject to due diligence checks and will be required to meet the minimum standard as published in the ESFA Funding Rules for the relevant funding stream prior to any contract being entered into.

Signatories to contracts 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.

4.1.1 Due Diligence Process

The due diligence process ensures that minimum standards are met by any organisation before Petroc enters into a contractual arrangement.

This process will consider the organisational level due diligence that must take place which will include specific organisational details including relevant

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personnel background checks and a review of financial health, policies, insurance, staffing and overall quality.

Petroc will only sub-contract to a legal entity. If the organisation is a registered company they must be recorded as 'active' on the Companies House database.

A legal entity will not be approved if:

- it has an above average risk warning from a credit agency
- it has passed a resolution (or the court has made an order) to wind up or liquidate the company or administrators have been appointed
- its statutory accounts are overdue
- they fail to meet the minimum standards required through the due diligence process.

In the event that any subcontractor is found to be using funds to support extremist activities or organisations the subcontracting relationship will be ceased immediately and any funds paid to the subcontractor will be recovered.

4.2 Risk Management:

As part of the due diligence process each subcontractor will be subject to a risk assessment. The risk assessment will also be used to inform the management and monitoring arrangements as well as to assess any additional fees or charges that should be applied. If as a result of this assessment there is an increase to the standard requirements this will be outlined & discussed with the subcontractor.

4.3 Sub-Contractor Management and Quality Assurance Monitoring:

Each sub-contractor will have an identified main point of contact for administration and management which is specific to the contract being delivered.

Sub-contractors will be monitored for each contract based on contract requirements and partner risk assessment. As a minimum each sub-contractor will be subject to formal reviews and unannounced spot checks and audits during the life of the contract.

Petroc will manage and monitor sub-contractors to ensure that the following Quality Assurance standards are met:

- the sub-contractor is demonstrating value for money
- the sub-contractor is compliant with all contract requirements
- the sub-contractor is delivering a quality programme
- the sub-contractor continues to meet the due diligence requirements
- the sub-contractor is achieving the minimum standards of performance

Petroc will support the sub-contractor to improve their quality of teaching and learning through the observation process and the development of action plans and recommendations. Petroc may also provide access to relevant in house CPD training sessions to support the improvements.

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Second-level sub-contracting will not be permissible without the prior written approval from the relevant funding agency. The confirmation of any approval will be provided by the College in writing to the Subcontractor.

5 Fees and Charges:

All fees and charges applied by Petroc will be transparent and calculation methods will be available to sub-contractors.

5.1 Management Fees:

The college will retain a management fee to cover the direct costs associated with operating and quality assuring the subcontracted provision and provides a contribution towards the indirect costs such as audit & compliance and curriculum support.

We recognise that Subcontractors have different levels of capacity and skills and therefore we will tailor our management fee to suit the needs of the subcontractor to deliver quality provision.

The standard management fee is 20% for all subcontracting activities with the exception of apprenticeships. This fee is the standard charge for all whole programme subcontracting. This fee may be increased to mitigate any necessary risks identified during the risk assessment or by mutual agreement with the subcontractor to purchase additional support.

The standard fee includes the following services:

- Preparation of subcontracting documents & processes
- Provision of funding advice & guidance relating to the learners & provision
- Administration costs related to the set up of courses, enrolment & processing ILRs
- Monitoring of contract levels, performance and reviews of activity including, but not limited to, advice and guidance sessions, enrolment processes, teaching and learning and examinations
- Processing of payments
- Quality support including the monitoring of teaching & learning

For apprenticeship funding the management fee will be adapted to suit the activity being subcontracted and is variable to ensure that only the necessary direct & indirect costs are attributed depending on the activity being subcontracted.

Further management charges may be mutually agreed between Petroc and the Sub-contractor.

5.2 Funding Retained

Dependent on the type of sub-contracting arrangement, a sum of money, as described in the contract, may be held back and/or awarded at the completion and fulfilment of the contract value and terms and conditions.

5.3 Payment Terms:

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Any payment due will only be approved once any contractual requirements with regards to evidence of activity is provided. The evidence requirements will vary between funding streams therefore, it is vital that the subcontractor understands the specific requirements within their contract. Once a payment has been approved as due, all invoices will be paid on a 30 day term from the date of the invoice in line with Petroc's Financial Regulations policy.

6 Communication:

The policy is available publicly and is published on the Petroc website.

The policy will also be publicised to all sub-contractors through contract negotiations and specific agreements.

Petroc will publish an annual summary of sub-contractors to show the actual level of funding paid and the amounts retained per partner per contract as requested by the ESFA.

7 Exemptions to the Policy

From May 2017, the Apprenticeship Funding and Performance Management Rules have passed the responsibility to Employers to decide which End Point Assessment Organisation (EPAO) is used and to negotiate the fees. Whilst Petroc is responsible for the payment of the fees, the subcontracting to the EPAO is therefore, exempt from this policy.

8 Policy Monitoring and Review

The Vice Principal Finance and Resources will be responsible for management of the Policy and all staff involved in the administration or management of sub-contractors will be responsible for the implementation.

Potential sub-contractors and partners will be directed to the policy as the starting point in any relationship. Although this policy only applies to activity outlined within section 1, it will be considered as a basis for any other sub-contracting arrangements.

The policy will be monitored and reviewed operationally by the Vice Principal Finance and Resources reporting to the Executive Management Team and to the College Governors.

The policy will be formally reviewed annually by the Vice Principal Finance and Resources or when a new contract is awarded to ensure the policy does not prohibit specific contract requirements or compliance.

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