

Step2Skills

Subcontracting and Supply Chain Fees and Charges Policy

V1.3 December 2020

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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 Step2Skills. The policy covers the academic year 1st August 2020 to 31st July 2021.

2 RATIONALE FOR SUBCONTRACTING

The ESFA state that where subcontracting does exist, it does so to ‘enable specialist and geographically challenged delivery, meet the needs of employers and to enrich learners’ programmes.’ The GLA state that ‘all your delivery subcontracting meets your strategic aims and enhances the quality of your learner offer’. Step2Skills meets 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 and GLA 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.

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:

	Funding year 19/20
Men	26%
Black and Minority Ethnic (BME)	24%
Below Level 2 Qualification	44%
Learning Difficulties	32%
Mental Health Issues	10%

Part of our Business Plan is to “Develop strong and effective partnerships with the voluntary sector and other stakeholders to develop joined up delivery approaches and bid for funding for countywide innovative projects which will transform the way we deliver services specifically around health and wellbeing and employment support. Step2Skills aims to work with other key stakeholders including the Local Enterprise Partnership (LEP) and HCC to support its partners from the voluntary sector to become financially sustainable”. 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 the scores of the subcontractors. Some subcontractors with lower scores may still be considered for contracts if they meet a specific need not met by any other tenderers.

4 DUE DILIGENCE

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, GLA and Ofsted standards, including being on the ESFA or GLA Register if appropriate 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.

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, ESFA and GLA guidelines. The HAFLS Quality Monitoring (QM) process will supplement and support subcontractors' internal QM systems.

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).

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 will be updated following any identified issues and issued to subcontractors.

Quality, contract management and Improvement Plans are reviewed at monthly Monitoring and Quality meetings and 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 Contract managers in Step2Skills.

When improvement is insufficient or not achieved in due time, 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 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 possibly a withdrawal of the contract.

All subcontractors are invited to training sessions and partnership meetings where they benefit from sharing best practice and updates 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 the immediate termination of the contract.

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 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
- Support to pass the Education & Skills Funding Agency Due Diligence Gateway if applicable

Funding Body Management

- Implement and maintain awareness of funding bodies' policies, rules and regulations
- 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, record it on the Service's Management Information System and submit accurate funding returns to the ESFA and GLA
- Monthly ILR return process
- Manage the Service's funding
- Subcontractor Performance Review meetings and Improvement Planning
- 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 24+ Advanced Learning Loans applications

Strategy and Evaluation

- Identifying needs and priorities in Hertfordshire through a yearly Needs Analysis process
- 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
- 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 tutors 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 to tutors and managers
- Manage, review and improve quality assurance processes
- Guide, support and train on Accessibility matters, specifically this year for changes created by moving teaching and learning online.
- Guide, support and train on Data protection matters, specifically this year for changes created by moving 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 tutors in identified areas for improvement
 - Annual tutor conference
 - Annual Quality Manager's workshop
 - Mentoring for tutors 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 4 Partner Business Meetings per year.
 - 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 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 including FE Choices
- Processing and payment of invoices from subcontractors
- Development of additional learning resources for use by Step2Skills and subcontractors, such as the VLE

- Capacity development of subcontractors (e.g. upskilling subcontractors in areas like 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 and GLA

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

For ESFA Community Learning and all GLA funding, 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. This is done in this way due to the different ways that Step2Skills receives income from the funding bodies.

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.

For the funding year 2020/2021, we extended current contracts from 2019/2020 for the period 1st August to 31st December 2020 and then subsequently from January 2021 to July 2021, due to the Covid-19 situation. This was approved by the relevant Boards within HCC. The figures below are based on the full allocation we will issue for the year 2020/2021.

Total allocation	£2,780,881	ESFA - £2,727,234; GLA £53,647
Costs – Directly Delivered Provision, including marketing, exams etc. and Subcontracted Provision	£2,334,169.50	
Management of subcontracted provision	£ 274,674.23	9.9%
Quality monitoring of subcontracted provision	£106,601.85	3.8%
Support for subcontracted provision	£65,435.42	2.4%

Total expenditure	£2,780,881	
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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.

9 PAYMENT TERMS

9.1 Community Learning

Community Learning provision will be paid in the following way for the period 1st August to 31st December 2020:

Mile stone	Date	Amount Payable	Criteria
1	01/08/20	30% of contract value	All subcontractors can invoice for 30% of contract
2a	10/10/20	30% of contract value	Subcontractor must have delivered 30% of contract numbers
2b	02/11/20	30% of contract value	Subcontractor that did not meet the criteria for milestone 2a and has now delivered 30% of contract numbers
3	31/12/20	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

A further schedule is developed for the remainder of the funding year 2020/21:

Mile stone	Date	Amount Payable	Criteria
1	01/01/21	40% of contract value	All subcontractors can invoice for 40% of contract
2a	09/04/21	30% of contract value	Subcontractor must have delivered 30% of contract numbers
2b	07/05/21	30% of contract value	Subcontractor that did not meet the criteria for milestone 2a and has now delivered 30% of contract numbers
3	31/07/20	30% of contract value	Subcontractors delivering 95% or above of their contracted learner numbers will receive 30% 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 Provider 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, GLA, 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. Once the accounts are finalised Step2Skills will publish details of all subcontracting arrangements in line with the requirements of the ESFA Funding Rules.

11 RELEVANT PROCESSES AND POLICIES

[Funding Rules 2020/2021](#) published by the Education and Skills Funding Agency

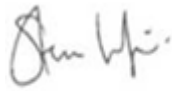

[Funding Rules 2020/2021](#) published by the Greater London Authority

12 REVIEW DATE AND OFFICER RESPONSIBLE

Review Date – Policy Contents, August 2021; Appendix 1, October 2021

Officer – Operations and Administration Manager

13 SIGNED BY

Signature: Date: 12/01/2021 	Signature: Date: 12/01/2021 
Steven Lee-Foster Assistant Director, Adult Care Services	Aziem Khan Senior Accountant

14 APPENDIX 1

All contracts started on 1st August 2019 and delivery ended on 31st July 2020:

Academic year 2019/20	UKPRN	Contract value
Total funding from ESFA to HAFLS		£2,606,337
Total funding from GLA to HAFLS		£52,751
Total funding to HAFLS		£2,659,088
SUBCONTRACTORS - funding distributed		
Adult Training Network	10000147	£104,046.03
All Saints Centre for Employment and New Directions (ASCEND)	10008897	£60,236.25
Be Positive		£48,020
Best Practice Training and Development Limited	10023705	£66,855.91
Dacorum Council for Voluntary Service (Community Action Dacorum)	10001825	£126,740
Community Learning Partnership	10023625	£156,138.48
Create Community Network CIC	10056057	£60,380
CVS Broxbourne and East Herts		£27,693.20
EM Skills		£79,092.03
Groundwork East	10002799	£86,252.00
Hertfordshire Care Providers Association Ltd	10033675	£36,500
Herts Mind Network Limited	10033675	£39,750.00
Oaklands College of Further Education	10004835	£86,308.80
SPS Training Solutions Limited	10019217	£182,443.62
Watford Women's Centre Plus	10021471	£119,130.01
West Herts College of Further Education	10007417	£43,750.00
Total		£1,323,336.33
HAFLS Direct Delivery - delivery of learning and support costs		£910,298
Marketing, Quality, Contract Management, Operations, MI System & support to enable ILR compliance		£425,454
% Retained for central costs		16%