

# SUB-CONTRACTING & SUPPLY CHAIN FEES POLICY

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## Business 2 Business UK

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# Introduction

This annually renewed policy statement describes Business 2 Business' strategy and approach towards sub-contracting when funded through the Education and Skills Funding Agency and devolved Adult Skills Fund.

This policy ensures that our proposed use of sub-contractors is subject to the sub-contracting obligations and restrictions described in the ESFA [Funding Rules and the Subcontractor Policy](#). This policy also takes into consideration the published ESFA intentions relating to the [reform of sub-contracting arrangements](#).

## Subcontracting Strategy

Our strategic vision is to be a leading provider of employment and health services enabling people, businesses, and communities to thrive.

We have an ambitious agenda driven by customer experience and insight within a fully inclusive demand-led service:

- to transform the opportunities for people without jobs to find sustainable employment and support themselves and their families; and
- to ensure that the most disadvantaged in society have access to the same opportunities as others. These groups include:
  - people with disabilities or health conditions
  - the long-term unemployed
  - disadvantaged groups
  - young people not in education, employment or training
  - ex-offenders
  - self-employed people or people looking to become self-employed
  - people on Universal Credit seeking to progress in work

We will sub-contract skills provision, where the arrangement:

- enhances the opportunities available to learners;
- fills gaps in niche or expert provision, or provides better access to training facilities;
- supports better geographical access for learners;

- offers an entry point for disadvantaged groups; and/or
- ensures greater accessibility for individuals who share protected characteristics.

## Subcontracting priorities for 2024/2025

We will seek to work with partners who can:

- deliver specialist training to broaden our offer to learners;
- provide skills provision of strategic value that meets stakeholder priorities;
- serve localities, not served by Business 2 Business within our intended contractual reach;
- reach and serve additional disadvantaged groups; and
- enable learners to acquire skills needed for economic recovery, as identified by local and national recovery plans.

## Our procurement of sub-contractors

Business 2 Business has robust procurement and partnership management processes in place that are subject to internal and external audit. As required by the ESFA ASF funding rules, in any year that we sub-contract, we are subject to an annual external audit which will generate a report and certificate. These arrangements ensure that we adhere to the sub-contracting obligations and restrictions detailed in the ASF Funding Rules and ESFA Subcontractor Policy. Our governing body/board of Directors and our Accounting Officer (senior responsible person) will keep records to show that they have approved each sub-contracting arrangement only:

- if Business 2 Business has staff with the knowledge, skills and experience to undertake a procurement exercise in line with current procurement regulations and Business 2 Business' Procurement Policy;
- if Business 2 Business has staff with the knowledge, skills and experience contract with, manage and quality assure our subcontractors;
- if Business 2 Business can establish alternative arrangements in the event of subcontractor failure to ensure continuation of provision and that learners are not disadvantaged;

- if, through robust due diligence processes, subcontractors are legally constituted, sufficiently insured and financially viable (all partners must have a credit rating of 3 or above and submit at least three years audited accounts - for organisations trading less than this, we will require to see accounts and/or financial plan and business contingency plan);
- if through robust due diligence processes, subcontractors bring no risk to public funds, bring no risk that we are inadvertently funding an extremist organisation and there are no other relevant grounds for exclusion;
- if, through our assessment, subcontractors are of high quality and have the resources, processes and capability and the appropriate standards and authority to deliver the service;
- if the sub-contracting proposition fits our stated rationale and priorities for sub-contracting (as described above);
- when there is sufficient funding available within our contract with the funder;
- when the subcontractor agrees to work within the terms of our contract with the funder and is willing to engage in a mutually supportive relationship; and
- when the sub-contractor has demonstrated their readiness to deliver the Service immediately when the contract starts, taking account of any existing commitments and pipeline business;

## Fee policy

Our management fees will reflect the breadth and amount of support we provide to each sub-contractor and in no circumstances ever exceed 20% of the subcontractors total income. In line with ESFA Funding Rules, we will produce a list of individually itemised, specific costs for managing the subcontractor including:

- funding retained for quality assurance and oversight;
- funding retained for administrative functions such as data returns;
- funding retained for mandatory training delivered by Business 2 Business to subcontractor staff; and
- clawback for under delivery or for other reasons.

Indicative portions of the fee retained for each of these activities is as follows:

- 70% quality assurance and oversight;
- 20% administrative functions such as data returns; and

- 10% mandatory training delivered by Business 2 Business to subcontractor staff

In each case, we will keep records showing how we determined that the cost was reasonable and proportionate to the sub-contractor's delivery and how each cost contributes to delivering high quality learning.

The exact mix and level of support for each subcontractor will be assessed initially as part of the due diligence process prior to contracting, and thereafter on an annual basis. The level of support will vary depending on the identified needs with new providers receiving additional monitoring and quality assurance checks at an early stage, to identify any specific support requirements. We will review the retained amount for subcontractors annually against a range of metrics including performance, quality and compliance with funding and data requirement. The outcome of the review will be communicated and discussed with the subcontractor at the end of the academic year. This may result in a reduction or increase of the retained fee on this basis. For new partners, in the initial contract stages, monthly reviews will be conducted by our Finance Director to identify any day-to-day operation and administration issues.

## Payment Arrangements

Payments will be made monthly or as agreed with the subcontractor and will be reviewed quarterly.

- Following the validation of evidence in the ILR return, we will make the appropriate payment to the sub-contractor based on the level of income calculated, less the agreed management fee and any adjustments for reconciliation.
- Specific payment profiles will be attached to each contract.
- Payment terms are 30 days from invoice date.

## Planning and governance

We will ensure effective planning and governance throughout the term of the contract through:

- People: Ensuring the right people are in place to carry out the contract management activities.
- Administration: Managing the physical contract and the timetable for making key decisions.
- Managing Relationships: Developing strong internal and external relationships that facilitate delivery.
- Managing Performance: ensuring the service is provided in line with the contract, including obtaining assurance of sub-contract compliance with relevant ESFA funding rules.
- Payment and incentives: Ensuring payments are made to the supplier in line with the contract.
- Risk: Understanding and managing contractual and supplier risk.
- Contract development: Effective handling of changes to the contract; and
- Provider Development: Improving provider performance and capability i.e. Continuous Improvement and value for money.

## Support for Subcontractors

The due diligence process, prior to contracting, will include an Initial Quality and Curriculum Visit culminating in a written report with actions for Business 2 Business and the sub-contractor. The report will also identify the exact mix and level of support required for the subcontractor. All subcontractors will be subject to a regular review to be carried out by the National Partnerships Manager on a no less than quarterly basis. Monthly reviews for the first six months will be conducted with all new sub-contractors to identify any day to day operational and administrative issues.

## Ensuring exemplary teaching and Learning

In addition to working within our quality assurance processes, subcontractors will be subject to additional quality checks and teaching and learning support which may include events, input and guidance on the following:

- Meeting the requirements of due diligence;

- Establishing and maintaining quality management systems;
- Awarding body approvals;
- Management approaches, including tracking and predicted achievement rates;
- Management information services and data control advice;
- Learner record audit and compliance support;
- Self-assessment processes including the observation of teaching and Learning, a review of curriculum design and responses to learner feedback;
- Prevent, British Values and safeguarding policies and practice; and
- Staff training and development.

## Contingency plan

In the event that Business 2 Business needs to withdraw from a subcontract arrangement, a subcontractor withdraws from the arrangement or a subcontractor goes into liquidation or administration, we will take steps to ensure the continuity of the provision, enabling the learners involved are able to complete their qualifications through:

- a) direct delivery ourselves;
- b) delivery through another sub-contractor within the delivery partnership;
- c) procurement (with permission of the ESFA) of a new subcontractor to replace the departing sub-contractor; or
- d) transfer to another provider outside of the delivery partnership.

## Policy publication

This policy will be published on the Business2 Business website and shared with all prospective partner organisations to inform their dialogue with Business 2 Business. This dialogue, which will encompass fees and delivery scope, requirements, processes and procedures, will take place primarily with the National Partnerships Manager who will oversee the subsequent day to day management of sub-contractors with support from individual delivery partnership/project managers as helpful.