



<b>SUPPLY CHAIN CHARGES AND FEES POLICY</b>
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Approved by: Finance & Resources Committee
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Strategy/Policy Responsibility: Vice Principal, Finance & Resources
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## **Supply Chain Charges and Fees Policy**

### **1 SCOPE**

- 1.1 This policy statement details how Croydon College will apply fees and charges to contracts with organisations subcontracted to deliver training on the College's behalf.
- 1.2 This document outlines the College's Supply Chain Charges and Fees Policy for the 2019/20 academic year.
- 1.3 This policy is published in line with ESFA requirements stated in the AEB Funding Rules 2019/20.

### **2 DISCLAIMER**

- 2.1 The College reserves the right to amend its subcontracting arrangements at any time in accordance with the terms and conditions contained in its standard contract for subcontracted provision.

### **3 POLICY DETAILS**

#### **3.1 Reasons for Subcontracting**

- 3.1.1 Subcontracting, in particular to deliver niche provision, ensures high quality of teaching and learning thanks to the subcontractors' extensive and focused experience in the specialist areas.
- 3.1.2 Subcontracting ensures cost effectiveness of programme delivery on occasions when it may be desirable for the College to run certain programmes but it is not viable for the College to build up in-house resources and expertise.
- 3.1.3 Subcontracting contributes towards the sustainability of the College's provision overall, as it helps the College to respond flexibly to changing market demands and emergent opportunities in specific geographic areas.
- 3.1.4 Subcontracting widens the range of progression opportunities for learners, both from Subcontractors' to the College's programmes and vice versa.
- 3.1.5 Subcontracting provides good development opportunities for both the College and its Subcontractors, to share good practice and new ways of working.

#### **3.2 The College's Contribution to Improving the Quality of Teaching and Learning Provision**

- 3.2.1 The College ensures that Subcontractors are included in the College's Learning and Quality Framework and are guided and supported by the College to follow this process.

- 3.2.2 The College provides training to Subcontractors on completing the Self Assessment Report ('SAR') and the Quality Improvement Plan. Subcontractors then present the completed SAR and QiP in a meeting with the College's senior management. Any actions arising are addressed in cooperation between the College and the Subcontractor.
- 3.2.3 Subcontractors are expected to hold course centre approvals in their own right and fully liaise with the awarding bodies. However, the College will regularly review External Moderator reports submitted by Subcontractors and monitor any follow-up required.
- 3.2.4 The College regularly validates the outcomes of Subcontractors' own quality monitoring processes. This may include conducting joint lesson observations, meetings with groups of learners, and reviewing student satisfaction surveys.

### **3.3 Fees Retained by the College**

- 3.3.1 The fee retained by the College is calculated as a percentage of the total contract value agreed with the Subcontractor.
- 3.3.2 The typical percentage range of fees retained by the College to manage Subcontractors is 15% to 25%. However, fees may fall outside of this range with agreement by the VP Finance and Resources.
- 3.3.3 The retained fee is used to finance the costs associated with ensuring that the College is complying with oversight and accountability responsibilities of the subcontracting arrangements, which include internal and external audit checks on eligibility, performance and data recording, as well as acting to prevent failure and fraud. The requirements of the College may change during the funding year 2019/20.
- 3.3.4 The management fee is subject to commercial negotiation taking into account the following factors.
- Track record of the Subcontractor with regard to meeting success and funding targets.
  - Length and history of previous contract relationship with the College.
  - Financial standing of the Subcontractor.
  - Anticipated demands of the contract on the College's resources.
  - Contract size with regard to both funding and learner numbers.
- 3.3.4 The retained fee is open to negotiation and review by Subcontractors and the final fee is agreed by both parties.

### **3.4 Support for Subcontractors**

- 3.4.1 The retained fee allows the Subcontractor to receive:
- Advice and guidance at pre-contract stage.
  - Regular review meetings with progress reports.

- Specialised meetings as relevant such as SAR and QIP presentation or contract planning meeting.
- Regular monitoring visits with detailed feedback identifying good practice and areas for improvement.
- Enrolment and audit compliance training.
- Training for the good use of Ofsted's Education Inspection Framework and the College's Learning & Quality Framework to drive improvement.
- SAR and QIP training.
- Ongoing administration support including in-depth checks of evidence submitted and regular feedback on issues identified.
- Input of enrolment documentation submitted.
- Submissions of data to funding organisations.
- Regular financial reports to inform invoicing.
- Ongoing data checks and support to resolve data queries.
- Ongoing support to address any areas for improvement.

### **3.5 Reason for Differences in Fees Charged**

3.5.1 Fees charged to individual providers may differ depending on the calculation of management fee as specified in 3.3.

### **3.6 Payment Terms between the College and its Subcontractors**

3.6.1 Payments to Subcontractors are calculated on a monthly basis, taking into account funding generated to date, the management fee, audit hold back and payments to date.

3.6.2 Payment calculations are normally based on actual funding generated for each month.

3.6.3 In exceptional cases, the College may agree with the Subcontractor profile-based payments, with regular reconciliations against actual funding. However, this approach is entirely at the College's discretion.

3.6.4 The College reserves the right to withhold 10% of payments due to the Subcontractor as audit hold back. The audit hold back will be payable to the Subcontractor at the end of the contract year, subject to all evidence having been submitted by the partner and subject to successful external or internal audit.

3.6.5 For any funding to be generated for a given month, Subcontractors are required to submit enrolment and achievement evidence by a certain cut-off date. This is to ensure that the data is processed by the College in time for the monthly ILR return and the subsequent funding calculation.

3.6.6 After each month end, the College will send monthly financials to Subcontractors, confirming the invoice amount.

3.6.7 Invoices are payable 30 days from receipt.

3.6.8 Full details of payment arrangements for each individual contract are included in each Subcontractors' contract. These include the detailed schedule for evidence submission and monthly financials deadlines, with specific dates for each month.

### **3.7 Policy dissemination**

- 3.7.1 This policy will be disseminated to current subcontractors via email and a website link.
- 3.7.2 All potential subcontractors will be made aware of the policy as part of the PQQ and tendering process.

### **3.8 Policy review**

- 3.8.1 This policy will be reviewed at least annually and in addition in-year as needed to reflect any changes in ESFA funding rules.
- 3.8.2 Any changes to this policy that are required mid-contract will be discussed with Subcontractors.

### **3.9 Policy publication**

- 3.9.1 This policy will be published on the College's external website and also on the College's staff intranet.

**SUPPLY CHAIN FEES – RISK BANDING FRAMEWORK**

No.	Risk Factor	Weighting	Selection / Criteria	Risk Score
1	Track record of the Subcontractor with regard to meeting achievement and funding targets. <i>(Either track record with the College for existing partners, or track record with other primes for new partners).</i>	10	1 – All met. 2 – Up to 15% below funding target and/or 5 percentage points below achievement target. 3 - 16% or more below funding target and/or 6 or more percentage points below achievement target, or some information requested not available.	1 – Low 2 – Medium 3 - High
2	Length and history of previous contract relationship with the College.	10	1 – At least 1 previous year of contracting, no serious issues.  2 – At least 1 previous year of contracting, some remediable issues identified.  3 – No previous contract with the College or has a previous contract but serious issues identified.	1 – Low 2 – Medium 3 – High
3	Financial standing of the Subcontractor.		The statutory financial accounts of the partnership organisation will be reviewed by the VP F&R together with any additional financial information such as management accounts and reports from Dun & Bradstreet. The VP F&R will then rate the financial standing of the organisation accordingly	1 – Low 2 – Medium 3 – High
4	Anticipated demands of the contract on the College's resources.	5	1 – Learner-responsive enrolment forms and electronic records of learner activity readily available. 2 – WPL enrolment forms and/or high volumes of paper-based evidence of learner activity and/or out-of-area delivery. 3 – Quality or compliance support needs anticipated in addition to usual levels of processing and monitoring.	1 – Low 2 – Medium 3 – High

5	Contract size with regard to both funding and learner numbers		1 – Up to £200,000 and 200 learners 2 - £200,001 to £500,000 and/or 201 to 500 learners 3 – £500,001 and above and/or 501 or more learners	1 – Low 2 – Medium 3 - High
6.	Geographical location of learners		1 - Learners within adjoining counties of London or within 100 miles of the College 2 – Learners between 100 – 200 miles of the College 3 - Learners more than 200 miles of the College	1 – Low 2 – Medium 3 - High

**Overall Risk Score:**            **Low: 27 to 36** (minimum fee 15%)  
20%)            **High: 57 to 81** (minimum fee 25%)

**Medium: 37 to 56** (minimum fee