

# Serco Management System

## UK&Europe/Citizen Services: ESE Local Operating Procedure

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## I INTRODUCTION

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Serco Employment, Skills and Enterprise (ESE) is committed to delivering high quality training and apprenticeships. This policy aims to ensure transparency and equitability around subcontracting and the associated management fee.

Serco ESE is committed to developing a sustainable and reliable supply chain to enable proactive planning and response to manage funding and specific project contracts.

The purpose of the policy is to ensure the effective management of sub-contractors and partners to reduce and mitigate potential risks to ESE and its funders. It sets out the rationale for subcontracting, the framework for managing subcontractors (including due diligence, and quality monitoring), the fees charged of subcontractors (and the services covered by the fees), and how subcontractors are paid.

### 1.1 Scope

The policy relates to activity funded through the Education & Skills Funding Agency (ESFA), the European Social Fund (ESF) and Devolved Combined Authorities (CA) whereby ESE enters into a subcontracting agreement with a supplier to deliver provision. It also applies to apprenticeships delivered by Serco Education (part of Serco ESE) where learning, qualifications or part of a qualification are delivered by a third party.

Both Serco ESE and its subcontractors refer to the Education and Skills Funding Agency (ESFA) and/or CA published rules, and any future updates, in all matters regarding the delivery of the contract. Roles and responsibilities for Serco ESE and its subcontractors are clearly defined from the outset of any partnerships, and all subcontractors are required to agree and sign a contract for the provision of training through Serco ESE.

### 1.2 Implementation

The implementation of this policy will be managed by the ESE Management team that will consist of the following: Head of ESE, Head of Skills, Head of Education, Contract Managers, Business Assurance Managers and Finance Business Partner.

## 2 RATIONALE FOR SUBCONTRACTING

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### 2.1 Rationale for Subcontracting

It is recognised that working with sub-contractors can present a potential risk to ESFA, ESF and CA funded programmes. However, ESE may work with sub-contractors from time-to-time where the activity meets one or more of the following objectives:

- To enhance the opportunities available to learners and employers
- To fill gaps in niche or expert provision
- To support better geographical access for learners and employers
- To offer an entry point for disadvantaged groups .
- To support individuals who share protected characteristics, where there might otherwise be gaps.
- To support the local and regional priorities of Local Enterprise Partnerships and Devolved Combined Authorities
- To bring positive community benefits
- To deliver learning, qualifications or part of a qualification that otherwise could not be offered within Serco ESE
- To serve a specific demographic need that would not otherwise be met (e.g., supporting the development of apprenticeships for School-based staff)

## 3 SUBCONTRACTING PROCEDURES

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Before entering into a subcontracting arrangement, Serco ESE will not only ensure the proposed subcontracting meets one or more of the objectives identified in section 2.1, but will ensure that:

- The proposed delivery is in the best interests of learners
- The proposed delivery has a clear strategic fit with our mission and values
- There is appropriate expertise within Serco ESE, delivery partners and / or Awarding Bodies to quality assure the provision and delivery
- There is appropriately skilled staff resource in place to manage the subcontracting arrangement
- The sub-contractor agrees to work within the terms of Serco's contract

Furthermore, Serco ESE will undertake robust due diligence on all providers prior to entering a subcontract with them. The due diligence process is set out below:

### 3.1 Sub-contractor Approval and Due Diligence

A three-stage application process will be implemented that all sub-contractors will need to successfully pass in order to be offered a contract.

**Stage One: Organisational Approval.** All organisations will complete ESE's Bid Partner Due Diligence Form. All applicants must successfully pass this stage of the process to be offered a contract. This includes a review of policies, and overall quality. Passing this stage will not guarantee an offer of a contract.

**Stage Two: Expression of Interest (EOI).** The application process relates to a specific application or request to deliver sub-contracted provision. It will be the responsibility of the Management Team to decide the most appropriate method of procurement which will consider the specific contract requirements and timescales. Consideration will be given to the organisation's capacity to deliver, ability to deliver the priorities identified in the EOI, and geographical coverage.

**Stage Three: Financial and Ethical Due Diligence.** The Management Team will ensure that the process complies with any legal requirements. This process will include checks on the financial health of the organisation, and other compliance checks as required.

### 3.2 Sub-contractor Management and Monitoring

Each sub-contractor will provide an identified main point of contact for a) Data/Administration, b) Quality and c) Management which is specific to the contract being delivered. An agreed reporting structure for each contract will be developed and based on contract requirements and partner risk assessment.

As a minimum each sub-contractor will be subject to monthly performance reviews, as well as audits and observations during the life of the contract. ESE will manage and monitor sub-contractors to ensure that the following standards are met:

- The sub-contractor is demonstrating value for money and is compliant with all contract requirements.
- The sub-contractor is delivering a quality programme.
- The sub-contractor continues to meet the minimum requirements to pass the Stage One application process.

- The sub-contractor is achieving Serco's expected standards of performance and quality
- The sub-contractor is achieving standards expected of external regulators (Ofsted, QAA) where applicable, and funding bodies (ESFA, CAs)

Second level sub-contracting will not be permissible without the approval from the Management Team which will give due consideration to any specific contract requirements and final approval from the ESFA and/or CAs.

### 3.3 Improving quality of teaching and learning

Serco ESE is committed to supporting, developing and sharing good practice and professional development of staff through a variety of methods and means. Where content or delivery is sub-contracted, the quality of provision will be monitored and managed through our quality improvement processes and policy. This may include review by auditors and advisers of Serco ESE. ESE will support subcontractors in this regard by:

- Carrying out joint observations of teaching, learning and assessment (TLA) with Subcontractors' Quality Team/staff to help support and identify areas for improvement, this also incorporates observation of Induction and Reviews.
- Offering support and training in respect of document completion.
- Supporting subcontractors to develop a robust Quality Strategy and processes where these are not present, including support of learner file audits and observation of key learning processes.
- Support will be relative to the size of the contract and the risk to ESE.

### 3.4 Fees and Charges

The Management Fees charged by ESE cover all activity undertaken by ESE in support of the sub-contractor except for services listed under 'Additional Services'. The management fee that will apply to sub contracted activity will typically range between 15-20%. The level will be decided by the Management Team based on any specific contract requirements. Activities undertaken by ESE as part of the management fees include: Due Diligence, Risk Management, Audits, Contract Compliance Advice and Guidance, Data validation and submission, stakeholder engagement, referral generation, Marketing and Promotion, Management information and reporting. An additional fee may be charged for 'additional services' such as the recruitment, onboarding and initial assessment of learners trained by subcontractors. These fees are agreed by both partners prior to the commencement of delivery.

A further enforced management charge may be applied where a sub-contractor has a high-risk score and additional controls are required to manage and monitor the sub contractor's performance. Further management charges may be mutually agreed between ESE and the Sub-contractor.

Where elements of an apprenticeship programme are subcontracted (contract for services), each activity agreed with the subcontractor is clearly identified and costed separately to ensure fairness and transparency. These fees are agreed by both partners prior to the commencement of delivery. The fee may be increased should the subcontractor be required and agree to complete additional activities at an agreed price. This shall be included in a change control and signed by both parties before the additional activities commence. The fee may be decreased should the subcontractor be required and agree to reduce the number of their activities. This shall be included in a change control

and signed by both parties before the amendment to the requirement commences. Serco ESE will strive to ensure that cost arrangements for the differing subcontractors are fair based on all the information gathered. If additional/exceptional services or support are required of Serco ESE by the subcontractor, we reserve the right to charge a separate fee which will be agreed with the subcontractor.

### 3.5 Payments

Payments for subcontracted provision will mirror the ESFA/CA payment mechanism for the relevant funding stream. Under the agreement of the subcontract Serco will pay the subcontractor the agreed amount of the funding received, net of management fee. .

Payments will be made in accordance with the following process:

- All learner data requiring processing for payment must be submitted by the monthly deadline set by Serco ESE
- Any data received after the submission deadline will be processed and reconciled the following month
- Data submitted on time will submitted to the ESFA/CA for the month to be reported following ESFA/CA data collections timetable
- ESFA/CA reports returned following data upload will be used to confirm actual delivery amount by month
- Purchase orders will be raised for subcontractors to invoice against

Payment for specific services will be paid as detailed in the subcontract's scheme of work.

All payments will be made 30 days following invoice based on Serco's standard terms.

## 4 CONTINGENCY PLAN

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If for any reason, financial or otherwise, a subcontractor is unable to continue delivery either temporarily or permanently; Serco ESE will work with the subcontractor to ensure the continuity of delivery for learners appropriate to their circumstances. Options may include but are not limited to: Delivery at other appropriate premises, online delivery where possible, delivery using Serco staff, transfer of delivery to an alternative subcontractor.

## 5 COMMUNICATION

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This policy will be published on the ESE website and is available publicly: <https://www.serco-ese.com/>

The policy will also be publicised to all sub-contractors through contract negotiations and specific agreements.

A fully completed subcontractor declaration form will be submitted to the ESFA/CAs at least twice during the funding year, and periodically if subcontracting arrangements change during the year. All subcontracted learning is reported in the ILR. The actual level of funding paid and retained for each delivery subcontractor is published at <https://www.serco-ese.com/>

## 6 POLICY MONITORING AND REVIEW

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The Management Team will be responsible for monitoring the implementation of this policy, which will be reviewed annually.

## 7 DEFINITIONS

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Document Definitions	
Term	Definition
ESE	Employment Skills & Enterprise
ESFA	Education & Skills Funding Agency
ESF	European Social Fund
PO	Purchase Order
TLA	Teaching, Learning and Assessment