

# **WEST MIDLANDS COMBINED AUTHORITY**

## **ADULT SKILLS PROGRAMMES SUPPLY CHAIN MANAGEMENT AND FUNDING RULES**

**2025/2026**

**(For the funding year 1 August 2025 to 31 July 2026)**

**Version 1**

This document sets out the Supply Chain rules that apply to all providers of education and training who receive Adult Skills Programmes funding, including Adult Skills Fund (ASF) and/or Skills Bootcamp funding for residents, residing in the West Midlands Combined Authority (WMCA) area.

Additional guidance on these programmes will be given in the documents listed in Annex A. Providers must read these in conjunction with the [Adult Skills Programme Funding rules](#) and the associated guidance contained within.

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# What's new in the Supply Chain Management and Rules for 2025 to 2026

This section sets out the main changes to the supply chain management and Funding Rules:

- we have included compliance with [new Procurement Act 2023](#), where applicable,
- we have referenced the updated WMCA's Financial Due Diligence rules and how these are to be used in your management of your supply chain,
- we have included that your annual reporting of financial arrangements with your supply chain delivery partners are to be published on your website by 31 October 2026,
- we have amended the layout of the funding rules to make them clearer.

## Section 1. Introduction and Aim

### Introduction

This document outlines the supply chain funding rules for the West Midlands Combined Authority (WMCA) Adult Skills Programmes for the 2025 to 2026 funding year, covering the period from 1 August 2025 to 31 July 2026. It provides a clear and consistent framework for the contract management of supply chain delivery partners by lead providers.

These rules apply to the following programmes:

- Adult Skills Fund (ASF), including Free Courses for Jobs (FCFJ)
- Skills Bootcamps

**Please note:** These funding rules do *not* apply to apprenticeships or advanced learner loans. Separate funding rules for those programmes are available on the [GOV.UK website](#).

This document forms part of the terms and conditions of your contract. You must read it alongside your funding agreement. Compliance with the following is mandatory:

- The terms and conditions of your funding agreement
- This document (Supply Chain Management and Funding Rules)
- The [Adult Skills Programme Funding Rules](#)
- Any associated guidance documents referenced herein

Failure to comply with these requirements will constitute a breach of your funding agreement with WMCA.

All information contained in this document, including hyperlinks, was accurate at the time of publication. WMCA will review and update this document as necessary throughout the 2025–2026 funding year to reflect changes in the economic context.

WMCA reserves the right to amend these rules at any time. Updated versions will be published on the WMCA website. It is your responsibility to regularly check the [website](#) and ensure compliance with the most current version of the rules.

### Policy intent

The West Midlands Combined Authority (WMCA) aims to reduce the overall volume of supply chain delivery within the Adult Skills sector.

From the 2024–2025 funding year onwards, WMCA introduced a cap on supply chain delivery. Specifically, for Adult Skills funding programmes, no more than 25% of the allocated funding may be delivered through supply chain delivery partners.

Exceptions to this rule include:

- Where explicit permission has been granted by WMCA through an approved Business Case.
- Local Authorities, who are exempt from this requirement.

This policy is intended to:

- Ensure learners receive high-quality education and training.
- Enable WMCA to maintain oversight of public funding.
- Promote appropriate use of funds and ensure value for money.

If a provider believes it cannot meet the 25% reduction requirement, it must submit a Business Case for approval to WMCA no later than 31 July 2025.

WMCA has particular concerns regarding the use of third-party organisations that act as intermediaries to recruit learners. These companies often carry out key functions on behalf of providers, including:

- Recruiting learners,
- Delivering Information, Advice and Guidance (IAG),
- Managing learner enrolment and sign-up processes.

This practice is not permitted under the Adult Skills Fund (ASF).

For Skills Bootcamps, WMCA will actively monitor the use of such services. Providers who engage third-party recruitment organisations will be expected to:

- Clearly explain the rationale for using these services, and
- Justify why they are unable to attract and engage learners directly through their own provision.

## Our aims:

The WMCA has established the following strategic aims for the management and oversight of supply chain activity:

Reduce the overall volume of supply chain delivery to ensure greater accountability and direct delivery by lead providers.

Eliminate supply chain arrangements driven solely by financial gain to prevent subcontracting that lacks educational or strategic value.

Retain supply chain delivery partnerships that add value this includes arrangements that:

- Address niche or specialist provision,
- Improve learner access,
- Support disadvantaged or underrepresented groups.

Enhance monitoring and risk assessment to identify issues at an earlier stage through:

- Strengthened oversight,
- Additional checks and reviews of supply chain declarations.

Enable faster and more decisive intervention to address non-compliance or emerging risks promptly and effectively.

These aims will assist in mitigating the risk of

- inadequate contract management of supply chain,
- non-compliance with WMCA funding rules by supply chain fraudulent and,
- incorrect funding claims.

## Section 2. Definitions

### Lead Provider

A lead provider is the organisation or employer that has a direct contractual relationship with WMCA. References to 'you', 'your' or 'providers' mean the lead provider.

### WMCA Definition of a Supply Chain Delivery Partner

A supply chain delivery partner is a separate legal entity or an individual that has an agreement (called a supply chain) with you to deliver any element of the education and training we fund.

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 own employees.

Each lead provider and supply chain delivery partner must have a valid [UK Provider Registration Number](#) (UKPRN).

### External Auditor

An external auditor is a professionally qualified person from an organisation external to the provider that is able to provide an independent report on their subcontracting systems and controls. The person should be registered with an appropriate professional body. For the sake of clarity, the external auditor cannot be an employee, director, trustee, shareholder or any other similar party with a vested interest in the provider, irrespective of whether their normal role is to carry out their audit work. The external auditor does not necessarily have to be a provider's existing external auditor.

### Inclusion in Supply Chain Declarations

If you use WMCA funding to pay for any service that contributes to the learner experience or supports the fulfilment of your contractual obligations, this constitutes part of your supply chain. As such, these arrangements must be fully disclosed in your 2025/26 Supply Chain Declaration.

Additionally, these arrangements must be accurately recorded in the Individualised Learner Record (ILR) using the Partner UKPRN field.

## Section 3. Supply Chain Rationale

### WMCA Expectations for the Use of Supply Chain Delivery

Supply chain arrangements must not be used solely to meet short-term funding targets or objectives.

WMCA expects that the use of supply chain delivery by WMCA-funded providers must align with one or more of the following strategic aims:

- Enhancing learner opportunities by broadening the range and quality of provision.
- Addressing gaps in niche or specialist provision or improving access to high-quality training facilities.
- Improving geographical accessibility for learners who may otherwise face barriers to participation.
- Creating entry points for disadvantaged groups, supporting social mobility and inclusion.
- Considering the needs of individuals with shared protected characteristics, particularly where gaps in provision may exist.

You may only enter into supply chain arrangements if your organisation has the appropriate knowledge, skills, and experience to:

- Procure and contract in accordance with Procurement Law.
- Effectively manage and oversee supply chain delivery partners.
- Demonstrate staff competence, supported by relevant CVs or qualifications.
- Implement robust procedures to ensure that supply chain arrangements *do not* result in the inadvertent funding of extremist organisations.

## Section 4. Supply chain – Pre Contract Award

### Pre-Conditions for Entering a Supply Chain Arrangement

Before entering into any supply chain arrangement, you must be able to demonstrate the following:

#### Strategic and Educational Rationale

- There must be a clear educational justification for the use of a supply chain partner.
- This rationale should align with your organisation's corporate and operational strategies.
- It must include:
  - Defined business and operational objectives,
  - Evidence of stakeholder consultation,
  - Supporting research or market analysis.

#### Procurement Strategy and Process

- You must have a robust procurement process in place to ensure fair and transparent selection of supply chain delivery partners.
- This includes:
  - A clear and documented rationale for how tenders are evaluated, scored, and awarded,
  - Compliance with Procurement Law.

#### Policies and Processes

- There are well defined policies and processes and a clear contract management plan, with a focus on outputs and a 'whole life' approach to performance.
- These policies, including the rationale, must be reviewed by the lead provider ahead of each Funding Year.

#### Prior Approval Requirement

- If you have not previously used a supply chain delivery partner for WMCA-funded provision, you must obtain written approval from WMCA before awarding any contract.
- Evidence of this approval must be retained and made available upon request.

## Supply Chain Declaration and Approval Requirements

Before awarding any contract or allowing delivery to commence, you must update your Supply Chain Declaration annually and obtain formal approval from WMCA. No learner starts will be accepted from any supply chain organisation that has not been approved through this process.

## Conflict of Interest and Transparency

When appointing supply chain delivery partners, you must avoid any actual or perceived conflicts of interest. Specifically, you must:

- Disclose any circumstances that may give rise to a conflict of interest (e.g. shared directors or ownership between your organisation and the proposed supply chain partner),
- Obtain written permission from WMCA before awarding the contract in such cases,
- Retain evidence of both your disclosure and WMCA's written response.

## Due Diligence and Financial Standards

You are required to conduct thorough due diligence on all proposed supply chain delivery partners. This must include, but is not limited to:

- Legal identity, ownership, and organisational background,
- Principal activities (past and present),
- Professional and commercial affiliations,
- Legal and financial standing,
- Capability and capacity to deliver,
- Quality management systems,
- Ofsted inspection outcomes,
- Track record of delivery.

You must not enter a supply chain arrangement where the outcome of the Supply Chain's annual financial health assessment is inadequate

In addition, all supply chain delivery partners and contracts must meet WMCA's financial due diligence requirements for Adult Skills providers.

## Ofsted Compliance

You must not appoint any organisation to deliver WMCA-funded provision if:

- Their most recent full Ofsted inspection resulted in an 'Inadequate' rating, or
- Their most recent Ofsted monitoring visit concluded 'Insufficient Progress'.

If a supply chain partner receives such an outcome during the contract year, no further learner starts will be permitted unless WMCA grants approval based on evidence of improvement (e.g. a re-inspection or monitoring visit showing 'Reasonable' or 'Significant Progress').

## Contractual and Learner Communication Requirements

You must only award contracts to legal entities. If the entity is a registered company, it must be listed as 'active' on the Companies House register.

You must ensure that learners are fully informed of the roles and responsibilities of both your organisation and your supply chain delivery partner.



A legally binding contract must be in place with each supply chain delivery partner, incorporating all terms outlined in this guidance.

## Non-Compliance

Failure to comply with these requirements may result in a reduction of your maximum contract value, proportionate to the proposed funding allocated to the non-compliant supply chain organisation.

# Section 5. Policy Requirements for Supply Chain Delivery Partners

## Legal and Governance Responsibilities

You must obtain independent legal advice on the implications of the Procurement Act 2023 as it relates to the recruitment and contracting of supply chain delivery partners. This advice must be documented and made available to WMCA upon request.

Your Governing Body or Board of Directors, along with your Accounting Officer (Senior Responsible Person), must be satisfied that all appointed supply chain delivery partners:

- Align with your organisation's strategic objectives, and
- Enhance the quality and accessibility of your offer to WMCA residents.

## Supply Chain Policy Requirements

You must have a formal Supply Chain Policy in place that includes the following:

- Rationale for Supply Chain Use: A clear explanation of why supply chain delivery is necessary, aligned with WMCA's strategic intent. Supply chain arrangements must:
  - Enhance the quality of the learner experience,
  - Not be used to meet short-term funding objectives.
- Support and Cost Identification: A description of how you will:
  - Identify the support needs of each supply chain partner,
  - Determine the associated costs for providing that support.
- Fees and Charges: A full breakdown of all fees and charges retained by your organisation, including:
  - Funding retained for quality assurance and oversight,
  - Administrative costs (e.g. data returns),
  - Quality monitoring activities,
  - Mandatory training delivered to supply chain delivery partners,
  - Any other support services provided,
  - Clawback arrangements for under-delivery or other contractual breaches.
- Cost Justification: A clear explanation of how each cost is:
  - Reasonable and proportionate to the delivery of teaching and learning,
  - Contributes to high-quality outcomes for learners.

WMCA reserves the right to request justification where management fees appear excessive. If outcomes are poor or fees are deemed unjustifiably high, WMCA may impose a cap on management fees.

## Publication and Review

Your Supply Chain Delivery Policy must be:

- Reviewed annually,
- Signed off by your Governing Body or Board of Directors and your Accounting Officer,
- Published on your organisation's website by 31 October of each funding year.

## Section 6. Reporting Supply Chain Arrangement

### Supply Chain Declaration Requirements

You must submit a fully completed Supply Chain Declaration by the deadlines specified by WMCA. This will be required at least twice during the 2025/2026 funding year. If you *do not* use supply chain delivery partners, you are still required to submit a nil return to confirm this. Failure to submit the declaration on time will result in the suspension of payments.

### Information to Include in the Declaration

Your declaration must include, but is not limited to, the following details:

- The intent of the supply chain arrangement,
- The value of each agreement,
- The geographical location of delivery,
- The course portfolio to be delivered.

For non-delivery services (e.g. coaching, mentoring), you must specify:

- The nature of the service provided,
- The associated cost.

This requirement supports WMCA's commitment to transparency and the appropriate use of public funds.

### In-Year Changes

If any changes occur to your supply chain delivery arrangements during the year, you must:

- Submit a business case to WMCA for approval before any new award or allocation change is made.
- Update your declaration accordingly,

### Annual Reporting of Financial Arrangements

You must report the actual level of funding paid to and retained from each supply chain delivery partner for WMCA-funded Adult Skills Programme delivery. This must be published on your website by 31 October 2026 and include:

- Name of each supply chain delivery partner.
- UK Provider Reference Number (UKPRN).
- Contract start and end dates.
- Total funding received from WMCA for each partner's delivery.
- Amount of funding retained by you.
- Any payments made by the supply chain partner to you for services or support.

## Monitoring Supply Chain Contract Values

The WMCA is committed to monitoring and managing financial exposure where supply chain delivery partners work with multiple directly funded providers. The WMCA has concerns that such arrangements may not offer value for money due to duplicated management fees. As such:

- WMCA reserves the right to:
  - Make approval of supply chain delivery conditional,
  - Require lead providers to increase, decrease, or cease allocations with specific supply chain delivery partners during the contract term.
- Providers must include a contract clause allowing for such adjustments to ensure regional coverage and address emerging delivery gaps.

## High-Value Supply Chain Delivery

Where the aggregate value of a supply chain delivery partner's provision exceeds £500,000 the WMCA will refer the partner to Ofsted for direct inspection. Where it exceeds £500,000 or represents more than 25% of your total provision, WMCA expects the supply chain partner to participate in Performance Management Reviews alongside the lead provider.

## Section 7. Supply Chain Contract Requirements

### Contractual Obligations

Before any delivery begins, you must have a legally binding written contract in place with each supply chain delivery partner. As a minimum, the contract must include the following:

- A clause granting WMCA and its nominated representatives access to the partner's premises and all documents related to the delivery of WMCA-funded provision.
- A requirement for the partner to comply with all relevant WMCA Skills Programme Funding Rules and associated guidance.
- Provisions allowing you to request evidence for monitoring purposes, including:
  - Quality of education and training (including performance against the Ofsted framework),
  - Self-assessment reports and grades,
  - ILR data to ensure accurate reporting to WMCA.

### Quality and Continuity of Delivery

Contracts must require supply chain delivery partners to:

- Employ suitably qualified staff to deliver WMCA-funded provision.
- Cooperate with you to ensure continuity of learning in the event of contract termination or withdrawal.

### Notification of Irregularities

Supply chain delivery partners must notify you immediately of any irregular financial or delivery activity, including but not limited to:

- Non-delivery of training despite receipt of funds,
- Sanctions from awarding organisations,
- Inadequate Ofsted ratings,
- Complaints or allegations from learners or staff,
- Allegations of fraud.
- Change of Control

If you are notified of any irregularities, you must report these to the WMCA immediately.

## Financial Health and Due Diligence

Contracts must include clauses requiring partners to:

- Inform you of any changes affecting their ability to meet yours and the WMCA's due diligence or financial health standards.
- Acknowledge that such changes may result in contract termination.

## Contract Content Requirements

Each contract must also include:

- A reference to your published Supply Chain Policy and where it can be accessed.
- The rationale for using the supply chain partner.
- A detailed list of services you will provide, including:
  - Quality monitoring activities,
  - Support services,
  - Associated costs.
- A justification of how these fees are reasonable and proportionate to the delivery of high-quality provision.

## Contingency Planning

You must have a contingency plan in place to protect learners in the event that:

- You withdraw from a supply chain arrangement,
- A supply chain partner withdraws,
- A partner enters liquidation or administration.

## Payment Terms and Financial Monitoring

Contracts must clearly define:

- Payment terms, including timing of payments, invoicing schedules, and conditions for claims.
- That payments will not be made in advance of verified learning activity.

You must demonstrate that:

- Payment mechanisms are documented, transparent, and understood by all parties.
- Processes for invoice approval and authorisation are efficient and well-controlled.
- Contract management and service delivery costs are mapped to budgets and appropriately allocated.
- Any changes to payment terms (e.g. due to contract variations or benchmarking) are made through formal contractual provisions and demonstrate value for money.

## Contract Administration and Oversight

You must maintain robust contract management systems, including:

- Secure storage and logging of signed contracts,
- A summary or operations guide for complex contracts,
- Recording of key contractual information and dates,
- Mechanisms to identify key contract trigger points (e.g. notice periods),
- A schedule for regular and ad hoc reporting, including:
  - Contract meetings,
  - Teaching and learning reviews,
  - Retention of meeting minutes and supporting documentation.

You must also ensure that the cost of contract management is proportionate to the size and risk of the contract.

## Managing Relationships with Supply Chain Delivery Partners

You must have appropriate procedures in place to manage and maintain effective relationships with your supply chain delivery partners. As a minimum, you must be able to demonstrate that:

- Annual Reviews are conducted (any changes must be reported to WMCA immediately), including proactive discussions or independent checks, covering:
  - Current ownership and persons of significant control
  - Latest financial health position and compliance with WMCA financial due diligence,
  - Review of learning activity delivered and compliance with relevant funding rules,
  - Relevance and currency of the partner's business continuity and contingency plans.
- The contract manager:
  - Understands their role and responsibilities,
  - Has clear visibility of the roles and responsibilities of the supply chain partner's staff,
  - Maintains continuity of key personnel, with appropriate handovers where changes occur.
- Communication:
  - Regular structured and informal communication channels are in place and actively used,
  - Stakeholders (including learners and technical experts) are engaged in contract management processes,
  - Users are informed of expectations and service standards (e.g. via newsletters or briefings),
  - Co-location of staff is considered where appropriate to enhance collaboration.
- Problem Resolution:
  - Defined processes are in place to resolve issues early and prevent escalation,
  - A constructive, non-adversarial approach is promoted (e.g. through a "relationship charter").

## Managing Performance of Supply Chain Delivery Partners

The WMCA expects lead providers to have robust systems in place to manage the performance of all supply chain delivery partners. You must demonstrate that:

- Service Management:
  - Baselines and expectations are clearly defined and understood by all parties,
  - Supply chain delivery partners are provided with the necessary information and contacts to deliver services effectively.
- Performance Framework:
  - A comprehensive and objective performance management framework is in place from the outset,
  - Contracts are aligned with business needs and monitored regularly.
- Performance Monitoring:
  - Performance is assessed using clear, objective, and meaningful metrics aligned with WMCA's Adult Skills Programme funding rules,
  - Regular feedback is provided to supply chain delivery partners,
  - Users are involved in performance assessments where appropriate and understand escalation routes.
- Operational Oversight:
  - Changes in user requirements are captured and managed through formal change control processes,
  - Formal performance reviews are conducted, with improvement plans agreed upon where necessary,
  - Quality assurance checks are carried out regularly, including:
    - Verification of learner existence and eligibility,

- Direct observation of initial guidance, assessment, and delivery,
- Face-to-face interviews with staff and learners.

## Risk Management

To ensure the effective use of public funds and safeguard delivery, you must have comprehensive risk management procedures in place. At a minimum, you must demonstrate that:

- Risk Governance:
  - Contractual risk management responsibilities are clearly defined,
  - Risks are identified, monitored, and mitigated regularly,
  - Obsolete risks are removed from active monitoring.
- Escalation and Contingency:
  - Clear escalation and reporting routes are established,
  - Contingency and exit strategies are developed and updated throughout the contract lifecycle.
- Contractual Compliance:
  - Terms relating to termination, warranties, indemnities, insurance, and data security are understood and monitored by the contract manager.
- Dispute Resolution:
  - Formal procedures are in place for adjudication, mediation, and arbitration.
- Financial Monitoring:
  - The financial health and business performance of supply chain delivery partners are regularly reviewed (e.g. via credit rating agencies),
  - Compliance with non-performance clauses (e.g. tax obligations, sustainability targets) is monitored.

## Contract Development and Termination

To ensure that contractual changes and terminations are managed effectively, lead providers must:

- Conduct an annual analysis of supply chain activity to ensure alignment with evolving business and educational priorities.
- Maintain clear governance procedures for managing contractual changes, including:
  - Defined approval processes,
  - Roles and responsibilities for implementing changes,
  - Timely and efficient execution of changes.
- Implement proportionate processes for:
  - Minor changes and contract variations, ensuring the effort and cost reflect the significance of the change,
  - Major contractual changes, with rigorous approval mechanisms, accountability structures, and value-for-money assessments.
- Where appropriate, undertake value-for-money testing of existing services through benchmarking, competitive tendering, or open-book pricing.
- Establish procedures for the introduction of new services, including market testing where necessary.
- Ensure dispute resolution mechanisms are in place to address change-related issues.
- Maintain clarity on arrangements for contract extensions, including scope, duration, and associated terms.
- Manage commercial and financial changes fairly and transparently, using structured mechanisms to ensure value for money.
- Consider rationalisation of specifications and demand management as strategies to improve efficiency and cost-effectiveness.



## Provider Development

Improving the performance and capability of supply chain delivery partners is essential to maintaining high-quality provision. Lead providers must demonstrate that they have:

- Defined processes for planning, managing, and governing provider development activities.
- Mechanisms for measuring and capturing benefits, ensuring development efforts contribute to continuous improvement.
- An understanding of the motivations and goals of supply chain delivery partners, aligning development activities accordingly.

Examples of provider development activities include:

- Operational performance improvement initiatives (e.g. Lean, Six Sigma),
- Joint working arrangements (e.g. shared training, task forces, project teams),
- Support for wider government priorities (e.g. sustainability, disability employment, SME and BME engagement),
- Shared risk reduction strategies,
- Participation in shared governance structures (e.g. provider boards) to drive performance.

## Second-Level Supply Chain Delivery Restrictions

WMCA does not permit second-level subcontracting. All supply chain delivery partners must be contracted directly by the lead provider.

# Section 8: Audit and Assurance Requirements

## Annual External Audit Requirement

If the total value of your WMCA-funded Skills Programme contracts with supply chain delivery partners exceeds £100,000 in any single funding year, you are required to:

- Obtain an annual audit report from an independent, certified external auditor.
- Ensure the audit provides assurance on:
  - The effectiveness of your arrangements for managing and controlling supply chain delivery,
  - Compliance with all relevant WMCA funding rules and guidance.

You must also submit a signed certificate from both the external auditor and an authorised signatory from your organisation confirming that the report provides satisfactory assurance.

The final audit report must be submitted to your WMCA Skills Delivery Officer by 31 August 2026.

## Minimum Reporting Standards

While auditors may use their own reporting format, the report must include the following minimum content:

### General Information

- Name and contact details of the auditing organisation and auditor,
- Name of the provider being audited and the designated audit contact,
- Applicable funding year,
- Dates the audit was conducted and concluded,
- Report status (e.g. [Draft] or [Final]),
- Table of contents.

## Executive Summary

- Overall compliance status with WMCA funding rules,
- Summary of key findings.

## Detailed Findings and Recommendations

- Observations and issues related to:
  - The provider's supply chain policy and alignment with WMCA's intent,
  - Reporting and transparency of supply chain arrangements,
  - Supply chain agreements and commissioning processes,
  - Contingency planning and risk management.
- For each finding:
  - Associated risks or implications,
  - Specific recommendations,
  - Compliance rating,
  - Responsible officer and target date for resolution.



## Annex A – Associated Documents

[Performance & Management Rules](#)

[Skills Programme Coding Guidance](#)

[Skills Bootcamp Guidance](#)

[Financial Due Diligence and financial health monitoring](#)

[Privacy Notice](#)

[Whistleblowing policy and process](#)

[Complaints policy and process](#)

[Skills Programme Supply chain funding rules](#)

[Quality and Standards Framework](#)

[Destination Portal Guidance](#)

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