



<b>SUPPLY CHAIN CHARGES AND FEES POLICY</b>
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Approved by: Corporation Board
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Strategy/Policy Responsibility: VP Finance and Resources / Partnership Manager
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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 2022/23 academic year.
- 1.3 This policy is published in line with ESFA requirements stated in the ESFA AEB Funding Rules 2022/23 Subcontracting funding rules for ESFA funded post-16 funding excluding apprenticeships, the ESFA Subcontracting Standard, and the subcontracting requirements stated in the 2022/23 GLA Funding Rules. This policy will be further adjusted in line with any further versions of these ESFA and GLA documents, as well as in line with any other subcontracting rules by other funding bodies where the College is drawing down funding as Lead provider and passing part of the funding to a third (sub)contracted party. The current rules are found at

<https://www.gov.uk/government/publications/adult-education-budget-aeb-funding-rules-2022-to-2023/adult-education-budget-aeb-funding-rules-2022-to-2023>

<https://www.gov.uk/government/publications/subcontracting-funding-rules-for-esfa-funded-post-16-funding-excluding-apprenticeships/subcontracting-funding-rules-for-esfa-funded-post-16-funding-excluding-apprenticeships>

<https://www.gov.uk/government/publications/esfa-subcontracting-standard/esfa-subcontracting-standard>

[https://www.london.gov.uk/sites/default/files/aeb\\_grant\\_funding\\_rules\\_2022-23\\_draft\\_0.pdf](https://www.london.gov.uk/sites/default/files/aeb_grant_funding_rules_2022-23_draft_0.pdf)

- 1.4 The College will comply with ESFA and any other funding body's limits for a maximum proportion of subcontracting allowed for each funding stream issued for each funding year.
- 1.5 The definitions of Subcontractor, Subcontract and Subcontracting in this document is as per the ESFA definitions in the Subcontracting funding rules for ESFA funded post-16 funding excluding apprenticeships:
- 1.5.1 "Subcontractor means a person or organisation that has entered into a subcontract with the college.
- 1.5.2 Subcontract means an agreement entered into between the college and a subcontractor for the purposes of engaging the subcontractor to deliver part of the services on behalf of the college.
- 1.5.3 Subcontracting means any delivery to a learner's programme of learning by a separate legal entity. It does not matter if this is by a third party recruited to

delivery on site (travel to teach), online learning or whether it is described as a service. A separate legal entity or an individual that has an agreement (called a subcontract) with you to deliver any element of the education and training we fund. A separate legal entity includes companies in your group, other associated companies and sole traders. An individual could include a person who is a sole trader, self-employed or employed by an agency unless those individuals are working under your direct management and control in the same way as your own employees”.

- 1.6 Where in doubt as to whether an agreement with a third party constitutes subcontracting or not, the College will seek advice from a qualified third party, e.g. the ESFA and/or a relevant audit professional.

## **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 certain 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.
- 3.1.6 The specific rationale for AEB Subcontracting is reviewed annually and provided in a separate document called Croydon College Rationale for AEB Subcontracting, which is available in the Financial subsection of the Policies and Procedures section on the following link:

<https://croydon.ac.uk/the-college/policies-and-procedures/>

### **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, reviewing student satisfaction surveys and quality review meetings with the Subcontractor.

### **3.3 The College's Contribution to Ensuring Funding and Audit Compliance**

- 3.3.1 The College carries out regular audit and compliance checking of provision delivered on its behalf by the Subcontractors, including unannounced learner spot checks and/or learner telephone audit sampling.
- 3.3.2 The College runs regular operational meetings with the Subcontractors that include a review of progress to funding and achievement targets.
- 3.3.3 The College checks learner and course evidence submitted by the Subcontractor to ensure that it is compliant with funding and eligibility requirements.
- 3.3.4 The College responds to reports from the ESFA or any other funding body that highlight learners receiving potential double funding and follows this up with the Subcontractor to ensure that any ineligible learners are removed from the funding and/or payment claim and that any other remedial action is undertaken as needed.
- 3.3.5 The College procures an external audit company on an annual basis to carry out an independent audit of Subcontracting Controls in accordance with funding bodies' subcontracting rules and requirements.
- 3.3.6 The College reviews and amends its Subcontracting processes in accordance with any changes of funding bodies' rules and regulations. Specifically for the academic year 2022/23 this will include implementing any changes resulting from the ESFA Subcontracting Standard.

### 3.4 Fees Retained by the College

- 3.4.1 The fee retained by the College is calculated as a percentage of the total contract value agreed with the Subcontractor.
- 3.4.2 The typical percentage range of fees retained by the College to manage Subcontractors is 15% to 20%. However, fees may fall outside of this range with agreement by the VP Finance and Resources.
- 3.4.3 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 2022/23.
- 3.4.4 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.
- 3.4.5 The retained fee is open to negotiation and review by Subcontractors and the final fee is agreed by both parties.
- 3.4.6 In monitoring and managing Subcontractors at the level of the contract budgeted for 2022/23, the College will provide the following services and incur the following individual costs, totalling up to the overall amount of the fee retained by the College. The costs are reasonable and proportionate to delivery of the subcontracted teaching or learning and each of them contributes to delivering high quality learning. The retained funding fee is in line with sector average and the amount of support of quality assurance that is being delivered.

The total fee retained by the College for the management / monitoring of the service will be up to the maximum of 20% of total fee, if the subcontractor meets the tender selection criteria as per the attached Subcontractor Tender Application Scoring Criteria.	
Management, audit and compliance checking, including unannounced learner spot checks and review meetings / teleconferences and induction observations	50% of the retained fee
Quality assurance and oversight, including SAR review processes, QiP review, termly quality monitoring meetings, intervention strategies, sharing good practice and experience	25% of the retained fee

Administrative functions such as data and other MIS inputting, processing, validation and checking of enrolment documentation, data returns, learner residency and fee remission eligibility checks, enrolment data reconciliation	25% of the retained fee
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### **3.5 Support for Subcontractors**

3.5.1 The retained fee allows Subcontractors 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.

\*Any training currently provided by the College to the Subcontractors is determined by the College depending on each Subcontractor's training needs..

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

3.6.1 Fees charged to individual providers may differ depending on the calculation of management fee as specified in 3.4.

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

3.7.1 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.

3.7.2 Payment calculations are normally based on actual funding generated for each month. In the event of underperformance against the contract target, clawback would therefore typically not apply, unless in the event of a month-on-month drop in funding that would exceed 10% of funding generated to date and would be deemed irredeemable in the following month.

- 3.7.3 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 and if agreed will include provisions for clawback for under-delivery against profile that would exceed 10% of the monthly payment value and would be deemed irredeemable in the following month.
- 3.7.4 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.
- 3.7.5 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.
- 3.7.6 After each month end, the College will send monthly financials to Subcontractors, confirming the invoice amount.
- 3.7.7 Invoices are payable 30 days from receipt.
- 3.7.8 Full details of payment arrangements for each individual contract are included in each Subcontractor's contract. These include the detailed schedule for evidence submission and monthly financials deadlines, with specific dates for each month.

### **3.8 Policy dissemination**

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

### **3.9 Policy review**

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

### **3.10 Policy publication**

- 3.10.1 This policy will be published on the College's external website on <https://croydon.ac.uk/the-college/policies-and-procedures/>.

## SUBCONTRACTOR TENDER APPLICATION SCORING CRITERIA

- The tender application form includes mandatory and non-mandatory response requirements.
- All mandatory responses are scored Pass / Fail. Relevant mandatory responses are also content-scored. All non-mandatory responses are content-scored.
- A Fail and/or non-submission of any mandatory requirements in any section disqualifies the Tenderer from further consideration and the remainder of their responses is not scored. The tender specification document and the tender application form clearly state which requirements are mandatory.
- Where responses are content-scored, the following grading is used.

### Content-scoring table

Score Given	Description	Attribute
4	Excellent	Responses provide strong confidence in previous experience, financial stability and ability to deliver.
3	Good	Responses provide good confidence in previous experience, financial stability and ability to deliver.
2	Adequate	Responses provide adequate confidence in previous experience, financial stability and ability to deliver.
1	Poor	Responses provide limited confidence in previous experience, financial stability and ability to deliver.
0	Response not provided / Response not relevant / document not submitted	Responses do not provide confidence in previous experience, financial stability or ability to deliver.

- After scoring the content and calculating the average section score for all content-scored questions, section weightings are applied to calculate the total section score.

### Weighting table

Section No.	Headline	Weighting
1	Contact Information	n/a



2	Mandatory requirements	5%
3	Policies	5%
4	Financial and company standing	10%
5	Quality of delivery	20%
6	Delivery proposal	30%
7	Knowledge Transfer Proposal	30%
8	Declaration and Certificates	n/a
	<b>Total</b>	<b>100%</b>

A Pass of all mandatory requirements and a minimum total score (weighted) of 2.50 of scored requirements is required to pass the initial supplier selection and be shortlisted for the contract consideration stage.