

# STEP SKILLS

PREPARE FOR SUCCESS IN HERTS

## Subcontracting and Supply Chain Fees and Charges Policy

V1.4 October 2021

<b>1</b>	<b>BACKGROUND &amp; PURPOSE</b>	<b>2</b>
<b>2</b>	<b>RATIONALE FOR SUBCONTRACTING</b>	<b>2</b>
<b>3</b>	<b>COMMISSIONING PROCESS</b>	<b>3</b>
<b>4</b>	<b>DUE DILIGENCE</b>	<b>4</b>
<b>5</b>	<b>PROJECT FUNDING</b>	<b>5</b>
<b>6</b>	<b>CONTINGENCY PLAN</b>	<b>5</b>
<b>7</b>	<b>MAINTAINING STANDARDS</b>	<b>5</b>
<b>8</b>	<b>FEES</b>	<b>6</b>
<b>8.1</b>	<b>Services Provided</b> .....	<b>6</b>
8.1.1	Management.....	6
8.1.2	Quality.....	8
8.1.3	Support.....	9
<b>8.2</b>	<b>Subcontracting Costs</b> .....	<b>10</b>
8.2.1	ESFA.....	10
8.2.2	Additional Fees .....	11
<b>9</b>	<b>PAYMENT TERMS</b>	<b>11</b>
<b>9.1</b>	<b>Community Learning</b> .....	<b>11</b>
<b>9.2</b>	<b>Accredited learning</b> .....	<b>11</b>
<b>9.3</b>	<b>General Notes</b> .....	<b>12</b>
<b>10</b>	<b>COMMUNICATION OF THIS POLICY</b>	<b>12</b>
<b>11</b>	<b>RELEVANT PROCESSES AND POLICIES</b>	<b>12</b>
<b>12</b>	<b>REVIEW DATE AND OFFICER RESPONSIBLE</b>	<b>12</b>
<b>13</b>	<b>SIGNED BY</b>	<b>12</b>
<b>14</b>	<b>APPENDIX 1 – COMMISSIONING</b>	<b>13</b>
<b>15</b>	<b>APPENDIX 2 – CONTRACT MANAGEMENT AND COMMISSIONING CYCLE</b>	<b>14</b>



SUPPORTED BY  
**MAYOR OF LONDON**

## 1 BACKGROUND & PURPOSE

This policy aims to provide information about Step2Skills reasons for subcontracting; how we select our subcontractors and our fees and charges. This is to ensure consistency, clarity and fairness for all partner organisations and Ste2Skills. The policy covers the academic year 1<sup>st</sup> August 2021 to 31<sup>st</sup> July 2022.

## 2 RATIONALE FOR SUBCONTRACTING

The ESFA state that where subcontracting does exist, it does so to ‘*enhance the quality of your learner offer.*’ The reasons for subcontracting must meet one of these aims:

- Enhance the opportunities available to learners
- Fill gaps in niche or expert provision or provide better access to training facilities.
- Support better geographical access for learners.
- Support an entry point for disadvantaged groups
- Support individuals who share protected characteristics, where there might otherwise be gaps

Source: [DfE external document template \(publishing.service.gov.uk\)](#)

Step2Skills meet this requirement because we work with those who have complex barriers to employment and education, in partnership with local organisations (from both the private and voluntary sector) who have strong local knowledge and who are already engaging with the most disadvantaged in their local area. Step2Skills subcontracts to fill gaps in niche or expert provision, like sector-based employability programmes or mental health services and to support better geographical access across the county for classroom delivery.

In order to engage those hardest to reach, Step2Skills has subcontracted adult and community learning provision to a range of organisations across Hertfordshire since 2005. Our subcontractors are often from the voluntary and charity sector, and/or are organisations embedded in local community, who can engage with people in their district on a very local/ward level, working with those who are unable to engage at county level. Most often, the subcontractors offer services in addition to teaching and learning under the ESFA contract, such as IAG or programmes under other funding which complement the Step2Skills offer and will provide progression to move the person on to their next step.

At its last Ofsted inspection in February 2020, Step2Skills was awarded an overall Grade 2; the Inspection included observations of subcontractor provision and a specific meeting about how we manage subcontractors, concluding that “*Leaders ensure that the selection and monitoring of subcontractors is rigorous. They ensure that subcontractors receive very effective challenge to help them deliver the planned curriculum successfully.*”

Our tender process ensures that we contract with subcontractors who meet the rationale above. These subcontractors have been responsive to our demands to meet targets set against specific groups:

	<b>Funding year 20/21*</b>
Men	23%
Black and Minority Ethnic (BME)	23%
Below Level 2 Qualification	37%
Learning Difficulties	30%
Mental Health Issues	10%

*\*based on disclosure from learners*

Part of our Strategy for 2021-2024 is to:

- *“Create a cohesive approach by establishing a seamless link between the skills and employment support aspects of our service...*
- *keeping our focus on Hertfordshire adults with barriers to engagement and supporting them to develop skills that are fit for the future, including in health and wellbeing, digital skills and sustainability/green industries.*
- *contribute to the delivery of the Hertfordshire County Council (HCC) Corporate Plan), the Adult Care Services (ACS) Plan and the Hertfordshire Skills and Employment Strategy, while linking with other local, regional and national drivers.”*

By subcontracting to voluntary sector groups, we contribute to capacity building and sustainability in the sector. This ultimately improves services available to the population of Hertfordshire.

### **3 COMMISSIONING PROCESS**

Hertfordshire County Council (HCC) commissioning processes are robust and meet EU procurement regulations. They are set out in Annex 15 of the Constitution of Hertfordshire County Council: <https://www.hertfordshire.gov.uk/media-library/documents/about-the-council/data-and-information/constitution-updated-august-2019.pdf>

Tenders and contracts are written to ensure that they meet these requirements, including having robust due diligence sections to ensure that our subcontractors are financially robust and have the skills and experience to deliver their contracts.

Each tender question is scored by 2 people with specialist knowledge or skills related to the question. The scores are moderated by a third person to ensure that the process is fair and robust. The process has been agreed with Strategic Procurement within Hertfordshire County Council.

Decisions for funding are made based on the needs identified in the most recent Step2Skills Needs Analysis and Strategy – each subcontractor is scored for each section of their bid. Some subcontractors with lower scores may still be considered for contracts if they meet a specific need not met by any other tenderers.

The Commissioning process is in Appendix 1.

Step2Skills Due Diligence checks include:

- Robust financial checks, including automatic elimination questions, submission of accounts and credit checks through Dunn and Bradshaw.
- Checks on and submission of policies such as Safeguarding, Health and Safety and Equality and Diversity
- Checks that subcontractors meet ESFA and Ofsted standards, including the new ESFA [Subcontracting Funding rules 2021/2022](#) and the last Ofsted grade received.

All financial checks are reviewed by a member of HCC Finance team, who makes recommendations about whether we should contract with a subcontractor or not and about the maximum level of contract, based on the financial risk.

Under ESFA regulations, we review the circumstances and criteria in the funding [higher risk organisations and subcontractor's policy](#). Due diligence checks on subcontractors must apply the criteria in the funding higher risk organisations policy setting out when a provider is high risk and therefore not eligible to be appointed as a subcontractor.

If a subcontractor does not meet, or continue to meet, the minimum due diligence and financial health checks required, Step2Skills will suspend the right of the subcontractor to recruit new learners. Depending on the circumstances, Step2Skills may be required by ESFA to terminate the subcontract.

Step2Skills will refer to the list of declared subcontractors to determine if a subcontractor that you intend to use or are using already holds subcontracts with other organisations. Step2Skills will also ask for this to be declared on tender documentation.

For subcontractors in receipt of an aggregate subcontract value of ESFA funding for delivering education and training that totals £100,000 or more for each funding year, or where the subcontract from Step2Skills would take the total value of such subcontracts to £100,000 or more, Step2Skills must share the results of our checks with ESFA via a signed return on the template ESFA will provide by the dates provided to Step2 Skills. ESFA will then undertake internal high-risk checks to determine if the subcontractor falls in scope of the Funding higher risk organisations policy. If they do, Step2Skills may be required to end our subcontract with that organisation, and ESFA may restrict our future use of subcontractors.

Where a subcontractor has a subcontract valued at £500,000 or greater in any funding year, ESFA will carry out additional financial health checks directly with the subcontractor, in line with financial health guidance for organisations contracting with or applying to ESFA. Step2Skills will be required to supply ESFA with the relevant documents. If the subcontractor fails ESFA financial health checks, Step2Skills will be unable to take on any new subcontracted starts with the subcontractor.

## **5 PROJECT FUNDING**

Step2Skills will use any funding not allocated at the main decision day, or funding from in-year contract adjustments, to fund projects during the year which may have a range of planned outcomes:

- Meeting of gaps in service targets left at decision day (e.g. recruiting more learners with learning difficulties)
- Meeting of new / emerging priorities from HCC or central government
- Development of quality across the service (e.g. review of quality of IAG provision)
- Development of new initiatives (e.g. development of a new system for online learning and document management for subcontractors)
- Recruiting and supporting of new subcontractors (capacity building)

Subcontracting of these is done within HCC Commissioning Regulations.

## **6 CONTINGENCY PLAN**

Should any subcontractor withdraw from their contract or fail to meet targets, Step2Skills will use its own Direct Delivery Team to deliver more learning or will run an additional call-off, either within current subcontractors or in an open process depending on the amount of funding / number of learners remaining and the type of provision required.

Step2Skills works closely with HCC Strategic Procurement Team to ensure that any subcontracting is done to enable us to fill any delivery gaps as soon as possible whilst respecting closely all procurement regulations.

Should a subcontractor go into liquidation and have learners on courses at that point in time, Step2Skills Direct Delivery Team would step in to ensure that those learners could continue their learning.

## **7 MAINTAINING STANDARDS**

Step2Skills have a robust contract monitoring process in place which covers:

- Performance against targets / planned delivery
- Quality of teaching and learning
- Safeguarding
- Equality and Diversity
- British Values / Prevent

The learner is at the centre of everything that Step2Skills does, so it is imperative that the teaching delivered to learners is of the best possible quality and demonstrates excellent impact.

Subcontractors, including Step2Skills Direct Delivery team, are responsible for quality monitoring and improving their provision in line with Ofsted and ESFA guidelines. The Step2Skills Quality Monitoring (QM) process supplements and supports subcontractors' own internal QM systems, which are checked annually.

The **contract management and quality system** will take a “risk based” approach. Good or Outstanding subcontractors (with a known record of effective management and good delivery) may receive a “lighter touch” approach to contract and quality monitoring.

Subcontractors who are under-performing in any given area will receive targeted actions to improve. These subcontractors will receive a greater amount of Step2Skills support in order to improve their delivery or any other related area for improvement (e.g. data management, safeguarding practices).

We retain costs for management, quality and support, from our funding body. We will review costs in January each year and where necessary, we may clawback funding for additional management costs from subcontractors, where we have had to provide specific additional support to that subcontractor. This forms part of a formal review in January and could be triggered at other times in the year as necessary.

Each month the **Monitoring Team Meeting (MTM)** will look at performance against several aspects of quality and contract management. Subcontractors are immediately informed of any issues that need addressing. Improvement Plans are updated following any identified issues and issued to subcontractors each month.

Quality, contract management and Improvement Plans are reviewed at monthly Monitoring and Quality meetings and with subcontractors at more formal **Performance Review Visits (PRV)** three times a year. Any issues that need addressing are added to Improvement plans and followed up by the Commissioning and Contract Management Officers in Step2Skills.

When improvement is insufficient or not achieved within the defined time for improvement, the subcontractor will be issued a formal **Notice to Improve**, supported by a clear set of expectations and deadlines. Formal meetings will be held with subcontractor’s senior management/CEO and/or the Chair of the Board. Failure to meet these expectations in full or in time may result in a reduction or withdrawal of the contract.

**All** subcontractors are invited to monthly training sessions run by the Quality team in Step2Skills and to partnership meetings every 6 weeks where they benefit from sharing best practice and are given information on funding and local/national agendas.

Should Step2Skills discover that a subcontractor (or potential subcontractor) was involved with extremist organisations or supporting extremist views, this will result in failure at Stage 1 of the procurement process or the immediate termination of the contract, if they are an existing subcontractor.

The Contract management cycle is in Appendix 2.

## **8 FEES**

### **8.1 Services Provided**

#### **8.1.1 Management**

Activities covered under the management costs include:

#### ***Information and Reporting***

- Preparation of monthly data for reporting to Advisory Board, funding bodies and Herts County Council as required
- Updating the Quality Improvement Plan termly
- Monitoring of retention, pass, achievement and attendance, learner numbers and learner profile analysis, including Equality and Diversity Impact measures (EDIMs)
- Monitoring of specific areas according to changes in local need, such as tracking the impact of Covid-19 on unemployment or the impact of Brexit on recruitment of certain groups of learners
- Other regular reports on teaching and learning e.g. RARPA, observations, CPD
- All other reports for the monthly Monitoring Team Meetings
- Monitoring feedback from learners and addressing complaints or compliments as necessary
- Re-profiling targets as required
- Submitting subcontractor declarations throughout the year

### ***Planning and Procurement Process***

- Programme planning based on local and national priorities
- Development of tenders and/or procurement authorisation documentation
- Tender and/or procurement authorisation process
- Tender and/or procurement evaluation and award of contracts
- Pre-contract meeting
- Contract development, negotiation and agreement involving Legal services
- Setting up of facility for contract payments
- Managing proposed changes to contract in-year

### ***Due Diligence Process***

- Development, implementation and management of the Due Diligence process in accordance with funding agency rules
- Assessment of Due Diligence information
- Support to complete the Service Due Diligence process

### ***Funding Body Management***

- Implement and maintain awareness of funding bodies' policies, rules and regulations
- Changes to processes or requirements from subcontractors, based on any changes to funding bodies regulations (e.g. removal of Register of training Organisations).
- Maintain the Service's relationship with the funding bodies
- Upload claims and financial regulatory documents to the funding bodies
- Develop documentation and paperwork in accordance with the requirements of the funding bodies e.g. enrolment form
- Producing the bi-monthly MI Bulletin for subcontractors
- Purchase and maintenance of a specialist Management Information System
- Collect data and record data on the Service's Management Information System and submit accurate funding returns to the funding bodies
- Monthly ILR return process
- Manage the Service's funding throughout the year, including changes (e.g. introduction of SWAP funding in 2020/21)

- Upload updated Declaration of subcontractors whenever contracts change
- Subcontractor Performance Review meetings and Improvement Planning as per funding body rules
- Carry out ongoing internal audit such as paperwork checks, register checks and quality checks
- Manage external audits
- Manage contract payments to subcontractors
- Assess, process and administer Discretionary Learner Support Fund, Additional Learner Support and any other additional funding to be claimed

### ***Strategy and Evaluation***

- Identifying needs and priorities in Hertfordshire through a yearly Needs Analysis process or Strategy development
- Writing and managing the service Business Plan and Risk Register
- Communication of upcoming and current national and local priorities to subcontractors and implications for service delivery
- Writing the annual self-assessment report and setting up the Quality Improvement Plan

### ***Safeguarding***

- Managing Single Central Record across subcontracted provision
- Managing risk register including time spent managing each referral
- Safeguarding team meetings to update knowledge, share experience, propose CPD
- Analysing safeguarding referrals against achievement of learners
- Prepare updates for Partner Business Meetings
- Run training for subcontractors
- Annual safeguarding report for the Board

### **8.1.2 Quality**

All quality monitoring and contract compliance activities:

- Manage provision in accordance with the quality standards set out by Ofsted in the Education Inspection Framework
- Act as the lead in an Ofsted inspection
- Regular performance review meetings with each subcontractor. The number of visits depends on the experience and quality of the subcontractor.
- Carry out and manage observations of teaching and learning, assessment, initial advice and guidance
- Feedback to teachers about observations and drawing up action plans to improve
- Reviewing RAG ratings for support given to learners and issuing further instruction/guidance
- Setting up Quality team (19 personnel) to carry out joint session visits and full Deep Dives which include observations of teaching and learning, Leadership and Management, Safeguarding, Curriculum development and Data management.
- Reporting back to subcontractor on themes and outcomes from observations
- Monitoring and moderation / audit of quality of delivery e.g. ILPs, RARPA

- Moderation of processes and policies such as safeguarding, health and safety, IAG
- Manage self-assessment reporting and quality improvement action planning
- Monitor, review and support risk assessment planning under Covid-19, including providing training and updates to tutors and managers
- Manage, review and improve quality assurance processes
- Guide, support and train on Accessibility matters, specifically for changes created by moving some teaching and learning online.
- Guide, support and train on Data protection matters, specifically for changes created by moving some teaching and learning online.
- Training as part of the Step2Skills annual programme of support for providers including activities to support improvements in teaching and learning:
  - Upskilling teachers in identified areas for improvement
  - Annual tutor conference
  - Annual Quality Manager's workshop
  - Mentoring for teachers to support improvement where teaching is not meeting the required standard
  - Training for subcontractor management around Equality and Diversity, IAG, curriculum planning, measuring impact etc, depending on the identified needs of current subcontractors, online learning
- Sharing of best practice at 6 weekly Partner Business Meetings:
  - Organised and led by Step2Skills, using external speakers and best practice slots from subcontractors as well as updates and training slots from Step2Skills staff

### **8.1.3 Support**

- Data management and training and support to subcontractors on using the Step2Skills MI system. Including:
  - Ensuring that all data meets ILR requirements
  - Training for data input on the MI system
  - Training in correcting errors on the MI system and support from Step2Skills to correct errors if necessary
  - Reporting training on the MI system
  - Ad hoc support for enquiries about the MI system
  - MI User group at least 3 times a year
  - Uploading the ILR to the ESFA on a monthly basis
- New subcontractor induction
- Learner Engagement including focus groups, case study interviews, annual Achievement Awards ceremony, marketing and surveys
- Processing and payment of invoices from subcontractors
- Development of additional learning resources for use by Step2Skills and subcontractors, such as the use of Google Classroom for subcontractors to upload documents and retrieve up to date templates and Improvement Plans
- Capacity development of subcontractors (e.g. upskilling subcontractors in areas including data protection, quality teaching online, safeguarding, Prevent, Cyber security)
- Enabling partnership working between subcontractors and disseminating national and local priorities and information through Partner Business Meetings

- Supporting subcontractors to understand the wider context in which we all work and helping them formulate their own organisation strategy with regards to meeting the needs of residents and in line with wider local strategies (e. 16+ education, employment support, partnership working, prevention agenda, health and wellbeing, reducing social isolation, social prescribing).

## 8.2 Subcontracting Costs

### 8.2.1 ESFA

Step2Skills will retain up to 18% of the allocation from the ESFA to cover the staffing and other associated costs of supporting and monitoring the Community Learning and Accredited provision.

For ESFA Community Learning, we retain up to 18% before allocating the remainder to delivery costs. For ESFA accredited earnings we deduct the management fee at the time it is earned.

The remainder of the allocation will be used for the provision of learning opportunities, including that which is delivered by Step2Skills' in-house teaching team and that which will be offered to subcontractors through the competitive tendering process. This includes the recruitment of learners, ensuring learners have a good quality experience and providing the facility to meet the ILR requirements.

In exceptional circumstances, for example where a provider is developing provision that is new to them, Step2Skills may offer more support in the planning and understanding of the funding. In these circumstances, Step2Skills will retain a total of 20% of the contract value.

ESFA funding below for the funding year 2021/2022:

<b>Total allocation</b>	£2,702,175	<i>£2,084,952 Community Learning; £617,223 Accredited provision</i>
<b>Costs – Directly Delivered Provision, including marketing, exams etc. and Subcontracted Provision</b>	£2,290,998.85	
<b>Management of subcontracted provision</b>	£246,705.69	9%
<b>Quality monitoring of subcontracted provision, including training</b>	£109,646.97	4%
<b>Support for subcontracted provision</b>	£54,823.49	2%
<b>Total expenditure</b>	£2,702,175	

## 8.2.2 Additional Fees

The funding retained by the Service for individual contracts may need to be increased if the Service incurs additional costs arising from providing additional services and support and the management of that risk - for example, higher frequency of monitoring visits, additional observations. The percentage will vary according to the type and level of support required. A formal review on costs will take place in January 2022, but costs will be reviewed more often by the Monitoring team if the monthly monitoring meetings highlight any additional costs being incurred.

## 9 PAYMENT TERMS

### 9.1 Community Learning

Community Learning provision will be paid in the following way for the period 1<sup>st</sup> August 2021 to 31<sup>st</sup> July 2022:

Mile stone	Date	Amount Payable	Criteria
1	01/08/2021	30% of contract value	All subcontractors can invoice for 30% of contract
2a	04/01/2022	30% of contract value	Subcontractor must have delivered 30% of contract numbers
2b	08/04/2022	30% of contract value	Subcontractor that did not meet the criteria for milestone 2a and has now delivered 30% of contract numbers
3	31/07/2022	40% of contract value	Subcontractors delivering 95% or above of their contracted learner numbers will receive 40% of the contract value. Subcontractors delivering less than 95% of their contracted learner numbers will receive a pro-rata payment conditional on the proportion of learners delivered minus any payments already made

Payments will be made on receipt of a valid invoice in accordance with the terms of the Contract.

### 9.2 Accredited learning

Accredited learning payments will be based on the calculations generated as part of the ILR.

The subcontractor will be invited to invoice on a monthly basis based on their performance to date and the earnings identified in the reports generated from the ILR. 15% of all accredited earnings will be retained by Step2Skills as a Management Fee.

Qualification based courses do not need to have RARPA attached. Any courses that are not qualification based should use RARPA and this must be submitted by the deadline set out in the Contract.

### 9.3 General Notes

Step2Skills reserves the right to adjust the list of required paperwork to reflect requirements from external bodies, for example the ESFA, auditors (internal or external) or quality bodies, such as Ofsted. The subcontractor will be informed as soon as reasonably practicable of any changes required.

Step2Skills will confirm to the subcontractor the amounts of earned funding that can be invoiced for at each stage. For Accredited learning this will be monthly, for Community Learning it will be as per the Milestone Dates set out in Section 1 above.

### 10 COMMUNICATION OF THIS POLICY

This policy document will be circulated to all current subcontractors and be published on the Step2Skills website at the commencement of the academic year to which the policy relates.

### 11 RELEVANT PROCESSES AND POLICIES

[Funding rules 2021/2022](#) published by the Education and Skills Funding Agency

[Subcontracting Funding Rules 2021/2022](#) published by Education and Skills Funding Agency

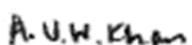
[ESFA Subcontracting Standard](#) published by Education and Skills Funding Agency

### 12 REVIEW DATE AND OFFICER RESPONSIBLE

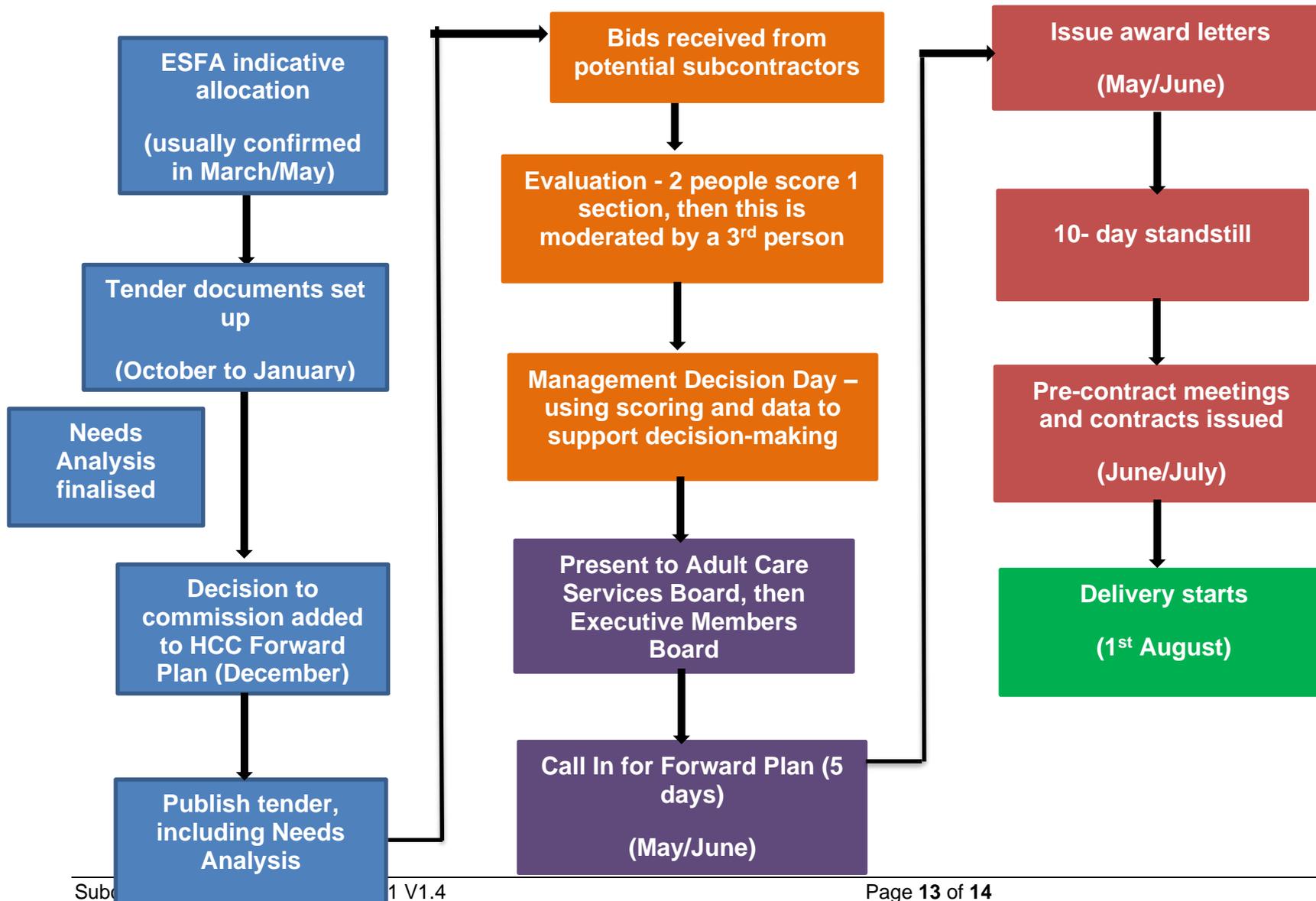
Review Date – August 2022

Officer – Operations and Administration Manager

### 13 SIGNED BY

Signature:  Date: 9/11/21	Signature:  Date: 9/11/21
<b>Steven Lee-Foster</b> Assistant Director, Adult Care Services	<b>Aziem Khan</b> Senior Accountant

14 APPENDIX 1 – COMMISSIONING



# 15 APPENDIX 2 – CONTRACT MANAGEMENT AND COMMISSIONING CYCLE

