

Document Name	Sub-Contractor Management Fees Policy
Document Owner	Finance and Resources Committee
Responsible Director	Director of Finance

Policy Statement

The aim of the policy is to provide accurate, transparent and comprehensive information on the fee policy that we will adopt when subcontracting provision. This policy is published in line with ESFA requirements, as stated in the funding rules and is subject to assurance audit annually.

We have a responsibility to support all delivery partners to develop high-quality provision that meets the needs of learners and exceeds the expectations of employers where applicable. Together we will review the services provided and consider how there will be an impact on the quality of the learner experience. The management fee retained from allocated funds is used directly to provide a comprehensive and flexible programme of support, as well as compliance measures to ensure that public funds are protected and used effectively, and that partners are supported to develop their provision and extend their business.

CXKs rationale for sub-contracting provision is to:

- 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.

Version Control

Version	Date Ratified	Ratified By	Type of Change
1.0	19.11.2021	Executive Team	New Policy – replacing out of date Supply Chain Fees Policy
1.0	02.12.2021	Finance and Resources Committee	New Policy – replacing out of date Supply Chain Fees Policy
1.0	15.21.2021	Board of Trustees	New Policy – replacing out of date Supply Chain Fees Policy

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1 Purpose

- 1.1 CXK subcontracts to other delivery partners who can assist in achieving our strategic objectives. Carefully selected subcontractors allow for a greater opportunity for beneficiaries to access provision or localised expertise and positively enhances engagement of learners into programmes that lead to progression and employment opportunities.
- 1.2 This policy will be reviewed and approved annually by the Director of Finance, The Financial Controller and The Finance and Resources Committee. The policy will be made available on the CXK's website at <https://www.cxk.org/about-us/policies/>.
- 1.3 CXK is committed to delivering high quality provision and achieving outstanding teaching, learning and assessment, and this is demonstrated within our policy by ensuring all potential partners can achieve the desired expectations with our support.

2 Scope

- 2.1 We work with a range of delivery partners on a subcontracted basis ("subcontractors") and assume an understanding of shared values that puts the beneficiary at the centre of what we do. As part of our partnership working, we operate the following approach in determining the appropriate management fee for each individual subcontractor.
- 2.2 All providers are subject to a robust, comprehensive due diligence process prior to a contract being awarded. This risk-based approach takes into consideration a variety of aspects, including (but not limited to): previous track record, financial standing, learner numbers, Ofsted grade, type of provision, ability to deliver high-quality provision and ability to meet employers' needs and/or Government requirements.
- 2.3 CXKs percentage management fee is up to 20% of outcome values and is dependent on the risk rating of the provider following the due diligence process and available historical performance. It is also dependant on the level of intervention and support required from CXK. Factors that influence the management fee deduction include (but are not limited to):
- The type of provision
 - Historical quality performance
 - Previous contract delivery
 - Size of provision
 - Required level of support needed to ensure high quality of teaching and learning, IAG and/or contract compliance
 - Experience and resources of the provider
- 2.4 All the above impacts on the amount of management, support and development required from CXK, in line with the frequency of management meetings and visits.

All new subcontractors will be informed of their initial risk rating and management fees to be associated with their contract at the initial contract allocation meeting.

- 2.5 Each subcontractor will be reviewed at the end of each funding year, and their ongoing arrangement for the year ahead – including proposed fees, continued reasons for subcontracting and risk rating – will be approved by CXK's Senior Leadership Team. Subcontractors will be informed of the arrangements as part of the contracting process.
- 2.6 Management fees will be deducted at source, payments will be made to the subcontractor in alignment with CXK's direct contract with the commissioner and any associated funding rules. All funding claims must comply with the current ESFA/commissioner funding rules and the terms of the agreement between CXK and the subcontractor. Where funding claims cannot be substantiated, CXK will adjust or reclaim any funds from the subcontractor, and, where required, make an appropriate repayment to the ESFA/commissioner. Performance and therefore payment of funding, will be managed by CXK using a CRM's system aligned to the requirements of the service.
- 2.7 We will identify the individual support needs of the subcontractor during the initial contracting process and adjust as required in year in line with CXK performance management arrangements for the service. The mix of support will vary depending on the needs of each individual subcontractor. All organisations can expect to benefit from the following list of activities:
- Subcontracting Management Framework and a dedicated subcontract manager to ensure the performance and quality of delivery meets expectations and supports continuous improvement of the provision (7%)
 - Centralised administration of participant surveys and focus groups (2%)
 - MIS, contact compliance, audit and ILR services (5%)
 - Quality assurance and development of provision (4%)
 - Funding retained for mandatory training delivered to subcontractor staff (2%)
- 2.8 A cost will be allocated for each management and support service that will be deemed reasonable and proportionate to the service. This will be shared with the subcontractor at the start of the contracting period. CXK will make payments to subcontractors in alignment with an authorised purchase order and on receipt of a valid invoice. Payment is subject to the correct evidence and data being provided to CXK by the agreed monthly deadlines. We will notify subcontractors of any required changes to these deadlines. CXK will adopt its finance payment terms to all invoices.
- 2.9 We reserve the right to recover funds from sub-contractors if outcomes and evidence required as part of the sub-contractor and the main contract agreement with the ESFA, are found to be incorrect, non-compliant or absent. Recovery of fund will be deducted from future payments or invoiced separately.
- 2.10 We reserve the right to withhold a proportion of due payments to the subcontractors, if tolerance levels are not adhered to for producing evidence. Monies will be released when appropriate evidence is held. Full details of payment arrangements for each service and subcontractor are included in each individual

subcontract agreement. Any amendments will be based on guidance from the current version of the ESFA/Commissioner funding rules, clearly referenced in subcontract documentation. We will abide by the funding rules and Government guidance that details restrictions regarding distance and volumes.

3 Responsibilities

Who	Responsibility
Board of Trustees	<ul style="list-style-type: none"> Overall responsibility for the adoption of this policy and the stated methodology for funding sub-contractors.
The Finance and Resources Committee	<ul style="list-style-type: none"> Responsibility for the approval and ongoing review of the policy on behalf of the Board of Trustees on an annual basis.
Chief Executive and the Executive Team	<ul style="list-style-type: none"> To oversee and direct the implementation, and review of this policy, in line with ESFA/Commissioner funding rules. The arrangement of appropriate external audit and assurance reporting in line with Government policy. Completion of the formal sub-contractor declaration in line with Government policy.
Senior Leadership Team	<ul style="list-style-type: none"> To oversee day to day management of sub-contractors and ensure that CXK operates service delivery in alignment with this policy.
All CXK Employees and Sub-contractors	<ul style="list-style-type: none"> To understand and where required operate in alignment with this policy.

4 Definitions

Term	Definition
Self-Assessment Report (SAR)	An annual report that analyses the strengths and weaknesses of a delivery area or service. The findings are based on data and intelligence gathered from multiple sources. These findings are used to make an overall judgement as to how effective the provision has been.
Education Skills Funding Agency (ESFA)	The ESFA brings together the former responsibilities of the Education Funding Agency (EFA) and Skills Funding Agency (SFA) to create a single agency accountable for funding education and skills for children, young people and adults. ESFA is an executive agency, sponsored by the Department for Education.

The European Social Fund (ESF)	European Social Fund (ESF) is part of the 2014-2020 European Structural and Investment Funds Growth Programme in England. Established by the European Union, the European Social Fund helps local areas stimulate their economic development by investing in projects which will support skills development, employment and job creation, social inclusion and local community regenerations. For more information visit https://www.gov.uk/european-growth-funding
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5 Equality and Diversity

- 5.1 The Charity aims to design and implement services, policies and measures that meet the diverse needs of our service population and workforce, ensuring that none are placed at a disadvantage over others. This includes our work with sub-contractors.
- 5.2 No employee or sub-contractor will be treated less favorably or discriminated against or suffer a detriment as a result of this policy. If any employee or sub-con feels that they are discriminated against, they should
- Employees: First raise the matter with their manager or use the Grievance procedure.
 - Sub-contractor: First raise the matter with their Contract Manager.
 - The author of the document is responsible for assessing that the document does not place any one at a disadvantage over others

6 Associated CXK Policy

- Privacy and Personal Data Protection
- Equality and Diversity
- Compliments, Comments and Complaints

7 Relevant Legislation

- The General Data Protection Regulation 2016 (GDPR)
- Equality Act 2010 & 2006
- Disability Discrimination Act 1995, 2005

8 Monitoring Compliance

- 8.1 Implementation of this policy will be monitored in the following ways:
- Completion of an External Audit on an annual basis.
 - Completion and submission of a Sub-Contractor Declaration to the ESFA at required stages each year.
 - Alignment to the Merlin Standard – a quality standard designed to support the development, recognition and promotion of sustainable excellence, and positive partnership working within supply chains.