

# **WEST MIDLANDS COMBINED AUTHORITY**

## **SKILLS PROGRAMMES Supply Chain Funding Rules**

**2022/2023**

**(For the funding year 1 August 2022 to 31 July 2023)**

**Version 1 - Draft**

This document sets out the requirements for all providers who use supply chain for delivery, across all Skills programmes.

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## **Section 1. Introduction**

1. This document sets out the West Midlands Combined Authority (WMCA) skills programmes supply chain funding rules for the 2022 to 2023 funding year (1 August 2022 to 31 July 2023). It aims to set out a clear and consistent approach for the (contract) management of supply chain partners by lead providers.
2. The skills programmes funding rules apply to the Adult Education Budget (AEB), the Free Courses for Jobs (FCFJ) and the National Skills Fund (NSF) Technical Bootcamps. The rules apply to all providers of education and training who receive either devolved AEB funding or delegated FCFJ or NSF Technical Bootcamp funding from the WMCA.
3. These rules do not apply to apprenticeships, traineeships and/or advanced learner loans. The Education and Skills Funding Agency (ESFA) will continue to fund apprenticeships, traineeships and advanced resident loans for WMCA residents – you can access these separate funding rules on the [GOV.UK website](#).
4. This document forms part of the terms and conditions of funding of your AEB, FCFJ and/or NSF Technical Bootcamps contract, and you must read them in conjunction with your funding agreement. You must operate within the terms and conditions of the funding agreement, these rules, the Funding rules, the Performance Management Framework and the WMCA Coding guidance. If you do not, you are in breach of your funding agreement with WMCA.
5. All information, including any hyperlinks, was correct when the WMCA published this document. During the 2022/2023 funding year, this document will be kept under review to reflect how we may need to respond to the changing economic context.
6. The WMCA reserves the right to make changes to these rules and will publish any updated versions on the WMCA website.

## **Section 1. Supply Chain Definitions**

1. A lead provider is a college, training organisation or employer that has a direct contractual relationship with WMCA.
2. The WMCA considers the term 'supply chain delivery partner' to encompass all third-party arrangements you have with other organisations where they are managing and delivering a proportion of your WMCA delivery plan - this encompasses 'learner find' services, job placement services as well as the delivery of all or elements of the teaching, learning or assessment.
3. The WMCA defines a supply chain delivery partner as a separate legal entity that has an agreement with you to deliver any provision or services that the WMCA funds for WMCA residents. For clarity, if you are using the funds that are paid to you by WMCA to pay for services relating to any aspect of the learner experience with you then this is part of your supply chain.
4. A separate legal entity includes companies in your group, other associated companies, and sole traders. An individual could include a person who is a sole trader, self-employed, or employed by an agency unless those individuals are working under your direct management and control in the same way as your employees.
5. Each lead provider and supply chain delivery partner must have a valid UK Provider Registration Number (UKPRN) where they are delivering any element of teaching, learning or assessment.
6. The term 'supply chain delivery partner' will also apply to any partnership, associate, or a third-party working relationship/s you have where your staff and/or provision is managed by another partner/ institution.
7. WMCA will consider all the above as a supply chain delivery arrangement, and as such will require all relevant detail on your 2022/23 Delivery Plan, which will be delivered by or in conjunction with any supply chain to be declared for appraisal by the WMCA. Details will be captured through the supply chain declaration. These arrangements must also be identified when completing the ILR using the Partner UKPRN Field.
8. This type of partnership working and its contribution to your Delivery Plan and the experience for learners will be reviewed at the relevant Performance Review Meetings.
9. As part of the supply chain declaration, providers will also set out any separate legal entity that provides support related to the delivery of WMCA funded Skills Programmes, covering brokerage support, including learner and employer find agents and teaching or specialist input such as coaching.

## **Section 2. Supply chain agreements**

### **10. Your policy for supply chain delivery partners**

- 10.1. You must take your own legal advice about the impact of Public Contracts Regulations 2015 on your recruitment of supply chain delivery partners and have this advice available for inspection by us on request.
- 10.2. Your Governing Body or Board of Directors and your accounting officer (senior responsible person) must be satisfied that all supply chain delivery partners meet your strategic aims and enhance the quality of your offer to learners.
- 10.3. You must set out your intent for using a supply chain in your published supply chain fees and charges policy and publish these on your website.
- 10.4. You must publish your policy for supply chain delivery on your website.
- 10.5. You must review your policy for supply chain delivery partners annually. This policy must be signed by your governing body or board of directors and your accounting officer.
- 10.6. WMCA is particularly concerned about the use of third-party companies to 'find' learners, who often recruit, provide IAG and sign-up learners on behalf of an organisation. WMCA will want to discuss with any providers the rationale for use of such services and why they are unable to attract learners to their provision themselves.
- 10.7. You must not subcontract for delivery to meet short-term funding objectives.
- 10.8. You must only use supply chain arrangements if you have the knowledge, skills, and experience within your organisation to:
  - 10.8.1. Competently procure and contract
  - 10.8.2. contract with and manage those supply chain delivery partners and
  - 10.8.3. can evidence this with the CVs of relevant staff
- 10.9. You are responsible for the actions of your supply chain delivery partners connected to, or arising out of, the delivery of the services, to which you subcontract.

### **11. Minimum content requirements for your policy for supply chain delivery partner**

- 11.1. As a minimum, you must include the following in your policy for supply chain delivery:
  - 11.1.1. Your rationale for supply chain needs, including business and operational objectives, including consultation with stakeholders, and undertaking research to determine the education rationale.
  - 11.1.2. Your procurement strategy/process in ensuring that a robust assessment process for selecting subcontractors has been established. There should be a clear rationale for how the tenders are evaluated, scored, and awarded.
  - 11.1.3. Your due diligence process, included but not limited to identity, ownership and background, principal activities (past and present), professional/commercial affiliations, legal, financial, capability, quality management systems, Ofsted reports and experience and track record
  - 11.1.4. Your contribution to improving your supply chain delivery partner's quality of teaching and learning
  - 11.1.5. How you will identify the support required and associated costs for different supply chain delivery partners

- 11.1.6. How and when you communicate and discuss your policy for supply chain delivery partner with potential supply chain delivery partners, or current ones for new learner starts
- 11.1.7. For each supply chain delivery partner, how you will determine a detailed list of your specific costs for managing them, specific costs for quality monitoring activities and specific costs for any other support activities offered by you to the supply chain delivery partner
- 11.1.8. For each supply chain delivery partner, how you will determine each cost is reasonable and proportionate to delivery of their teaching or learning and how each cost contributes to delivering high-quality learning
- 11.1.9. How you will ensure you describe to each supply chain delivery partner, before each supply chain delivery agreement relationship is agreed:
  - 11.1.9.1. your reason for supply chain delivery agreement
  - 11.1.9.2. the services you will provide when supply chain delivery agreement to them and the associated costs when doing so, including a list of specific costs for managing the supply chain delivery partner, specific costs for quality monitoring activities and specific costs for any other support activities offered by you to the supply chain delivery partner
- 11.1.10. Payment terms between you and your supply chain delivery partners; the timing of payments in relation to delivery and timescale for paying invoices and claims for funding received
- 11.1.11. Timing for review of your policy for supply chain delivery partner
- 11.1.12. Where you publish your policy for supply chain delivery partner

## 12. Selection and procurement of your supply chain delivery partners

- 12.1. Before you enter a subcontract arrangement you must be able to demonstrate:
  - 12.1.1. There is a clear educational rationale for subcontracting which aligns with the provider's corporate and operational strategies
- 12.2. The education rationale meets one or more of the following aims:
  - 12.2.1. enhances the opportunities available for learners
  - 12.2.2. fills gaps in niche or expert provision or provides better access to training facilities
  - 12.2.3. supports better geographical access for learners
  - 12.2.4. offers an entry point for disadvantaged groups; or
  - 12.2.5. gives consideration of the impact on individuals with shared protected characteristics, where there might otherwise be gaps
- 12.3. If you have not previously used a supply chain delivery partner for provision we fund, you must get our written approval before awarding a contract to a supply chain delivery partner and keep evidence of this.
- 12.4. If you intend to secure the services of providers to become part of your supply chain delivery partners through a procurement exercise or a broker, then you must notify the WMCA in advance.
- 12.5. Prior to any contract award and start, your supply chain declaration must be updated and approved by the WMCA. No starts will be accepted for any supply chain organisation that has not been approved through the supply chain declaration process.
- 12.6. Failure to act in line with the rules provided may result in a reduction of the maximum contract value in line with the proposed funding value to the new supply chain organisation.

- 12.7. When appointing supply chain delivery partners, you must avoid conflicts of interest and you must:
- 12.7.1. write to us about any circumstances (for example, where you and your proposed supply chain delivery partner have common directors or ownership) which might lead to an actual or perceived conflict of interest and
  - 12.7.2. not award the contract without our written permission and
  - 12.7.3. keep as evidence both your request and our reply
  - 12.7.4. You must carry out your own thorough due diligence checks when appointing supply chain delivery partners and have both the detailed process and the results available for inspection by us.
- 12.8. You must not appoint a supply chain organisation to deliver training on your behalf where the most recent Ofsted full inspection outcome was inadequate, or the most recent Ofsted monitoring visit outcome is insufficient progress made. For supply chain organisations that fall into this category in year, no further starts will be accepted until either the re-inspection cycle is complete, or a monitoring visit concluded showing reasonable or significant progress
- 12.9. You must not enter new supply chain delivery agreement arrangements or increase the value of your existing arrangements if any of the following circumstances apply. These conditions will continue until we are satisfied that the concerns have been addressed and the circumstances below no longer apply if:
- 12.9.1. Ofsted has rated your leadership and management as inadequate
  - 12.9.2. you do not meet our minimum standards
  - 12.9.3. the outcome of your annual financial health assessment we carry out is inadequate unless we have provided written permission in advance.

### 13. Entering into a supply chain delivery agreement

- 13.1. You must only award contracts for delivering WMCA funded Skills Programme provisions to legal entities. If the legal entity is a registered company, it must be recorded as 'active' on the Companies House database.
- 13.2. You must not award, or renew a subcontract to any organisation if:
- 13.2.1. it has an above-average risk warning from a credit agency
  - 13.2.2. it has passed a resolution (or the court has made an order) to wind up or liquidate the company, or administrators have been appointed
  - 13.2.3. its statutory accounts are overdue
- 13.3. You must make sure that learners supported through supply chain delivery agreement arrangements know about you and your supply chain delivery partner's roles and responsibilities in providing the learning.
- 13.4. You must have a legally binding contract with each supply chain delivery partner that includes all the terms set out in [paragraph 14](#)
- 13.5. You must have a contingency plan in place for learners in the event that:
- 13.5.1. you need to withdraw from a subcontract arrangement
  - 13.5.2. a supply chain delivery partner withdraws from the arrangement
  - 13.5.3. a supply chain delivery partner goes into liquidation or administration
- 13.6. You must make sure that the terms of your supply chain delivery agreement allow you to:
- 13.6.1. monitor the supply chain delivery partner's activity
  - 13.6.2. have control over your supply chain delivery partners

- 13.6.3. monitor the quality of education and training provided by supply chain delivery partners

#### 14. Terms that you must include in your contracts with supply chain delivery partners

- 14.1. You must make sure your supply chain delivery partners:
  - 14.1.1. meet the requirements set out in these funding rules
  - 14.1.2. provide you with ILR data so your data returns to us accurately reflect your supply chain delivery partner's delivery information
  - 14.1.3. give us, and any other person nominated by us, access to their premises and all documents relating to WMCA funded Skills Programme provision
  - 14.1.4. give you sufficient evidence to allow you to:
    - 14.1.4.1. assess their performance against [Ofsted's Education Inspection Framework](#)
    - 14.1.4.2. incorporate the evidence they provide into your self-assessment report
    - 14.1.4.3. guide the judgements and grades within your self-assessment report
  - 14.1.5. always have suitably qualified staff available to provide the education and training we fund through WMCA funded Skills Programmes.
  - 14.1.6. co-operate with you to make sure there is continuity of learning if the subcontract ends for any reason
- 14.2. Supply chain delivery partners must also tell you if evidence of any irregular financial or delivery activity arises; irregular activity could include, but is not limited to:
  - 14.2.1. non-delivery of training when funds have been paid
  - 14.2.2. sanctions imposed on the supply chain delivery partner by an awarding organisation
  - 14.2.3. an inadequate Ofsted grades
  - 14.2.4. complaints or allegations by learners, people working for the supply chain delivery partner or other relevant parties
  - 14.2.5. allegations of fraud
- 14.3. You should also ensure that supply chain organisations are:
  - 14.3.1. bound by European Social Fund (ESF) clauses from your funding agreement is then included in the subcontract, even if the provision is delivered through a supply chain delivery partner that is not funded by the ESF
  - 14.3.2. do not use our funding to make bids for, or claims from, any European funding on their behalf or our behalf
  - 14.3.3. do not use payments made as match funding for ESF co-financing projects
- 14.4. You must include in your contract with each supply chain delivery partner:
  - 14.4.1. reference to your supply chain delivery policy and where it can be found on your website
  - 14.4.2. your reason for supply chain delivery agreement with them
  - 14.4.3. a list of all services you will provide to them and the associated costs for doing so. This must include:
    - 14.4.3.1. a list of individually itemised, specific costs for managing the supply chain delivery partner
    - 14.4.3.2. specific costs for quality monitoring activities and specific costs for any other support activities offered by you to the supply chain delivery partner
  - 14.4.4. a description of how:
    - 14.4.4.1. each specific cost is reasonable and proportionate to delivery of the teaching or learning delivered by a supply chain delivery partner and



14.4.4.2. each cost contributes to delivering high-quality learning

## 15. Second-level supply chain delivery partner

- 15.1. You must not agree to the use of any supply chain delivery partner where this would require you to deliver WMCA Skills Programme provision to a second level. All your supply chain delivery partners must be contracted directly by you, and you may have more than one supply chain delivery partner if this is approved by the WMCA.
- 15.2. The restriction on the level of supply chain delivery agreement is in place to ensure:
- 15.2.1. that lead providers retain clear and transparent accountability for the quality of training provision.
  - 15.2.2. that proper and appropriate controls are in place to manage the resident experience, and
  - 15.2.3. that value for money is achieved by mitigating funding being utilised for multiple tiers of supply chain delivery partner management.

## ***Section 3. Reporting your supply chain***

### 16. Reporting your supply chain arrangements

- 16.1. You must provide a fully completed supply chain declaration by the dates we will give you. This will be at least twice during the 2022 to 2023 funding year. If you do not make the declaration on time, we will suspend your payments. If you do not use supply chain delivery partners, you must still provide a nil return to confirm this.
- 16.2. Within your declaration, you will be asked to provide detail on your intent related to using supply chain organisations to undertake delivery, the value of the agreement, where the delivery will take place and the course portfolio to be provided.
- 16.3. For other supply chain services outside of delivery, we expect you to confirm the service that will be provided and the cost of that service. We expect that these services would cover brokerage support including learner and employer find agents and teaching or specialist input such as coaching. We have taken this step following concerns related to the use of WMCA funds, and the need for greater transparency to reduce the risk of funds not being used as intended.
- 16.4. WMCA is particularly concerned about the use of third-party companies to 'find' learners, who often recruit, provide IAG and sign-up learners on behalf of an organisation. WMCA will want to discuss with any providers the rationale for use of such services and why they are unable to attract learners to their provision themselves.
- 16.5. You must also update your supply chain declaration if, and when any of your supply chain delivery agreement arrangements change during the year. This must be approved before any award of a contract via a business case submission.
- 16.6. You must report to us the actual level of funding paid and retained for each of your supply chain delivery partners in 2022 to 2023. You must email this information to your WMCA Skills Delivery officer using a template which we will supply to you. Returns will be in line with the planning calendar.
- 16.7. You must include the following on the template for WMCA funded Skills Programme delivery:

- 16.7.1. name of each supply chain delivery partner, including all supply chain/s as listed in these supply chain rules.
- 16.7.2. the UK Provider Reference Number (UKPRN) of each supply chain delivery partner
- 16.7.3. contract start and end date for each supply chain delivery partner
- 16.7.4. funding we have paid to you for WMCA funded Skills Programme delivery by each supply chain delivery partner in that funding year
- 16.7.5. funding you have paid to each supply chain delivery partner for WMCA funded Skills Programme delivery in that funding year
- 16.7.6. details of the funding you have retained in relation to each supply chain delivery partner's WMCA funded Skills Programme delivery for that funding year
- 16.7.7. if appropriate, funding each supply chain delivery partner has paid to you for services or support you have provided in connection with the supply chain delivery

## **17. Supply chain delivery partner contract value**

- 17.1. At present, a single supply chain delivery partner can work with multiple numbers of direct providers, and the aggregate value of the provision that they are delivering under these supply chain arrangements can be significant. The WMCA believes that it should monitor and control the level of financial exposure to WMCA in such circumstances.
- 17.2. The WMCA view is that single delivery supply chains with multiple directly funded providers do not provide value for money through associated management fee costs. Therefore, the WMCA is proposing to limit the number of single supply chain delivery partner agreements through either an aggregate value approach or geographic related to LEP area.
- 17.3. Where the aggregate value of the supply chain delivery partner's delivery exceeds £500,000 then the WMCA will make a referral to Ofsted for the supply chain delivery partner to be subject to a direct inspection.
- 17.4. Where the aggregate value of the supply chain delivery partner's delivery exceeds £500,000, we expect the supply chain delivery partner to partake in the standard Performance Management Reviews held between the WMCA and the lead provider.

## **18. Payments and incentives**

- 18.1. WMCA's expectation is that a lead provider will have sufficient processes and procedures in place to effectively monitor the financial payments in relation to their supply chain provision, you will be required to demonstrate that as a minimum:
- 18.2. Payment mechanisms are documented and are clear and well understood by all parties (including incentives, penalties, and non-standard charges).
- 18.3. Payment processes are well defined and efficient; appropriate checks and authorisation processes are in place for paying invoices.
- 18.4. The costs of the services delivered, and contract management costs are mapped against budgets and allocated appropriately.
- 18.5. Payment changes after the contract are let, for example from contract variations or benchmarking/ market testing, are made using contractual provisions and demonstrated to provide value for money.
- 18.6. Payments are not made in advance of evidence to demonstrate learning activity has been undertaken.

## 19. Administration

- 19.1. In managing the contract(s) and the timetable for making key decisions, the lead provider must demonstrate that:
- 19.2. Signed contracts are stored and logged and are easily accessible when required; for complex contracts, a summary and/or contract operations guide should be produced.
- 19.3. Key contractual information is recorded appropriately to allow, for example, search capability; documentation of up-to-date contract information; and key dates.
- 19.4. There are mechanisms in place for identifying key contract 'trigger points, such as notice periods.
- 19.5. There is a schedule of regular as well as ad hoc reporting of contract management information and retention of appropriate documentation such as minutes of contract meetings, reviews of teaching and learning etc.
- 19.6. There are appropriate processes and procedures in place to ensure that contracts are closed and/or terminated efficiently.
- 19.7. The provider has considered the cost of contract management activities to the supply chain delivery partner, and the cost is proportionate to the contract size and risk.

## 20. Managing relationships

- 20.1. The provider must have appropriate procedures in place to manage their relationships with supply chain delivery partners and be able to demonstrate that:
- 20.2. Proactive conversations and/or independent checks are undertaken in relation to the supply chain delivery partner at least on an annual basis which covers and documents as a minimum, the supply chain delivery partner(s):
  - 20.2.1. current ownership and person of significant control. Notification must be made to WMCA where this has changed from a previous year.
  - 20.2.2. current/ latest financial health position.
  - 20.2.3. a review of learning activity delivered, including compliance with the relevant funding rules for each programme.
  - 20.2.4. the supply chain delivery partner(s) business continuity/contingency plan remains relevant or has been updated appropriately.
- 20.3. Their contract manager understands their own role and has clear visibility of the roles and responsibilities of staff on the supply chain delivery partner side.
- 20.4. The respective responsibilities of the contract manager and the supply chain delivery partner are clear and potentially defined in a 'joint statement of intent or similar document.
- 20.5. Continuity of key supply chain delivery partner staff is desirable, where this cannot be achieved, there must be a handover from the staff responsible for the tendering process.
- 20.6. Both regular structured and informal communication routes between the contract manager and supply chain delivery partner are open and used; customer and supply chain delivery partner staff are co-located where appropriate.
- 20.7. Users are given clear expectations and an understanding of the contract and the services/ performance to be delivered (for example, through newsletters or briefings).
- 20.8. Communications between the contract manager, supply chain delivery partner and other stakeholders (users of the contract and others such as technical experts) are effective; and stakeholders are involved in contract management processes where appropriate.

- 20.9. Problem resolution processes are well defined and used and are designed to ensure minor problems do not escalate and cause relationship issues; a 'blame culture' is avoided (for example, using a 'relationships charter' or similar document).

## 21. Managing performance

- 21.1. WMCA's expectation is that a lead organisation will have processes and procedures in place to effectively manage provision delivered by supply chain delivery partners, you will be required to demonstrate that as a minimum:
- 21.1.1. Service management is well structured; baselines are understood by both parties, and supply chain delivery partners understand the service they are required to deliver. The contract manager ensures that the lead provider furnishes the supply chain delivery partner with the information and contacts needed to deliver the service.
  - 21.1.2. A performance management framework is in place when the contract is signed. The framework is comprehensive, objective and provides incentives for the supply chain delivery partner to meet or exceed agreed performance standards.
  - 21.1.3. Service level agreements are in place and are linked to business needs, understood by the supply chain delivery partner, and monitored by the contract manager and/or end-users.
  - 21.1.4. Supply chain delivery partner performance is assessed using clear, objective, and meaningful metrics, linked where appropriate to WMCA's funding rules and/or.
  - 21.1.5. Clear processes are in place to handle operational problem resolution and resolve issues as quickly as possible.
  - 21.1.6. Where appropriate, user compliance with the contract is monitored and managed to ensure maximum operational effectiveness and value for money.
  - 21.1.7. Regular and routine feedback is given to supply chain delivery partners on their performance.
  - 21.1.8. There are clear contact points for service users both within the supply chain delivery partner organisation and with the contract manager. Users understand what the contract is intended to deliver and are involved in the assessment of supply chain delivery partner performance where relevant. Users understand escalation routes where issues arise.
  - 21.1.9. Changes in user requirements are captured and considered as part of formal change and contract management processes.
  - 21.1.10. There are formal performance reviews with supply chain delivery partners, with documented improvement plans agreed upon where necessary, covering both operational issues and adherence to key contractual requirements, for example, on data security.
- 21.2. You must manage and monitor all your supply chain delivery partners to ensure that high-quality delivery is taking place that meets these funding rules.
- 21.3. You must carry out a regular and substantial programme of quality-assurance checks on the education and training provided by supply chain delivery partners, including visits at short notice and face-to-face interviews with staff and learners. The programme must:
- 21.3.1. include whether the learners exist and are eligible
  - 21.3.2. involve direct observation of initial guidance, assessment, and delivery of learning programmes
- 21.4. The findings of your assurance checks must be consistent with your expectations and the supply chain delivery partner's records.

## 22. Risk management

- 22.1. In order to provide assurance to WMCA that you have effective risk management procedures in place to effectively manage the public money, which is paid to supply chain delivery partners, as a minimum you will be expected to demonstrate:
- 22.1.1. Contractual/supply chain delivery partner risk management is in place with clear responsibilities and processes, identification of who is best placed to manage risk, and supply chain delivery partner involvement where appropriate.
  - 22.1.2. Risks are formally identified and monitored regularly, with mitigating actions developed and implemented where possible, and 'obsolete' risks removed from consideration where appropriate.
  - 22.1.3. Escalation and reporting routes are in place for risk governance.
  - 22.1.4. Contingency plans are developed to handle supply chain delivery partner failure (temporary or long-term failure/default); exit strategies are developed and updated throughout the life of the contract.
  - 22.1.5. Contractual terms around termination are understood and monitored by the contract manager.
  - 22.1.6. Contractual terms around warranties, indemnities and insurance are understood and monitored by the contract manager.
  - 22.1.7. Contractual terms around security and confidentiality are understood and monitored by the contract manager, particularly issues relating to the security/confidentiality of personal data.
  - 22.1.8. Dispute resolution processes are in place, including agreed adjudication procedures, mediation, and arbitration.
  - 22.1.9. The contract manager monitors the supply chain delivery partner's financial health and business performance (including using credit rating agencies).
  - 22.1.10. The contract manager monitors the supply chain delivery partner's compliance with contractual 'non-performance' issues (for example, on tax and sustainability targets).

## 23. Contract development and/or termination

- 23.1. To ensure that changes to the contract or termination are handled appropriately and efficiently the lead provider must:
- 23.1.1. Undertake analysis of their supply chain activity each year, to inform the progress made in their plans for a reduction across the 3-year period. Regularly review the subcontract (with a view to updating where necessary) to ensure it meets evolving business and educational needs.
  - 23.1.2. Ensure processes are in place that clearly lay out the governance of contractual change – who needs to approve what and how it will happen – with a focus on effective and prompt change implementation.
  - 23.1.3. Ensure there are clear processes for the management of minor changes and contract variations, with a focus on the cost/effort being proportionate to the importance and value of the change.
  - 23.1.4. Ensure there are more rigorous processes to handle major contractual changes, including clear approval mechanisms and accountabilities, and controls to demonstrate that changes offer value for money.

- 23.1.5. Where appropriate, undertake value for money testing of existing services through benchmarking or other processes.
- 23.1.6. Ensure there are processes to cover the introduction of new services under the contract, including market testing where necessary.
- 23.1.7. Have dispute handling processes in place to address any change-related issues.
- 23.1.8. Have processes to account for various types of contractual changes. Both parties have a clear understanding of the arrangements for any extension of the contract (both scope and time) and related issues.
- 23.1.9. Ensure processes are in place to handle commercial (financial) changes to the contract in a fair and structured manner.
- 23.1.10. Manage price changes fairly and effectively with the use of mechanisms such as benchmarking, competitive tendering (for example, for major additional works), or other techniques such as open book pricing as appropriate, to demonstrate value for money.
- 23.1.11. Demonstrate their rationalisation of specifications and demand management are considered options to achieve better value for money.

## **24. Provider development**

- 24.1. Improving provider performance and capability is key to developing the relationship with supply chain delivery partners. Lead providers must demonstrate they have:
  - 24.1.1. Processes in place that clearly set out how provider development activities will be planned, managed, and governed.
  - 24.1.2. Clear processes for benefits measurement and capture are in place to ensure that provider development is focused on continuous improvement and achieving value for the lead provider.
  - 24.1.3. The lead provider understands what motivates and drives the supply chain delivery partner and how provider development fits with the provider's goals.
  - 24.1.4. Provider operational performance improvement activities (for example, 'Lean' and '6-sigma'), with potential input or assistance provided by the lead provider.
  - 24.1.5. Joint working or shared activities between the 2 parties for the benefit of both the provider and supply chain delivery partner (for example, process improvement, shared training, task forces or joint project teams).
  - 24.1.6. Provider improvement activities relating to wider government initiatives, with input or assistance provided by the lead provider (for example, on sustainability, disability employment issues, use of SMEs (Small and Medium-Sized Enterprises) and BMEs (Black Minority Ethnic suppliers)).
  - 24.1.7. Shared risk reduction programmes or activities.
  - 24.1.8. Shared management activities (for example, provider boards) to drive performance improvement.

## **25. Audit assurance**

- 25.1. You must obtain an annual report from an external auditor if the WMCA funded Skills Programme contracts with your supply chain delivery partners will exceed £100,000 in anyone funding year.

- 25.2. the report must provide assurance on the arrangements to manage and control your supply chain delivery partners and
  - 25.2.1. comply with any guidance/rules issued by us
- 25.3. You must also supply us with a certificate signed by the external auditor and an authorised signatory to confirm you have received a report that provides satisfactory assurance.
- 25.4. You must forward this report to your WMCA Skills Delivery officer by November 2023
- 25.5. Annual reports should meet the minimum standards as listed in [annex A](#):

## **Section 4. Annex**

### **26. Annex A - Reporting requirements**

- 27. Each reporting auditor can use their own stylised report; however, it must include the following as a minimum:
  - 27.1. name and contact details of the organisation and auditor undertaking the audit
  - 27.2. name of the provider being audited and the provider audit contact
  - 27.3. funding year applicable to the review
  - 27.4. date the review was undertaken and concluded
  - 27.5. report status [Draft] [Final]
  - 27.6. table of contents
  - 27.7. executive summary / Summary of findings linked to the standard in a tabular format:
    - 27.8.1. subcontracting standard requirements
    - 27.8.2. compliance status
    - 27.8.3. number of recommendations raised; and
    - 27.8.4. summary of findings
  - 27.9. agreed objectives and scope of work
  - 27.10. approach
  - 27.11. detailed findings and recommendations linked to each point of the standard in a tabular format with the following headings:
    - 27.11.1. area of standard
    - 27.11.2. findings / observations / issues
    - 27.11.3. risk/implications
    - 27.11.4. recommendations
    - 27.11.5. compliance rating
    - 27.11.6. response from the provider
    - 27.11.7. responsible officer & target date