

Management Fee Retention Policy

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Management Area:	Contract Management
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Purpose:	This document provides transparency for all sub-contractors, funding bodies and other parties or individuals regarding procurement, due diligence process, support and charging rationale related to sub-contracted provision.
Scope:	The policy applies to all supply chain activity supported with funds supplied by the Education & Skills Funding Agency (ESFA) or any successor organisations.
Context:	The policy is a mandatory requirement that must be in place prior to participating in any sub-contracting activity from 1 August 2017. The content of this policy has been developed in line with AoC/AELP Common Accord, the ESFA Funding Rules and the LSIS Supply Chain Management guidance.
Responsibilities:	The London Skills and Development Network (LSDN) Board and Governing Body are responsible for decisions regarding all service management contribution fee rates and payment schedules.
Description:	<p>Overarching Principles:</p> <ul style="list-style-type: none"> • LSDN will at all times undertake fair and transparent procurement activities, conducting robust due diligence procedures on potential sub-contractors to ensure compliance with Common Accord at all levels and to ensure the highest quality of learning delivery is made available, demonstrating value for money and a positive impact on learner lives. • The fees charged by LSDN will be related to the costs of the services provided. These services, and the level of fees charged, will be clearly documented and agreed by all parties. • The fees will be commercially viable for both sides and will be negotiated and agreed in a fair and transparent manner.

They will be proportionate to the actual services being provided.

Rationale for Sub-contracting:

LSDN will consider the use of sub-contractors when the following criteria apply:

- There are clearly identified strategic benefits to the sub-contract arrangement
- The sub-contractor offers niche provision
- The provision includes delivery in the ESFA priority areas, particularly Apprenticeship, Traineeship and 24+ Advanced Learning Loans provision.
- The provision complements, rather than displaces, LSDN’s own provision
- The sub-contracting organisation has a proven track record in the delivery of public-funded training provision
- The provision is suitably located to enable effective quality assurance monitoring and audit by LSDN.

Due Diligence:

LSDN has a formal due diligence process. In most cases LSDN will appoint an external auditor or agent to act on its behalf in reviewing and assessing Due Diligence documentation. The due diligence process is outlined as follows:

- Issue of the due diligence documents for completion by the potential sub-contractor.
- Receipt of the completed due diligence documents and supporting evidence.
- Request for references made by LSDN.
- Review of due diligence documents and responses reviewed by appointed agent or committee.
- A risk analysis conducted and formally documented by appointed agent or committee.
- A formal opinion provided by appointed agent or committee as to whether sub-contractor has passed or failed due diligence and identification of any special conditions (as appropriate).
- Review of references obtained.
- A formal recommendation made to the Executive Team.
- Potential sub-contractor to be informed of decision.

Contract agreement:

Both parties will be required to sign the standard LSDN Contract for Services, the terms of this contract may not be varied or amended for individual parties. As minimum content, this

document includes all of the mandatory requirements set out by the Education & Skills Funding Agency each year within the Funding Rules and Regulations. Signatories must always be at Director level within both organisations.

Education and Training Fee Policy:

LSDN is committed to ensuring that the maximum amount of funding possible is available to our sub-contractors to enable the best possible learning experience to the learner.

The percentage of funding charged by LSDN is founded upon the basic requirement to cover the cost associated with the management and monitoring of sub-contracted provision and ensuring the highest level of quality and funding probity is maintained across all delivery and service areas. LSDN will also ensure there is an appropriate level of mark-up on such costs to cover any unplanned expenditure and ensure a safe level of reserves can be maintained within the organisation.

The costs will vary according to the type of provision, the previous contribution and track record of the sub-contractor, and the level of service provided. The costs include, but are not limited to the following considerations:

- Direct costs of relevant personnel involved in the management and monitoring of the project;
- Cost of any software licences directly related to the delivery, management and monitoring of the project;
- Cost of applying and maintaining any appropriate licences, accreditations and funding requirements relevant to the management and delivery of the project;
- Cost of events and meetings related to the project;
- Cost of developing and maintaining high quality systems and resources for the project;
- Charges and costs related to preparation, delivery and facilitation of audit and inspection.
- Charges for additional services provided.

Education and Training Fee levels:

LSDN charges fees equivalent to between 10-28% of maximum contract value depending on level of service use agreed with LSDN and prior experience of the subcontractor.

LSDN Payment terms:

LSDN pays sub-contractors within 30 days of receipt of funds from the Education & Skills Funding Agency.

The Education and Training Fee is charged at a fixed percentage of the agreed maximum contract value.

Quality Assurance:

Sub-contracted activity is a fundamental part of LSDN's service within the community and is designed to reach and support some of the most disadvantaged communities across London. The quality of the provision delivered will be monitored and managed through the existing Quality Assurance processes and procedures, as amended in order to fully encompass all sub-contracted activity.

This policy positions sub-contracted provision at the core of LSDN's activity to enable continuous improvement in the quality of teaching and learning for both LSDN and its sub-contractors. This will be achieved through the sharing of effective practice across the supply chain, for example through the Self-Assessment Report process.

ESFA Register:

All LSDN sub-contractors must be registered on the Register of Training Organisations (ROTO). In order to be included and remain on the ROTO sub-contractors are required to complete an annual PQQ or ITT return to ESFA (as specified by ESFA). If a provider fails to complete their annual ROTO return or fails their assessment they will be removed from the ROTO register, they will have one further chance to pass before their contract is terminated.

Publication of information relating to sub-contractors:

In compliance with Education & Skills Funding Agency and other agency funding rules that apply, LSDN will publish its sub-contracting fees and charges policy and actual end-of-year sub-contracting fees and charges on its website before the start of each academic year (and in the case of actual end of year data, as required by ESFA).

Policy review:

LSDN will review the policy annually. This review will take place as soon as possible at the beginning of each financial year and/or when significant changes occur. The policy will be published on LSDN's website prior to the start of the academic period in which it will be applied. Potential sub-contractors will be directed to it at the starting point in any relationship.

Communication:

Any changes to the policy will be communicated to existing sub-contractors at provider meetings.