

Subcontracting Fees and Charges Policy 2022/2023

1.0 Scope

- 1.1 The policy applies to all provision subcontracting supported with funds supplied by the Education and Skills Funding Agency (ESFA) or any successor organisations.
- 1.2 The policy is a mandatory requirement that must be in place prior to participating in any subcontracting activity from 1 August 2013. The content of this policy has been developed in line with the ESFA Subcontracting Standard, the AOC/AELP common Accord, the LSIS Supply Chain Management document alongside the relevant funding agency rules.
- 1.3 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.

2.0 Purpose of Policy – Overarching Principles

- 2.1 The College will use its supply chain to optimise the impact and effectiveness of service delivery to the end user.
- 2.2 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.
- 2.3 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 4.7.
- 2.4 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.
- 2.5 This policy is in line with Petroc's Equality Policy.

Policy Name: Subcontracting Supply Chain Fees and Charges Policy	Policy No: P77011
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3.0 Rationale for Subcontracting

- 3.1 In line with Petroc's mission to achieve excellence through learning, this policy outlines the approach to subcontracting and partnership activity.
- 3.2 Petroc engages with subcontractors to better meet customer needs and will subcontract for the following reasons:
- To enhance the opportunities available for learners
 - To fill gaps in niche or expert provision, or provide better access to training facilities
 - To support better geographical access for learners
 - To offer an entry point for disadvantaged groups; and/or
 - To give consideration of the impact on individuals with shared protected characteristics, where there might otherwise be gaps
- 3.3 The rationale for subcontracting a particular piece of work will be outlined in the contract provided to each subcontractor.

4.0 General Principles / Procedures

The implementation of this policy will be managed by the Vice Principal Finance, Resources, and Regional Affairs. The Vice Principal Finance, Resources, and Regional Affairs 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 Pre-Award Activities:

- 4.1.1 The awarding of a subcontract will be managed in line with the Procurement Policy that outlines the Pre-Qualification Questionnaire, Qualification & Tendering procedures and Due Diligence processes applying the criteria from the ESFA funding higher risk organisations policy, as well as the relevant financial health checks.

4.2 Contract Award:

- 4.2.1 Petroc will identify defined roles to each subcontract to ensure that contract ownership is clear. A contract management plan will be prepared for each subcontract. The contract management plan will determine that each cost claimed by a subcontractor is reasonable and proportionate to the delivery of their teaching or learning and how each cost contributes to delivering high quality learning.
- 4.2.2 The contract will outline the defined policies & processes in place that the contract will operate in compliance with, in line with the Subcontracting Standard.

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4.3 Risk Management:

4.3.1 As part of the contract award 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 & agreed with the subcontractor.

4.4 Subcontractor Management and Quality Assurance:

4.4.1 The contract management plan will focus on outcomes and will include how the provision will be managed, the compliance checks that will be completed and the frequency & type of monitoring activities.

4.4.2 The plan will be monitored to ensure that the following standards are met:

- The subcontractor is demonstrating value for money
- The subcontractor is compliant with all contract requirements
- The subcontractor is delivering a high quality programme
- The subcontractor continues to meet the organisational & financial health requirements
- The subcontractor is achieving the minimum standards of performance

4.4.3 Petroc will support and monitor the subcontractor to continue to improve their quality of teaching and learning through the direct observation of initial guidance, assessment and delivery of learning programmes, training and/or direct observation and assessment and the development of action plans and recommendations. Petroc may also provide access to relevant in house CPD training sessions to support the improvements.

4.4.4 Second-level subcontracting 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.

4.5 Reporting:

4.5.1 Any contract and management issues, and performance, are reported through the governance structure.

4.6 Fees and Charges:

4.6.1 All fees and charges applied by Petroc will be transparent and calculation methods will be available to subcontractors.

4.7 Management Fees:

4.7.1 The college will retain a management fee to cover the direct costs associated with operating and quality assuring the subcontracted provision and provides a

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contribution towards the indirect costs such as audit & compliance and curriculum support/training.

4.7.2 It is recognised that subcontractors have different levels of capacity and skills and therefore, the management fee will be tailored to suit the needs of the subcontractor to deliver quality provision.

4.7.3 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.

4.7.4 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 assurance support including the monitoring of teaching & learning and oversight

4.7.5 The specific management costs are split down as follows for 16-19 provision where whole subcontracting provision takes place:

Service Provided	Specific Cost	Reason why cost is reasonable and proportionate to delivery of the subcontracted teaching or learning and how each cost contributes to delivering high quality learning
Managing the Subcontractor	5%	Cost covers the management of the contract including performance against contract & monitoring meetings
Quality monitoring activities	10%	Cost covers quality management costs which includes the quality review of work undertaken & inclusion in SAR, Standardisation, learning observations & quality processes.

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Administration Support Costs	5%	Cost covers the administrative support for managing contracts & performance, processing payments & ILR support.
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4.7.6 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. This fee will normally range between 10 – 20% of the funding paid to the subcontractor and is dependent upon the scale of delivery & experience of the subcontractor.

4.7.7 Further management charges may be mutually agreed between Petroc and the subcontractor.

4.7.8 The specific management costs are split down as follows for the Apprenticeship subcontracting provision based on 20% approach::

Service provided	Specific Cost	Contribution to high quality training	Explanation of how cost is proportionate to subcontracted training
Quality monitoring	4%	Ensure Standardisation for apprentices	Costs covers quality management costs which includes the quality review of work undertaken & inclusion in SAR, Teaching observations, standardisation & quality processes.
Subcontractor Management	15%	Ensure contract is delivered providing apprentices with appropriate support	Cost covers the management of the contract including performance against contract & monitoring meetings.
Support Costs	1%	Ensure contractual obligations are processed to enable delivery	Costs cover the administrative support for managing contracts & performance & ILR support.

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4.7.9 If Mandatory Training is required to be delivered to subcontractor staff by Petroc costs will be negotiated at the point the contract is raised dependent on the training required and additional funding retained.

4.7.10 Subcontracting arrangements are approved in advance on an annual basis by our Governing Board and a review will take place to ensure we remain below the 25% threshold for any funding stream.

4.8 Payment Terms:

4.8.1 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. Delivery closely managed to ensure any required clawback implemented promptly and any further risks identified and managed.

4.8.2 Where clawback is required funding will either be held back for payment at the contracted scheduled payment times whether that be partial or in full, or monies will be re-claimed back from the subcontracting partner.

4.9 Communication:

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

4.9.2 The policy will also be publicised to all subcontractors through contract negotiations and specific agreements.

4.9.3 Petroc will complete the Subcontractor Declarations as required by the ESFA, and when subcontracting arrangements change between these points.

5.0 Exemptions to the Policy

5.1 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.

6.0 Monitoring and Review

6.1 The Vice Principal Finance, Resources and Regional Affairs will be responsible for management of the Policy and all staff involved in the administration or management of subcontractors will be responsible for the implementation, ensuring staff have relevant knowledge, skills and experience to maintain high quality and low risk to public funds as well as ensuring robust procedures are in

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place to ensure subcontracting does not lead to the inadvertent funding of extremist organisations.

- 6.2 Potential subcontractors 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 subcontracting arrangements.
- 6.3 The policy will be monitored and reviewed operationally by the Vice Principal Finance, Resources and Regional Affairs, reporting any changes to the College Leadership Team and to the College Governors.
- 6.4 The policy will be formally reviewed annually by the Vice Principal Finance, Resources and Regional Affairs in conjunction with the relevant funding rules & Subcontractor Standard and will be published by the 31st October of the relevant funding year.

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