

Supply Chain and Retained Fees Policy

Scope

The policy details how Babington applies funding to all supply chain activity supported with funds supplied by the Department for Education, /Education and Skills Funding Agency (ESFA) and describes the principles underpinning the acquisition, selection, management and development of Babington's subcontracted provision, to ensure that it meets the required standard.

The policy is reviewed annually as part of our internal audit and document control process and may be updated more frequently to take account of changes in legislation, contractual requirements, or the additions or change in circumstances. Where this policy is updated in year, existing subcontractors will be made aware of the updated version by their Partnership & Performance Manager at the next monthly performance review.

Context

The policy is a mandatory requirement that must be in place prior to participating in any subcontracting activity from 1 August 2024 and the policy content has been developed in line with guidance from the ESFA Funding rules, Funding Higher Risk Organisations and Subcontractors Policy and Subcontracting Controls guide, OFSTED (Office for Standards Education), LSIS Supply Chain Management – Good practice guide for the post 16 skills sector and AoC/AELP Common Accord.

The policy is supported by a Babington annual supply chain management cycle, a quality strategy and quality assurance cycle, retained fee risk factor scoring tables, processes and other documentation to ensure that the policy is implemented consistently, and that communication and management of supply chain partners is consistent, fair, timely and effective.

Rationale for Subcontracting

Our approach to subcontracting follows our strategic ethos and core values of building careers and developing workforces through enterprise, employability, expertise and economic impact. When subcontracting provision, Babington will follow ESFA guidelines, by not intending to outsource large volumes of provision. Babington will not subcontract to meet short term funding objectives.

However, to meet the needs of the business and that of our customers, we will consider procuring high quality Supply Chain Partners (SCP's) to enhance and widen the reach of our delivery provision, in the following circumstances to:

- Enhance the opportunities available to learners.
- Fill gaps in niche or expert provision to complement our own provision or provide better access to facilities.

Working with employers

Babington has a dedicated team of Partnership & Performance Managers, Operations Business Partners and Quality Managers, who work collaboratively with both providers and employers delivering apprenticeships through subcontracting. As part of Babington's commitment to quality and ensuring the highest quality of learning is provided, the team support and manage employers and providers throughout the delivery of the programme.

Babington will work with all partners to ensure that appropriate documentation and processes are in place to support the learner and progression throughout the programme to ensure that ESFA requirements are met.

Overarching Principle

Babington will utilise Supply Chain Partners to optimise the impact and effectiveness of service delivery to our employers and learners.

Our objective is to build long-term Supply Chain Partnerships, with a culture of continuous improvement towards quality teaching, learning and assessment provision and Babington ensures all supply chain management activities comply with regulation and principles of best practice in the Education and Skills sector, by adhering to guidance provided within the:

- ESFA Subcontracting Standard
- ESFA Apprenticeship funding rules (2024--2025)
- ESFA Funding Higher Risk Organisations and Subcontracting Policy

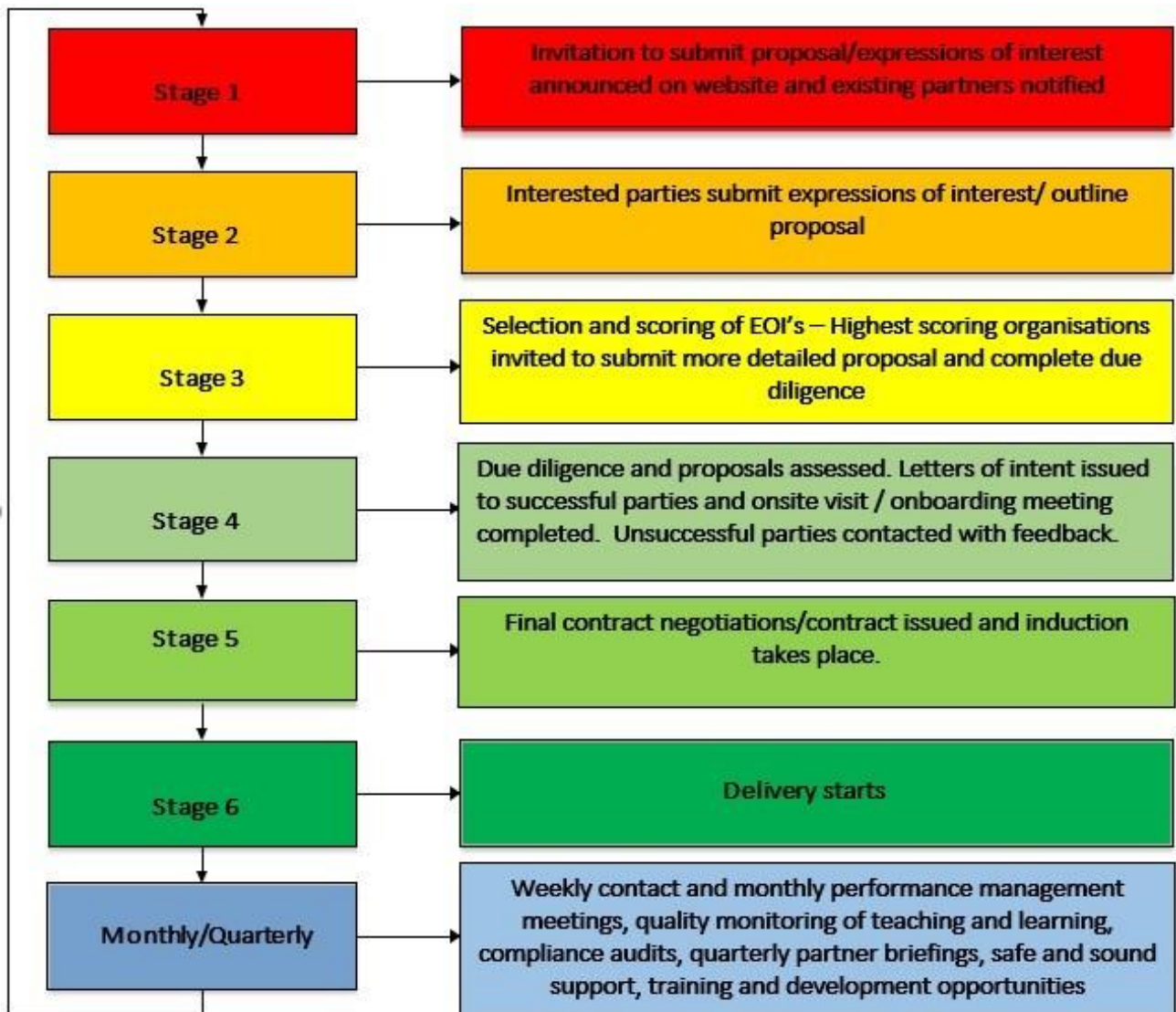
Our Process

It is an essential part of our government funded contracts and good practice to use a robust system for the selection, development and management of any providers who will be involved in the delivery, of any part of the journey of Babington learners.

It is a requirement of the bodies who provide us with the monies (directly or indirectly) and who regulate and inspect training providers i.e., the Education and Skills Funding Agency and OFSTED (Office for Standards in Education) that a transparent and fair process is in place and used effectively.

For all supply chain engagement, including recruitment, due diligence, mobilisation, on-going support and performance management, Babington has a clear process in place as set out in the Supply Chain Cycle.

Supply Chain Cycle



Recruitment and Selection Process – Stage 1 to 4

Babington ensures that fair and transparent procurement activities are conducted through utilisation of a robust expression of interest and due diligence procedure on all potential supply chain partners, which is renewed annually for existing SCP's as detailed in the Supply Chain Cycle. This provides assurance with compliance, ESFA funding and subcontracting regulation, to ensure the highest quality delivery provision is made available, demonstrating value for money and a positive impact on learners' lives.

Expression of Interest

All training providers interested in becoming a Babington supply chain partner, including those invited to tender, must on initial engagement, complete an Expression of Interest form, which should be returned to the email: Partnerships@babingtongroup.co.uk

Upon receipt of an expression of interest, Babington will:

- Review and assess the proposal against the current supply chain strategic requirement and apply a fair and transparent matrix scoring system.
- Invite training providers with the highest EOI scores to undertake due diligence.
- Advise any unsuccessful parties on decision making reasoning and provide full feedback.

The EOI document is available upon request, from the Babington Partnerships Team via email: Partnerships@babingtongroup.co.uk

Due Diligence

Babington conduct a full risk assessment on all potential subcontractors who have received EOI approval, to ensure high quality, secure provision is established prior to any final negotiation and formal supply chain contracting. The due diligence process has regard to the requirements as set out in the ESFA Funding Higher Risk Organisations and Subcontracting Policy.

The evaluation process is based on a robust due diligence scoring procedure where the potential partner is required to provide evidence in relation to their company, financial, compliance, quality provision (including teaching, learning and assessment) and learner support arrangements.

Systematic checks are undertaken by Babington and include review of the applicants:

- Companies House information including Company and Company Director(s).
- Inclusion on the Apprenticeship provider and assessment register
- Financial credit report assessment.
- OFSTED reporting.
- Insurance coverage.
- Company structure and safe and sound provision.
- Company strategies and conflict of interests with Babington.
- Accreditation, policies and procedures.
- Previous three years performance data.
- Quality planning and standards.
- EPAO arrangements (Apprenticeship delivery only).
- Prime References.
- Delivery provision, capacity and capability.
- Safe and Sound and Health and Safety provision.
- Review the programme costs to ensure they are reasonable and proportionate and that they support the delivery of high-quality learning!
- Any other relevant and required checks.

Decisions made at each stage in the due diligence process will be communicated to the potential supply chain partner and both expressions of interest and full proposals/due diligence will be reviewed and assessed by the appropriate members of the management team including the Partnership & Performance Manager, Corporate Services Director, Head of Funding and

Compliance, Group Financial Controller, Chief Finance Officer, Safe and Sound Manager and the Head of Quality, whom will make any judgements about the financial position, compliance and quality provision of teaching, learning and assessment of any applicants to ensure that the:

- Proposed delivery is in the best interests of learners and employers and adds value to the work of Babington, as well as to our employers, learners and community.
- Planned delivery has a clear strategic fit with our mission, objectives and values.
- Expertise within Babington is satisfactory and available to quality assure the provision throughout the learner journey.
- Babington staff resource in support areas to administer quality provision is suitable.
- In the event of subcontractor failure, ensure continuation of provision, by making alternative arrangements to not disadvantage our learners and employers.
- Subcontractor is approved by our due-diligence process, risk rated and approved by the Babington Senior Executive Board to commence delivery.
- There is appropriate funding available within our funding contract.
- The Subcontractor agrees to work within the terms of our contract and is willing to engage in a mutually supportive relationship.

Feedback will be provided to support any decisions that are communicated and a copy of the completed document, including Babington's assessment of their position may be provided upon request.

This information may also be used in the creation of an action plan to enable Babington to identify developmental and support needs of the partner in relation to the continuous improvement of quality of teaching and learning provision, as well as the associated retained fees which will need to be applied for Babington's provision of support.

Contracts – Stage 5

Prior to subcontract commencement, Babington will transparently discuss, agree and document in full, the required expectations, financial arrangements and terms and conditions with all parties during an onboarding induction.

A copy of the Supply Chain and Retained Fees Policy will be provided and as Babington are fully committed to the "Common Accord" we expect all supply chain partners to partake in this agreement, as a prerequisite of our supply chain function.



Common Accord.doc

Upon successful completion and approval of due diligence, all Supply Chain Partners will be issued with a contract, which will include the:

- Rationale and strategic aims for subcontracting provision.
- Maximum funding value allocated.
- Contract term.

- Profile showing the breakdown of specific financial arrangements including the levels of funding retained by Babington.
- Account of how the funding retained has been negotiated and agreed in a fair and transparent manner, which is proportionate to that of the actual contract management to be undertaken.
- Breakdown into specific and related costs of how Babington will provide tailored support services including performance management, quality monitoring, compliance and administration, along with other support activity provision and account of how this contributes to both Babington's and the SCP's continuous improvement of quality teaching, learning and assessment.
- Detail how Babington have identified the support required by SCP's and how they will provide this as well as define the associated costs for delivery variance.
- Key performance delivery indicators and required achievement targets.
- Confirm Babington payment terms.

Supply Chain Partners will be expected to participate fully in Quality, Compliance and Performance monitoring and other activities outlined in the contract or agreement.

Supply Chain Retained Fees

Babington are responsible for learners at all times and to ensure resources are available to effectively manage the supply chain, we may retain a % of funding to contribute towards the costs associated with providing a tailored suite of support services to all SCP's, in relation to Performance Management, Quality Monitoring Assurance, Administrative and Compliance, as well as any other additional support activities we may need to undertake, including mandatory training. The overall outcome of these support services provided is to ensure continuous improvement of our supply chain partners capability and capacity to deliver high quality teaching, learning and assessment provision, which meets all contractual obligations, regulatory requirements and which ultimately then supports Babington to provide an even better level of service to our customers (both learners and employers).

Prior to any subcontracting relationship, Babington will ensure that all relevant retained fees are discussed and agreed with all parties, confirming how they are:

- Formulated in a consistent, fair and transparent manner.
- Appropriately tailored to reflect each individual SCP's overall risk rating.
- Personalised to the level of anticipated support demands of the contract in relation to the required facilitation of funding and suite of valued added services required, including detail on how these levels of support are identified.
- Broken down into specific and related costs of how Babington will provide the individualised support services relating to performance management, quality assurance and oversight, compliance and administration, along with other support activity for the SCP's provision, including mandatory training.
- Reasonable and proportionate to delivery of the subcontracted teaching or learning and how each cost contributes to delivering high quality learning.
- Contributing to improving the SCP's quality of teaching, learning and assessment and how each cost contributes to delivering high quality learning.

Retained Fee Retained Fee Structure

Babington ensures that our retained fees are reasonable and proportionate to each individual SCP, by conducting a two-tier risk factor assessment, which considers there:

- Track record with regards to meeting quality benchmarks, success and funding targets.
- Financial standing.
- Anticipated demands of the contract on Babington’s resources including levels of support.

The assessment stages are completed by Babington numerically and the decisions made at each stage in the process will be communicated to the potential supply chain partner. All assessments are followed using set criteria and judgments on applicants and are reviewed by the appropriate members of the management team including the Partnership & Performance Manager, Corporate Services Director, Head of Funding and Compliance, Group Financial Controller, Chief Finance Officer, Safe and Sound Manager and the Head of Quality.

Risk Rating Factor Assessment – Tier 1

Babington will conduct an initial risk factor assessment on all individual proposed subcontractors, by utilising the method as illustrated within the Risk Factor Table in Annex 1.

The risk factor assessment reflects upon previous contractual performance, relationship, delivery provision and due diligence findings of the SCP, by measuring them against six key performance indicators as shown below, where set criteria are applied and a risk rating and score outcome is identified for each section:

- Track record in terms of meeting funding and quality benchmarks.
- Length and quality of the delivery provision relationship with Babington.
- Type of provision to be undertaken.
- Financial stability.
- Contract performance and duration.
- Contract size.

Full scoring of the six performance indicators, designates the SCP with an overall risk rating and general % scale of supply chain retained fee to be applied by Babington, to the contract as detailed below.

Risk Rating	Scoring	Contract Retained Fee Applied
High	Greater than 70	Up to 20%
Medium	50 - 70	15% - 19%
Low	30 - 45	Up to 14%

Over time, our subcontractors are able to move between risk bands, depending on performance against the set agree criteria, which enables Babington to reduce our levels of direct additional support and/or where necessary intervention and we are therefore then able, to reduce the retained fee accordingly in both a fair and transparent way.

Supply Chain Retained Fee Structure – Tier 2

Babington ensure our supply chain partners provision offered, is ultimately delivered to the consistent quality standards, which we expect within our own internal delivery. We accomplish this by providing our supply chain partners with a suite of value added, support provision services and resources including:

- Performance Management,
- Quality monitoring and Support.
- Administrative and Compliance.
- Additional Support Activities.

Babington's retained fee charges are structured to differentiate for each individual supply chain partner, to take account of there:

Tier 1 – Risk Rating.

- Required levels of anticipated support provision and/or intervention identified from historical relationships, existing management action plans and due diligence evidence.
- Resource demands of the contract in relation to the required facilitation of funding and suite of valued added services required.

The Tier 2 – Supply Chain Retained Fee structure assessment as detailed in Annex 2, is completed by Babington in full, for each individual SCP, after they have completed the Tier 1 – Risk Factor assessment.

The process establishes how Babington will evaluate the individual SCP's risk rating against their identified and required support needs within each of the four key support ranges, providing itemised explanation for the services which will be provided to support the SCP and reflect the demand on Babington's resources by detailing the support Babington will supply against each of the support areas.

The retained fees for all four key support areas are then tallied, to formulate the overall retained fee and value of contractual funding which will be retained by Babington in a clear and justified manner.

Once retained fees are finalised, the populated Supply Chain Retained Fee Structure, is then discussed and agreed by all parties, before documenting within the SCP's contract schedule.

The fee structure provides the relevant SCP with an appropriate and relevant breakdown of how Babington will provide them with ongoing individualised support services and the itemised associated costs to undertake the support, relevant to their provision.

How Babington supports Supply Chain Partners

Babington are fully committed to the continuous improvement of our quality teaching, learning and assessment provision within our direct delivery and supply chain.

As part of the fees retained by Babington, we will provide support services and resources, which are tailored to assist in the development of each individual supply chain partner and their teams through activities undertaken and support provided including:

Performance Management

- Robust and thorough induction of all new supply chain partners.
- Allocation of a Partnership & Performance Manager
- Clear KPI's
- Contract performance management, monitoring and reporting.
- Weekly contact updates and monthly performance monitoring meetings with each partner.

Quality Monitoring and Support

- Initial and on-going quality assurance of subcontractors' provision, policies and processes as described in Annex 3 - Quality Assurance cycle.
- Satisfaction surveys – learners and employers
- On site or remote observations of teaching, learning, assessment and initial advice and guidance
- EPAO Relationship Management
- Access & support from Head of Quality, Occupational, Teaching & Learning and maths & English Specialists

Administrative and Compliance

- Administrative and processing of learner documentation
- Monthly compliance Audit activity

Additional Support Activities

- Access to specialised CPD events and mandatory industry Training: Equality & Diversity, Safeguarding and Prevent
- Quarterly partner briefings and best Practice Events
- Regular newsletters and industry update

Through the ongoing supply chain management cycle this allows Babington to review of the costs claimed by subcontractors on an ongoing basis to ensure these are reasonable and proportionate to delivery of the subcontracted teaching, learning and that the subcontractor's costs contributes to the delivery of high-quality learning. Babington will use its extensive knowledge of costs of training delivery, which include, but are not limited to, training staff costs, learning materials costs and premises for learning delivery costs, to determine that each cost claimed by a subcontractor is reasonable and proportionate. Where the subcontracted provision is apprenticeship training delivered by an employer, Babington will require the subcontractor to retain evidence of actual costs and only actual and eligible costs will be paid in line with the extant ESFA apprenticeship funding rules.

Second-level Subcontracting

Services under all supply chain agreement with Babington may not be sub-contracted.

Contract Variation

Babington will monitor the contract performance of each of its subcontractors to assess any likely shortfall in the use of the allocated amount, or conversely, if it appears that the allocation will be insufficient to meet the business needs of the subcontractor. Babington will agree a schedule of business with the subcontractor with periodic assessment points. If the subcontractor has not used their allocation Babington reserves the right to amend their contract amount by the amount of shortfall and redistribute it where needed. Babington will only increase a contract amount if it can

afford to do so, and it is satisfied that the subcontractor has the capacity and capability to deliver further volumes.

Contingency Planning

Babington will undertake all reasonable steps to ensure the viability and continuation of any contractual arrangements with subcontractors' provision.

Robust due diligence undertaken to ensure the risk of failure of a supply chain partners ability to deliver under its original contract terms is low and mitigated as far as possible through regular contact with their partnership and performance manager, quality audits and annual financial reviews.

In the unlikely event of Babington being required to withdraw from a subcontract arrangement, a subcontractor withdraws from the arrangement or a subcontractor goes into liquidation or administration, Babington will take steps to ensure that provision is either internalised within its own direct delivery provision or will facilitate transfer to another provider, so that the learners involved are able to complete their qualifications.

Payments

Payments are calculated, reconciled and paid monthly. Babington will provide details of the evidence requirements and payment arrangements in individual contracts and will ensure partners understand the arrangements specific to what they are delivering.

Babington are contracted to a number of public funding bodies and work within requirements of these, which includes when and how payments are made to supply chain partners. However, Babington will make all verified payments due to partners within 30 days of Babington receiving funds from the appropriate funding bodies.

Babington will publish details of all funding received and payments made to individual subcontractors on an annual basis in line with ESFA Funding Rules and Contractual requirements.

Communication

All existing subcontractors are provided with a copy of our refreshed Supply Chain and Retained fees Policy prior to the start of each academic year. For new subcontractors, this is provided along with a copy of the contract.

This policy is also openly published on our web site <https://babington.co.uk/policies/> for any other stakeholders to review or access.

Annex 1 - Risk Factor Table

Performance indicator	Criteria	Risk level	Score
Track record of meeting funding quality benchmarks, QAR targets	1. All fully met and evidenced	1. Low risk	5
	2. Up to 10% below funding target and/or up to 5% below national QAR rates	2. Medium risk	10
	3. More than 10% below funding target and/or more than 5% below QAR targets	3. High risk	15
Length and quality of delivery provision and the relationship with Babington	1. 2 or more years as sub-contractor – no issues	1. Low risk	5
	2. 1 or more years as sub-contractor and/or some issues	2. Medium risk	10
	3. 1 or more years relationship and/or serious issues	3. High risk	15
Type of provision to be undertaken	1. Short funded programmes - AEB	1. Low risk	5
	2. Medium courses	2. Medium risk	10
	3. Long courses or apprenticeships	3. High risk	15
Financial stability of the sub-contractor - As a result of due diligence tests:	1. Fully compliant – accounts, insurance, credit rating	1. Low risk	5
	2. Compliant but some issues requiring further guidance	2. Medium risk	10
	3. Compliant but requiring additional guidance and support – both in depth and timing	3. High risk	15
Contract performance and duration	1. Fully compliant with quality assurance procedures	1. Low risk	5
	2. Near full compliance with some issues	2. Medium risk	10
	3. Additional support substantial to ensure compliance with more serious issues	3. High risk	15
Contract size	1. Up to £200,000	1. Low risk	5
	2. £200,001 to £499,000	2. Medium risk	10
	3. £500,000 and above	3. High risk	15

Annex 2 – Supply Chain Retained fees Structure

Services	Breakdown of services	Contribution to High Quality Training	Retained fee Costs		
			High	Medium	Low
Performance Management	Robust & thorough Induction of all new supply chain partners	Meets ESFA sub controls assurances & ensures quality training provision	6%	5-6%	≤5%
	Contract management, monitoring & reporting	Ascertains effective Leadership & Management supports setting of ambitious targets Ensures and evidences that the delivery partner has demonstrated how what they claim contributes to high quality learning.			
	Weekly contact updates and Monthly performance monitoring meetings	Ensures quality delivery, overview of monthly activity & caseload management for achievement of KPI's including but not limited to success, timely, retention, destination progression & value-added rates as well as quality benchmarks			
Quality Monitoring Activities & Support	Initial & on-going quality assurance of subcontractors' provision, policies & processes	Provides effective assurance of Quality of Teaching, Learning and Assessment experience	8%	6-7%	≤5%
	Satisfaction surveys – learners & employers	Gives learners & employers voice feedback to utilise in improvement activities			
	Observations of teaching, learning, assessment & CEIAG	Quality assures learner experience & development support for practitioners			
	Provision of Safe & Sound Team advice, guidance & resources	Ensures robust processes, promotion & assurance of safeguarding, prevent, E&D, H&S topics for learners			
	EPAO Relationship Management	Ensures timely progress to & through Gateway			
	Access & support from Occupational, Teaching & Learning as well as Maths & English Specialists including mandatory training	Supports development, best practice sharing & innovative programme development			
Administrative & Compliance	Monthly compliance Audit activity	Meets ESFA sub controls assurances & ensures quality IAG, accurate eligibility checks, recording of learner attendance, progression & destination	4% *may be higher if retention is due to clawback	3% *may be higher if retention is due to clawback	≤2% *may be higher if retention is due to clawback
	Claw back of Fees for under delivery or other reasons*	Ensures delivery partners are paid for the delivery of high-quality training. <i>*NB: The amount retained shall correspond directly with the funding clawed back by the Employer, Funding Body, and/or Babington specifically in relation to the delivery partners delivery.</i>			
	Administrative & processing of learner documentation	Meets ESFA sub controls assurances, ensuring quality & compliance of paperwork			
Additional Support Activities	Access to specialised CPD events & mandatory industry Training: Equality & Diversity, Safeguarding & Prevent. This includes mandatory training for delivery partner staff.	Supports development, ensures robust processes, promotion & assurance of safeguarding, prevent, E&D, H&S topics for learners. Provides assurance that delivery partner staff are trained in key mandatory areas such as Information Security, GDPR, Safeguarding and Prevent	2%	1-2%	≤2%
	Quarterly partner briefings and best Practice Events	Supports development, best practice sharing & innovative programme development			
	Regular newsletters and industry updates	Supports development, sharing of best practice & ensures up to date with relevant key news and topics			
		Total	20%	15% - 19%	≤14%

Annex 3 – Quality Assurance Cycle for Subcontractors



Policy Addendum

The Corporate Services Director is the owner of this document and has approved its publication. The document owner is responsible for ensuring that this procedure is reviewed annually.

This document is issued on a version-controlled basis and is available to all colleagues on the corporate intranet.

Document Management:

Owner: Corporate Services Director
 Effective Date: 01/08/2017
 Review Date: 26/07/2024
 Document reference: DOC 2400 Supply Chain and Retained fees Policy

Change History Record

Version control	Substantive change narrative	Author of substantive change	Date of substantive change
1.0	Existing policy reviewed and updated following ESF audit. Formatted and version controlled in line with ISO27001 and Policy Addendum added as required by ESF.	Kirsty Lewis	21/05/2019
2.0	Policy reviewed and significant amendments made. Change of document owner to reflect Partnerships now sitting within the QSS Team	Francesca Hurst	01/12/2020
3.0	Policy reviewed and updated in line with publication of the ESFA's 2021-22 Funding Rules	Sandra Waistnidge	23/07/2021
4.0	Minor amends to improve clarity in relation to 2021-22 Funding Rules	Sandra Waistnidge	07/06/2022
5.0	Review conducted to ensure compliance with ESFA 2022-2023 Funding Rules	Sandra Waistnidge	29 July 2022
6.0	Review conducted to ensure compliance with ESFA Subcontracting Funding Rules for post 16 funding and Apprenticeship Funding Rules 2023/24	Sandra Waistnidge	07 July 2023
7.0	Review conducted to ensure compliance with ESFA Apprenticeship Funding Rules 2024/25 and the Subcontracting Standard	Sandra Waistnidge	26 July 2024