

## **DHA Sub-contracting Policy**

### **A. Rationale for Sub-Contracting**

DHA currently hold the view that sub-contracting should be maintained at a nominal proportion of the overall funded provision. However we will consider the use of a sub-contractor when all of the following criteria apply:

- There are clearly-identified strategic benefits to the sub-contract arrangement
- The provision includes delivery in the SFA priority areas, particularly to 16-18 year olds.
- The provision complements, rather than displaces, DHA's own provision.
- The sub-contracting organisation has a proven track record in the delivery of publicly-funded training provision
- As an Ofsted rated Grade 1 provider, DHA is conscious that any subcontractor it works with must either be at that level or willing to work with DHA so that it attains such levels of quality in a short period of time.
- The provision is suitably located to enable effective quality assurance monitoring and audit by DHA.

### **B. Procurement**

Procurement of sub-contractor services will always be in response to requests/approaches made by the potential contracting organisation to DHA.

### **C. Due Diligence**

DHA has a formal due diligence process as follows:

1. An initial discussion between a senior manager of the potential sub-contracting organisation and the Business Development Manager to ascertain provision type and evidence that the organisation is listed on the Register of Training Providers
2. Agreement to progress onto the due diligence stage confirmed by an Executive Team member
3. Issue of the due diligence document for completion by the potential sub-contractor
4. Receipt of the completed due diligence document and supporting evidence including evidence of listing on the Register of Training Organisations
5. Request for references made by DHA
6. Review of due diligence information by the Managing Director, Finance Director and the Quality Assurance Manager.

7. A risk analysis conducted and documented collectively by the personnel above
8. Review of references obtained
9. A decision will be made by the executive team.
10. Potential sub-contractor to be informed of decision

#### **D. Contract Agreement**

DHA will use the model Sub-Contractor's Agreement suggested originally in the LSIS and AELP Good Practice Guide and take into account the Skills Funding Agency model, amended as required by mutual agreement between both parties. As minimum content, this document includes all of the mandatory requirements set out by the Skills Funding Agency and ESF each year within the Funding Rules and Regulations and ESF guidelines. Signatories will always be at Director level within both organisations.

#### **E. Management Contribution Fee Policy**

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

The percentage of funding retained by DHA is founded upon the basic requirement to cover the costs associated with the management of sub-contracted provision along with an appropriate level of additional funding retained in respect of developing and improving the subcontractors practice. The costs will vary according to the type of provision, the deemed risk of the provision and data processing/maintenance costs. These costs include but are not limited to the following considerations:

- Direct costs of relevant personnel and their teams as detailed in section 3 'Responsibilities' of the Good Practice Guide
- Pro-rata costs of any IT or software costs resulting directly from the additional data-management required for sub-contracting activities

#### **F. Typical Management Rates and Calculations**

Due to the variety of permutations as to how the sub-contract agreement is constructed, it is the intention that management fee rates will vary between a minimum of 15% and a maximum of 20% of the value of the funding drawn in the contract period.

### G. Support provided to Sub-Contractors

The following support and facilities will be made available to Sub-contracting organisations at no additional charge:

1. Inclusion in CPD and other internal DHA programmes, as relevant
2. Sharing of relevant updates and publications from the SFA, OFSTED and AELP made available to DHA
3. Quality Improvement meetings and observations of practice

### H. Payment Terms

DHA recognise the impact that cash flow has on smaller organisations and will always endeavour to ensure that payment for provision is made as soon as is practical after delivery has taken place.

DHA's payment schedule is as follows:

Event	Date/Deadline	Responsibility
Funding report released by SFA	6 <sup>th</sup> day of each month	DHA
Calculation of funds to be passed to subcontractor	10 day of each month	DHA
Invoice supplied to DHA	15 <sup>th</sup> day of each month	Sub-contractor
BACS payment to Subcontractor	Last day of each month	DHA

### I. Communicating this Policy

This Policy is published on the DHA Website. Potential Sub-Contracting organisations will be signposted to this policy prior to any contract agreement.

### J. Contingency Plan

Learners would be supported by DH in the event of

- DHA need to withdraw from a subcontracting arrangement

- A subcontractor withdraws from an arrangement
- A subcontractor goes into liquidation or administration

A contingency plan would be agreed taking account of the circumstances that caused the subcontractor to no longer be able to deliver services to learners.

All learners are the responsibility of DHA and their interests would be the focus of any contingency plan.

Subcontractors must report any issue that puts the contract and delivery to learners at risk to the DHA Contract Manager.

The DHA contract manager would convene a planning meeting with the DHA Senior Management Team. Information on the reasons and circumstances that affect the delivery of the subcontract would be gathered prior to this meeting. Information from the subcontractor would be gathered to clarify severity of risk and timescales. The subcontractor may be asked to attend the contingency planning meeting.

A plan would cover the following

- Securing relevant documentation from the subcontractor in relation to the contract and learners
- Defining how learners would be supported to enable them to complete their learning
- Communicating proposed plan to learners and employers
- Identified the timescales for action
- Identifying roles and responsibilities for implementing, monitoring and reviewing the contingency plan.

There are different options that may be considered including the following

- Short term delivery by a subcontractor to ensure on programme learners are supported to achieve
- Engaging with another subcontractor to ensure on programme learners are supported to achieve
- DHA directly delivering to ensure on programme learners are supported to achieve

The contingency plan will be reviewed monthly.

### **Policy Review**

This policy will be reviewed annually.

**K. Policy amendments**

We reserve the right to change the policy in particular instances where the policy is deemed to be unsuitable and without prior warning.

This policy is effective from August 2015.