



Independent
Training & Skills
Services

Subcontracting Readiness and The Calculating Fee Conundrum!

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AELP National Conference

24th June 2019

Park Plaza Westminster Bridge, London

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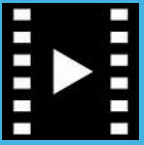
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Your training and Apprenticeships partner





Learning Objectives:

1. **Why** subcontract in the first place?
2. What are the subcontracting **Funding Rules**?
3. Key subcontracting **Pitfalls** and **Causes of subcontracting Failure!**
4. **Best Practice** Guidelines.
5. Subcontractor Assurance Controls **Audit** (SCACA)
6. **Key Factors** of consideration when calculating management fees.
7. How to create **best value** within subcontracting relationships.

SECTION 1:

Why subcontract in the first place?



Key Factors to Consider before Subcontracting



WHY?



WHAT?



WHO?



**WHEN &
WHERE?**



HOW?



HOW MUCH?



Key Factors & Considerations...

1. **Why:** What's your **COMPELLING REASON** for subcontracting?
2. **What:** What **provision** (training and assessment) do you need as part of your offer?
3. **Who:** Which **training providers** can offer what you seek?
4. **When and Where:** Where are the providers **based** and how far (or Where) can they deliver, in relation to the Employer?
5. **How:** How do they **deliver** and achieve real impact for learners?
6. **How Much:** How much do they **charge** for their services? Is it cost effective?



Why Subcontract Apprenticeship Provision?

- a) Because the employer requires you to design a programme that **you cannot fully deliver yourself.**
- b) Because the employer requires provision **that you do not deliver.**
- c) **Because you are the employer and you can or want to** deliver the training and/or programme assessment.
- d) Because **you need specialist provision** *e.g. Maths and English.*

The Days of Old are more than gone!!

Management Fees (Income!)

Geographical Reach

Profiles

Offer

Offices

'Mates'



SECTION 2:

What are the subcontracting Funding Rules?



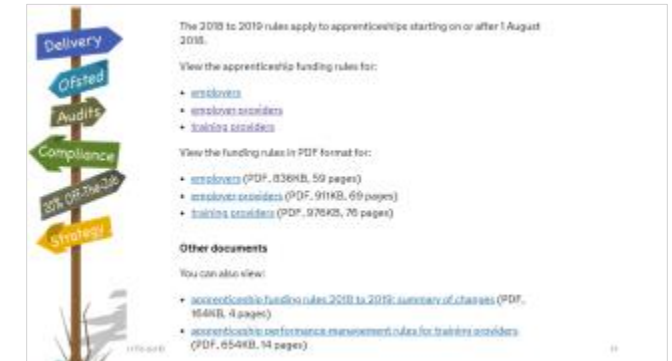
What are the Funding Rules?

<https://www.gov.uk/guidance/apprenticeship-funding-rules#the-latest-rules-2018-to-2019>

Guidance

Apprenticeship funding rules

Information about funding for training and assessing apprentices in England.





The 2018 to 2019 rules apply to apprenticeships starting on or after 1 August 2018.

View the apprenticeship funding rules for:

- [employers](#)
- [employer-providers](#)
- [training providers](#)

View the funding rules in PDF format for:

- [employers](#) (PDF, 836KB, 59 pages)
- [employer-providers](#) (PDF, 911KB, 69 pages)
- [training providers](#) (PDF, 976KB, 76 pages)

Other documents


You can also view:

- [apprenticeship funding rules 2018 to 2019: summary of changes](#) (PDF, 164KB, 4 pages)
- [apprenticeship performance-management rules for training providers](#) (PDF, 654KB, 14 pages)



What are the subcontracting Funding Rules?

<https://www.gov.uk/guidance/apprenticeship-funding-rules-for-training-providers>



The Rules for Sub-Contracting: Overview

- Main providers directly delivering training or on-programme assessment
- Agreeing the use of subcontractors with employers
- Your written agreement with each employer
- Delivery of apprenticeship training and on-programme assessment by delivery subcontractors
- Contracting with delivery subcontractors
- Special conditions for subcontracting to employer-providers
- Special conditions for subcontracting to supporting providers
- Special conditions for subcontracting to organisations not on the Register of Apprenticeship Training Providers
- Special conditions for all instances where the employer is the delivery subcontractor
- Reporting your use of delivery subcontractors to us
- Disputes and issue resolution between the employer and main provider

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The Sub-Contracting Rules

1. **Levy and Non-Levy – same rules apply!**
2. **All** providers must be on the RoATP.
3. Main Provider **assumes all responsibility** for subcontracting.
4. Main Provider **must deliver** training and/or on programme assessment.
5. Due diligence must be carried out by you – **PROCESS and RESULTS must be available for inspection.**
6. **No second-level subcontracting.**
7. Written agreements must be in place from the start.



The Sub-Contracting Rules

8. **Funding Limits Apply:** £500K MAX if on RoATP; £100K MAX if not on RoATP. **(NB: ALL Providers MUST be on RoATP now).**

9. Annual External Auditor Report: **Subcontractor Assurance Controls Audit (SCACA) and Certification:** ONCE A YEAR for all subcontracted provision over £100K


10. Subcontractor Declaration: MUST complete the declaration in real-time 'in year' and send to the ESFA, even if **NIL RETURN.**

11. Dispute Resolution / Complaints Process must be clear.

SECTION 3:

Key subcontracting Pitfalls and Causes of subcontracting Failure!

PITFALLS of Subcontracting!



01. FALLING FOUL: (of the) Subcontracting FUNDING RULES!	02. FLIMSY PROCESSES: Nothing defined and/or documented!	03. CAPABILITY: Do your staff ACTUALLY know what they are doing?!	04. CAPACITY: Do your staff have ENOUGH TIME to monitor others?!	05. CONTRACT MANAGEMENT or RELATIONSHIP MANAGEMENT ?!
06. WARNING SIGNS: Are inefficient or ineffective or do not exist.	07. FINANCIAL LAG: Cashflow issues arise or are apparent.	08. QUALITY – Nobody digging deep enough!	09. BEING LED – By the subcontractor ('Halo Effect')	10. OFSTED: “How are the Learners Doing?”

CAUSES OF SUBCONTRACTING FAILURE



01. Main or Employer Provider doesn't know enough about Subcontracting!



02. Wrong CONTRACTOR MANAGERS in place!



03. No FRAMEWORK for developing subcontractors or checking eligibility of learners.



04. Burnout / Playing Catch Up / Fire Fighting / Too Many Fires!



05. Not Holding Subcontractors To Account / No Challenge.



06. Core Values of 'Lead and Subcontractors' Don't Meet.



07. Customers: Employers Leave. Learners Leave.



08. Performance Levels Suffer! Triggers ESFA Audit. Triggers Ofsted.

Some Consequences...

What does the provider need to do to improve further?

- Hold subcontractors to account more rigorously by:
 - drawing up contract specifications that clearly define the quality standards expected of the subcontractors
 - setting precise, specific and measurable targets for the quality of provision and apprentices' experience
 - monitoring subcontractors' performance against the specifications on a regular basis so that they raise the performance levels of all apprentices and improve the quality of teaching, learning and assessment to the highest standards
- Subcontractors' staff produce a range of reports purely for contractual purposes. Senior managers of the subcontractors and ~~the~~ do not conduct appropriate analyses of data and management information and do not use it proactively to make improvements. For example, the managers have known of the slow progress among apprentices but have not conducted an analysis of the extent of the slow progress and the reasons behind it to enable them to rectify the situation promptly.

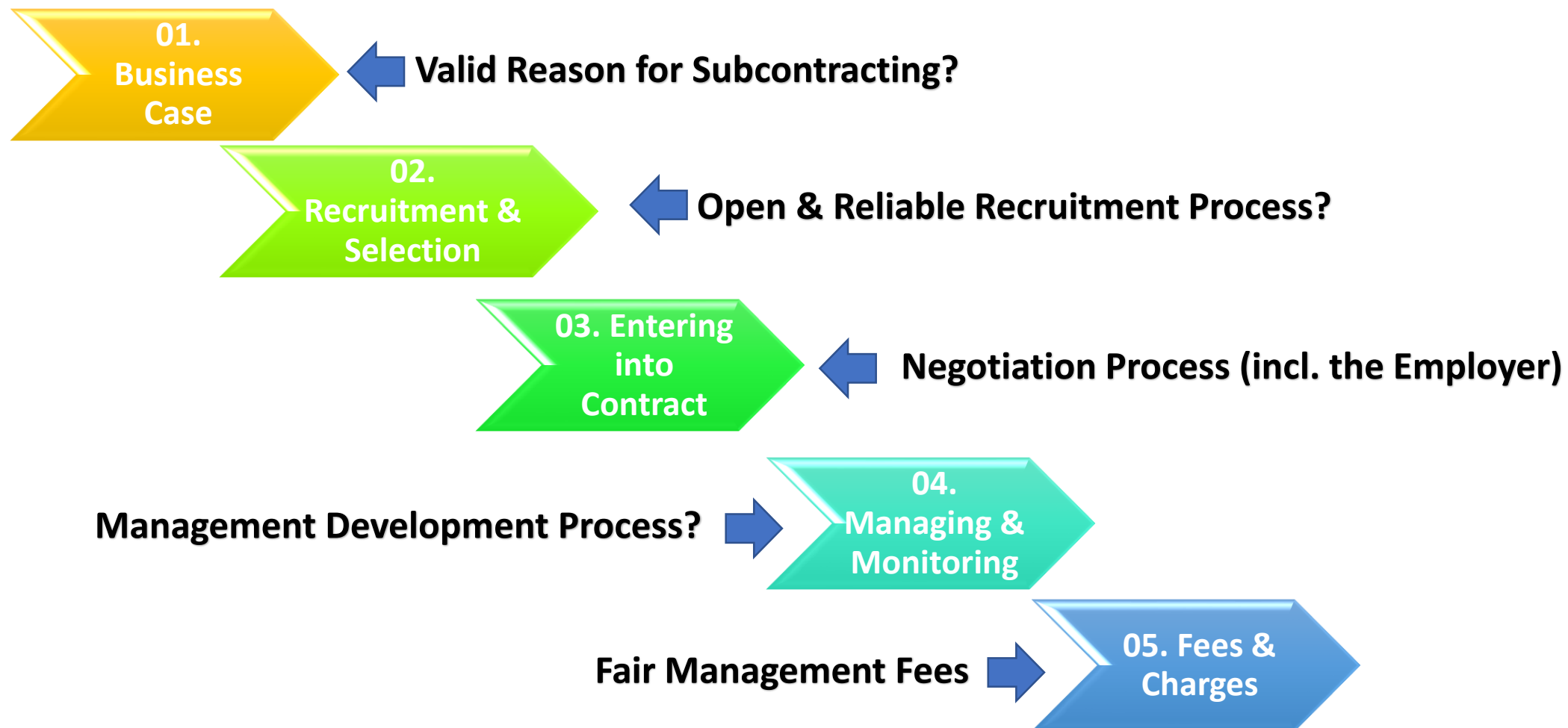
The Collapse of Carillion: Case Study



SECTION 4 & 5:

- **Best Practice Guidelines**
- **Subcontractor Assurance Controls Audit (SCACA)**

Best Practice Guidelines





SCACA Audit



SCACA: What does it involve typically?

1. Onsite Audit (2-3 Days)
2. Questions & Answers / Interviews
3. Evidence Gathering: Processes, Policies, Procedures, Systems, Documents, Partner Portals, etc.
4. Report Writing (2-3 Days)
5. Feedback & Amendments
6. Certification!



SECTION 6 & 7:

- **Key Factors of consideration when calculating management fees.**
- **How to create best value within subcontracting relationships.**



Poll Question.

Do you agree with the statement:

It's more expensive to deliver Standards than Frameworks?

- A** YES
- B** NO
- C** DON'T KNOW





Key Factors of consideration when Calculating Management Fees...

1. Partnership Level

Fairness	Transparency	Accountability
Responsibility	Value for Money	Drive Up Quality
'Win-Win' Negotiation	Perceived as 'Equals'	Risk Assessed & Managed
Contract Management	Relationship Management	True Partnership: Core Values



Key Factors of consideration when Calculating Management Fees...



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2. OPERATIONAL Level: Costs/ Delivery Split?

Sector or Vocational Area	Programme Level	Programme Length
Programme Content / Qualification/ Assessment	No. of Learners	Geography
Financial Stability	Track Record	Staff Capability & Capacity



Key Factors of consideration when Calculating Management Fees – **RISK!**

Levels of Risk!



SECTION 7:

How to create best value within subcontracting relationships.



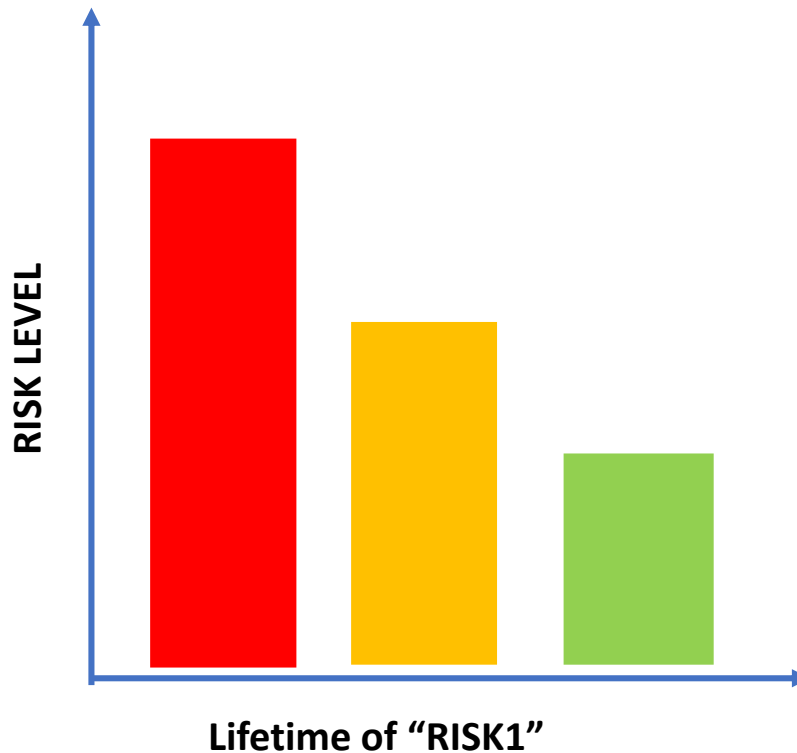
Creating Best Value in Subcontracting

Research with key stakeholders, policy makers and training providers suggests that the most favoured fee calculation model is one based on calculating risk exposure.





Creating Best Value in Subcontracting



- a) Assessment of each risk
- b) Potential impact
- c) Costs for de-risking
- d) Decreasing costs to subcontractors
- e) Increased quality and improvement
- f) Increased collaboration



SITUATIONS TO AVOID!!

Delivery

Ofsted

Audits

Compliance

20% Off-The-Job

Strategy

The Department for Education appears to have given a cash-strapped college special treatment, after it endorsed subcontracting to meet short-term funding objectives.

Latest figures have shown that Learndirect top sliced almost £20 million through its deals with subcontractors last academic year, FE Week can reveal.

The government has for the first time concluded they have “no concerns” about subcontracting fees, despite more than 10 providers charging an average of over 30 per cent last year, FE Week can reveal.

Subcontracting top-slices exceeded £100 million last year, and 28 per cent of prime providers were charging more than 20 percent, FE Week can reveal.

A college that charged up to 57 per cent in management fees has been found to be attempting to use up £100,000 of skills funding with tactical subcontracting.



RECAP!

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Let's Connect...

...and for more information on our SCACA Audits



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Creator of the unique
Apprenticeship Training Provider
Business & Infrastructure Model:
Spectrum-39™