

Subcontracting and Supply Chain Fees and Charges Policy 2021-2022

Title: Subcontracting and Supply Chain Fees and Charges Policy 2021-2022		Version	1
Authorised by	ELT	Date Authorised	
Annual check date	July 2022	Next full review	

Subcontracting and Supply Chain Fees and Charges Policy

1. Policy Statement

The purpose of this policy is to define the basis on which supply chain arrangements will be managed as defined by the Education & Skills Funding Agency subcontracting regulations. Nacro will provide a transparent process for all Supply Chain Partners, Funding Organisations and other associated parties or individuals. This policy includes the rationale for Subcontracting, Procurement, Supply Chain Fees, Support Monitoring and Controls, Partner Expectations, Implementation, and Approval process for being a partner in the delivery Nacro's contract with the Education & Skills Funding Agency. All organisations that contract with Nacro will be subject to the requirements set in this policy. This policy is reviewed on an annual basis and published on Nacro's website: - <https://www.nacro.org.uk>

2. Scope

All education providers who intend to subcontract Government or European Social Fund monies in 2021/22 are required to produce an annual Subcontracting and Supply Chain Fees and Charges Policy. This policy is produced in accordance with the Education & Skills Funding Agency's funding guidance and rules apply to all potential and actual subcontracting.

This policy outlines our procurement processes, the rationale for utilising subcontractors to support delivery of Nacro's education programmes, the support we provide to subcontractors and the range of management fees that are charged, fulfilling our obligations to both learners and commissioners.

This policy is provided to all potential subcontractors during the procurement exercise and existing subcontractors during the re-contracting process.

Nacro recognises that it holds full accountability for the delivery of subcontracted activity and that this cannot be assigned to subcontractors.

This policy is approved by Nacro's Principal & Director of Education, Director of Finance and Corporate Services and Board of Trustees.

3. Strategic Aim and Rationale for Subcontracting

We are dedicated to the goal of increasing social inclusion by providing high quality services that improve the lives of individuals and communities across England. We design and deliver programmes that equip people with the skills, advice, attitude and support they need to move their lives on.

Our education services provide a broad range of education and skills programmes (focussed on entry to Level 3 vocational learning, English, maths and employability training) to young people and adults across many locations and through our Education and Skills Centres and other contracted provision. This offer may be extended subject to government priorities.

Nacro will in the first instance consider direct delivery when looking to grow provision to meet local, regional and national need. However, we recognise the added value that effective subcontracting arrangements with organisations who share similar social justice aims and objectives can bring in extending the range and accessibility of provision for learners and employers. Nacro's subcontracting arrangements will not compete with existing provision unless for strategic or quality enhancement purposes. Nacro do not subcontract as a means to fulfil short-term funding objectives.

We consider subcontracting in the following circumstances: -

- Where our existing learners or stakeholders require additional provision which is beyond our existing scope or capacity.
- Where subcontracting will allow us to build capacity in new areas, both geographical and within new sectors or skills areas.
- Enable us to build strong local partnerships with like-minded organisations to broaden our offer in a single geographical area.
- Fill in gaps in niche or expert provision or to provide better access to training facilities, which Nacro would not be able to adequately resource.
- Enhance the offer to our learners, creating a wider network of opportunities and offer an entry point for disadvantaged learners.
- Where subcontracting would create an enhanced and innovative enterprise offer.
- In response to local and regional demand.
- Develop links with employers to create programmes matched to needs of industry.
- To share good practice between like-minded organisations for the benefit of learners, employers and communities.

4. Procurement

Advert - Tendering opportunities are advertised on our website and via Contracts Finder. Interested suppliers are required to complete a Pre-Qualifying Questionnaire (PQQ), Invitation to Tender (ITT) and funding profile. A clear programme specification, including set funding models, performance targets and fees are included in the tender advert

Tender - Comprehensive due diligence is undertaken on PQQs and ITTs. Suppliers who pass this stage are quality scored against a published criteria and threshold. Due Diligence includes track record, reputation, quality measures, responsiveness, specialism and location to ensure that Nacro is able to respond to learner and employer demand.

Contracting - Suppliers who pass both stages are invited to a pre-contract meeting where further quality checks are undertaken, including assessment of Safeguarding, Prevent Duty agenda, Health, Safety and Welfare and Quality Assurance arrangements. A contract is subsequently issued with an indicative funding allocation included.

Re-Contracting - Existing suppliers are required to submit a PQQ refresh and funding profile for review each year, with ongoing due diligence checks undertaken throughout the year.

5. Supply Chain Fees and Charges

The 'Supply Chain Fees and Charges' applies to subcontractors of Nacro, as listed on the 'declaration of Subcontractors' and notified to the ESFA.

We calculate a charge based on several factors, including the type of contract, outcomes of the due diligence process, pre-contract risk assessment and the support services subcontractors require.

We seek an indicative management fee of a minimum 15% of published funding rates. The overall fee is determined by the value of contract and delivery locations. We provide pricing schedules and funding models that are transparent, fair, realistic and achievable.

The risk band is determined using the table below: -

Risk Band	Low	Medium	High
Management Fee	15%	17.50%	20%
Value of Contract	Under £50,000	£50,000 > £100,000	Over £100,000

A breakdown of the management fee is included with a Contract for Services and Appendix 1 & 2 of this policy.

The retained fee includes but is not limited to: administration support to process data, ILR management, day to day management of subcontracted delivery, monitoring of learner progress, collecting and updating due diligence, ensuring audit compliance, dealing with partner queries, refresher training sessions at regular intervals throughout the year, co-ordinating self-assessment processes and quality and compliance monitoring.

Funding models are designed for the proper use of public funds and to drive performance in key contract performance areas, with payment based on volumes of starts, retention, successes and progressions, based on an original agreed profile.

Nacro will endeavour to ensure the retained fee arrangements for different subcontractors are fair and equitable based on these parameters. If additional and /or exceptional services are required of Nacro, a separate fee will be agreed above the core retention percentage, for example, Internal Verification.

6. Support, Monitoring and Controls

Ongoing support, monitoring and control of our subcontractors includes: -

- Day-to-day management and support is provided by a dedicated Subcontractor Manager to support the smooth running of the contract, with additional support provided from a range of specialists.
- Regular monthly and annual review meetings are undertaken to support all partners in meeting Nacro's quality standards and KPI's.
- Desktop reviews in addition to daily / monthly meetings
- Quality of Teaching, Learning and Assessment monitored through enhanced support from our dedicated Teaching Learning & Assessment Coordinators

and Head of Quality and Curriculum to ensure both Nacro and Ofsted standards are met. Areas covered include: -

- Careers advice & guidance,
 - Assessment, teaching and learning practice; visits both announced and unannounced, of which at least one will be a short notice visit,
 - face to face interviews with learners and staff
 - regular quality and curriculum reviews undertaken both remotely and face to face
 - remote learning
 - self-assessment
 - quality improvement activities
 - Safeguarding and PREVENT
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- BKSB Diagnostic Tool – free access to our literacy and numeracy assessment and diagnostic tool, enabling effective programme planning and high levels of compliance.
 - Access to Nacro’s Virtual Learning Environment
 - We oversee the ESFA 16-19 Bursary & Free Meals and Learning Support process for each subcontractor and provide access to High Needs Student Funding.
 - Safeguarding Training, including access to nominated safeguarding and Prevent co-ordinator for queries, concerns and reporting of incidents.
 - Access to Nacro’s Continuous Improvement Programme, staff training, annual teacher development training programme and working groups.
 - Validation of enrolment paperwork and data input for ILR data upload service to the ESFA by a dedicated Data Centre.
 - Learner tracking documents including access to our national licence for the EBS management information system and use of our programme planning tool to assist in lesson planning, creation of learning agreements, recording of attendance, progression of learners and other operational activities
 - We provide a suite of ESFA compliant learner paperwork designed to aide the enrolment, monitoring and support evidence requirements of our funders.
 - Offer full training on paperwork, processes, compliance and provide on-going support to all staff involved in the delivery and administration of programme.
 - We conduct regular Compliance Audit’s to ensure high levels of contractual compliance and minimal funding risks to both parties.
 - Regular funding and analysis reports including detailed MIS performance on overall programme and individual learner.
 - Payments to subcontractors are calculated on a cumulative basis at the end of each month in which the activity is successfully and satisfactorily processed in accordance with the evidence requirements detailed in the service level agreement and deadlines for submission of paperwork.

Following validation of the evidence in the ILR return, Nacro will calculate the appropriate payment to the partner based on the level of income calculated by the validation process in that month less the agreed management fee

This calculation will form a partner report which is sent to the partner detailing learners and amount due to invoice. Payment is made within 30 days of receipt of invoice.

7. What we expect from partners

As a social justice charity, it is important that our partners share our values and objective of creating a socially just country where people feel safe, are supported to reach their aspirations and communities are crime free.

We expect subcontractors to adhere to quality frameworks and processes including Ofsted Education Inspection Framework

Public Funds: We expect that funding is only used to pay for delivering on programmes and is not used to cover ancillary aspects such as memberships of sports clubs or theatre groups.

Safeguarding: We expect subcontractors to provide safe, supportive and engaging learning environments that arm learners with the skills that prepare for life in modern Britain.

PREVENT: We expect subcontractors to adhere to policies and guidance in relation to all forms of radicalisation and embed British Values.

We expect timely communication and adherence to all ESFA and Nacro contractual requirements.

8. References

Education & Skills Funding Agency 'Funding Rules 2021-22'
<https://www.gov.uk/government/publications/advice-funding-regulations-for-post-16-provision>

Education & Skills Funding Agency 'Subcontracting Funding Rules for ESFA funded post 16 funding (excluding apprenticeships) 2021-2022'.
<https://www.gov.uk/government/publications/subcontracting-funding-rules-for-esfa-funded-post-16-funding-excluding-apprenticeships>

ESFA funded adult education budget (AEB): funding rules 2021 to 2022.
<https://www.gov.uk/guidance/adult-education-budget-aeb-funding-rules-2021-to-2022>

9. Definitions used

ESFA: refers to the Education & Skills Funding Agency also referred to as The Agency.

EBS Management System: refers to the management information system used by Nacro

KPI: Key Performance Indicators

ILR: means the Individualised Learner Record which is the ongoing collection of Learner data undertaken by Nacro.

Ofsted: means the Office for Standards in Education, Children’s Services and Skills.

Subcontracting: refers to providers delivering education or training on behalf of Nacro. This encompasses subcontractors listed on the Education Skills Funding Agency (ESFA) ‘Declaration of Subcontractors’, together with any updates or subsequent listings from the ESFA or the relevant funding authority.

10. Appointment of Subcontracting Partners

Using the Procurement rationale set out in this document, the Board of Trustees, CEO, Director of Education and Director of Finance consider and subsequently approve the role and contribution of each proposed subcontract partner.

11. Distribution of Funding – A copy of our subcontractor fees can be found here

Signed



Lisa Capper, Director of Education (Principal)



Andrew Hodges, Director of Finance & Corporate Services

Policy History

Revision	Date	Changes Made
1	30/10/2019	Published
2	18/10/2020	Published
3	24/08/2021	

Appendix 1 – Management Fee Explained

Management Fee			
Nacro Activity	Proportion of funding retained by Nacro	Contribution to high quality learning	Explanation of how cost is proportionate to the delivery of teaching and learning
Quality Assurance and Oversight	8% > 10%	<p>Direct observation of initial guidance, assessment and delivery of learning programmes, training and direct observation of assessment.</p> <p>Best practice advice and guidance on teaching, delivery and development of programmes and tutors where necessary including annual review of curriculum and programme pathways.</p> <p>Announced and unannounced funding assurance audits that test compliance with ESFA funding rules.</p> <p>Verification that learners exist and meet the eligibility criteria for ESFA Funding.</p> <p>Provider development including access to training opportunities and CPD for staff and learners, provided by Nacro.</p> <p>Ongoing student satisfaction survey monitoring.</p>	<p>To ensure high quality delivery that is value for money and public funds are safeguarded.</p> <p>Ensure each learner receives the highest level of support from a programme that is tailored to their needs and aspirations.</p> <p>Ensure programmes are well planned and well structured to support achievement and progression.</p> <p>To ensure a wide and well promoted range of progression opportunities are available.</p> <p>To ensure teaching delivery is undertaken by a professional workforce supported by appropriate training.</p>
Subcontractor Management	3.5% > 5%	<p>Ensuring subcontractor staff are trained in Safeguarding, Prevent, UK GDPR and any other relevant training.</p> <p>Regular contract and performance review meetings.</p> <p>Providing regular updates on policy / funding developments and the impact on funding and delivery.</p> <p>Provide expert advice and support.</p> <p>Health and Safety risk assessments and audits.</p> <p>Regular audit and compliance support and reviews that ensure adherence to the ESFA's funding rules and guidance.</p>	<p>Protecting learners by ensuring staff have the most up to date knowledge and ability to safeguard them.</p> <p>Take action to address under-representation from any particular group(s)</p> <p>Public funds are being safeguarded through regular monitoring of progress and performance of the subcontractor.</p>
Administrative Functions	3.5% > 5%	<p>Data returns submissions</p> <p>Management Information</p> <p>Learner tracking systems</p> <p>Financial due diligence</p>	<p>To help ensure data sent to ESFA is 100% accurate and compliant with ESFA Funding Rules and ILR Submission Rules.</p> <p>To facilitate regular reporting of performance vs targets.</p>

Appendix 2 - Funding Model

The following arrangements will be adopted:

1. Management fee applied to the Full Funding Rate (income paid to Nacro by the ESFA, includes all available disadvantage, area and learner retention uplifts).

2. Funding split:-

Study Programmes:-

- 80% for delivery
- 10% for 75% overall achievement rate (per learner)
- 10% for Positive Progression outcome (per learner).

16-19 Traineeships:-

- 80% for delivery
- 20% for Positive Progression outcome (per learner).

3. For Traineeships, the 20% outcome will be paid on the submission of suitable evidence of the trainee achieving within 6 months of completing their Traineeship (please note that all evidence should be submitted by 7th October 2022, evidence submitted after this date cannot be accepted.):

1. an apprenticeship start that meets the minimum qualifying days evidenced by ILR records or a self-declaration by the learner
2. a job, including being self-employed, for at least 16 hours a week and for 8 consecutive weeks within 6 months of leaving a traineeship, evidenced by a declaration from the learner or their employer
3. progression to another English or maths qualification, which is a level higher than that, achieved in the traineeship
4. further learning recognised in the 16 to 19 performance tables that:
 - a. meets minimum qualifying days, or
 - b. a learner self-declares they are studying a level 2 or level 3 qualification with at least 150 guided learning hours

4. Additional English and Maths achievement bonus linked to overall programme size and set at a maximum of 2 per learner in any one contract year

5. Delivery funding will be paid on profile monthly between the month the learner qualifies as a start and their programme planned end date (usually the latest qualification planned end date).

6. For early leavers funding will be reconciled to the month of the learner's last day of evidenced attendance.

7. Learners must meet the qualifying period to be eligible for funding:

Study programme planned hours	Planned length in-year	Qualifying period
450 hours or more	2 weeks or longer	6 weeks (42 days)
Fewer than 450 hours	24 weeks or longer	6 weeks (42 days)
Fewer than 450 hours	2 to 24 weeks	2 weeks (14 days)

Please note the following:-

If a young person withdraws from a learning aim in their study programme within the first 6 weeks of their programme, you must update the planned hours to remove all of the hours for the aim from the total. This rule applies regardless of the original length of the study programme or the funding band of the student. If excluding the hours already delivered within the first 6 weeks would make a material difference to the student's funding band, you can include just the hours that they have already delivered in the planned hours.

For traineeships where the student achieves an early progression either into sustainable employment, full time education, other training or an apprenticeship (i.e. where the outcome meets the definition of successful progression from a traineeship). You must treat the student as completed on their ILR data return so the student is treated as retained for funding purposes. If the traineeship is completed within the first 6 weeks, you must revise the planned hours to the planned hours for the student's actual period of attendance as set out in the section 'Recording planned hours' of the "[Funding guidance for young people 2021 to 2022 Funding regulations](#)".

8. Total funding available per learner will be based on the delivery location:

Non-London

Band	Full funding Rate	Management Fee (20%)	Subcontractor Funding	Delivery Funding	Outcome Funding		Maximum English & Maths Bonus
					Achievement 75% KPI	Progression 80% KPI	
Band 5 (at least 540 hours)	£5,617.44	£1,123.49	£4,493.95	£3,595.16	£449.40	£449.40	£150.00
Band 4 (450-539 hours)	£4,634.25	£926.85	£3,707.40	£2,965.92	£370.74	£370.74	£100.00
Band 3 (360 - 449 hours)	£3,791.91	£758.38	£3,033.53	£2,426.82	£303.35	£303.35	£100.00
Band 2 (280 - 359 hours)	£2,996.50	£599.30	£2,397.20	£1,917.76	£239.72	£239.72	£100.00
Band 1 (Per hour)	£9.36	£1.87	£7.49	£5.99	£0.75	£0.75	£100.00

Inner London

Band	Full funding Rate	Management Fee (17.5%)	Subcontractor Funding	Delivery Funding	Outcome Funding		English & Maths Bonus
					Achievement 75% KPI	Progression 80% KPI	
Band 5 (at least 540 hours)	£5,617.44	£983.05	£4,634.39	£3,707.51	£463.44	£463.44	£150.00
Band 4 (450-539 hours)	£4,634.25	£810.99	£3,823.26	£3,058.61	£382.33	£382.33	£100.00
Band 3 (360 - 449 hours)	£3,791.91	£663.58	£3,128.33	£2,502.66	£312.83	£312.83	£100.00
Band 2 (280 - 359 hours)	£2,996.50	£524.39	£2,472.11	£1,977.69	£247.21	£247.21	£100.00
Band 1 (Per hour)	£9.36	£1.64	£7.72	£6.18	£0.77	£0.77	£100.00

Outer London

Band	Full funding Rate	Management Fee (19.5%)	Subcontractor Funding	Delivery Funding	Outcome Funding		English & Maths Bonus
					Achievement 75% KPI	Progression 80% KPI	
Band 5 (at least 540 hours)	£5,617.44	£1,095.40	£4,522.04	£3,617.63	£452.20	£452.20	£150.00
Band 4 (450-539 hours)	£4,634.25	£903.68	£3,730.57	£2,984.46	£373.06	£373.06	£100.00
Band 3 (360 - 449 hours)	£3,791.91	£739.42	£3,052.49	£2,441.99	£305.25	£305.25	£100.00
Band 2 (280 - 359 hours)	£2,996.50	£584.32	£2,412.18	£1,929.75	£241.22	£241.22	£100.00
Band 1 (Per hour)	£9.36	£1.83	£7.53	£6.03	£0.75	£0.75	£100.00