



Education & Skills
Funding Agency

Assurance reviews of the subcontracting standard for post-16 providers

**Framework and guide for reporting
accountants**

August 2022

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Introduction

1. Following a consultation on the subcontracting¹ reform in 2020, ESFA confirmed that it will introduce an externally assessed standard for subcontracting - it published a new [subcontracting standard](#) (“the standard”) on 28 July 2021. Applicable from 01 August 2022, the standard is designed to mitigate the risk of inadequate (contract) management of subcontractors; non-compliance with ESFA funding rules² by subcontractors; and fraudulent and incorrect funding claims. This framework and guide sets out the requirements and provides guidance on reviews of subcontracting arrangements at ‘lead’ providers, and their application of the subcontracting standard, by reporting accountants.

2. The purpose of this document is to help providers and their reporting accountants to:

- understand ESFA’s expectations in terms of reasonableness and proportionality
- provide examples of evidence requirements and expectations
- understand the process as to how the standard will be achieved
- know what is required if the standard is not achieved

in relation to the reporting accountant’s report as to the provider’s compliance with the subcontracting standard.

3. ESFA recognises that a one-size fits all approach is inappropriate in relation to the application of the standard. The standard and this framework and guide are designed to be reasonable and proportionate for the provider, whilst giving the reporting accountant sufficient autonomy to carry out procedures in line with international standards on assurance engagements.

4. This framework and guide will remain in force until replaced.

¹ A subcontractor is defined in the standard as: “... a separate legal entity or an individual that has an agreement (called a subcontract) 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 subcontractor must have a valid UK Provider Registration Number (UKPRN).”

² As at the date of publication of this framework the 2022/23 Funding Rules are: [Subcontracting funding rules for ESFA funded post-16 funding \(excluding apprenticeships\) 2022 to 2023](#); [Apprenticeship funding rules](#); [Funding guidance for young people 2022 to 2023](#); and [Adult education budget \(AEB\) funding rules 2022 to 2023](#). It is the responsibility of the reporting accountant to ensure the latest, most relevant, funding rules are used to undertake their work.

Part 1: Engagement arrangements

Provider responsibilities

5. Under their funding agreements / contracts, providers are responsible for:
 - a) the accuracy of their Individualised Learner Record (ILR) data and ensuring that ILR data and funding claims submitted to ESFA are complete and accurate, and
 - b) establishing appropriate arrangements for the oversight of subcontractors in accordance with the subcontracting standard, published by ESFA
6. Providers are responsible for engaging a reporting accountant to carry out an assurance review on their compliance with the subcontracting standard.

The reporting accountant

7. The reporting accountant must not have a conflict of interest with the provider commissioning the report. For the avoidance of doubt the reporting accountant must be suitably qualified, from an organisation external to the provider and be able to provide an independent report on the provider's subcontracting systems and controls.
8. The reporting accountant must be registered with an appropriate accountants' professional body, which ESFA reserves the right to check. For the sake of clarity, the reporting accountant cannot be an employee, director, trustee, shareholder, or any other similar party with a vested interest in the provider, or group, irrespective of whether their normal role is to carry out audit and/or assurance activity. The reporting accountant does not have to be the same firm / organisation, which carries out the external audit of the providers' financial statements.
9. In carrying out their work reporting accountants will apply the following principles:
 - **integrity and objectivity** – the reporting accountant will carry out their work with integrity and objectivity. Reporting accountants will also comply with applicable ethical frameworks, along with any additional requirements set out by relevant regulatory, recognised supervisory and other relevant bodies
 - **professionalism** – the reporting accountant will carry out their work in compliance with standards issued by relevant regulatory bodies

- **professional scepticism** - the reporting accountant will exercise professional scepticism. This means they will obtain and document the information and explanations they consider necessary to provide sufficient, appropriate evidence to support their judgements. They will meet the requirements of professional standards, where applicable
- **proportionality** - the reporting accountant's work should be risk-based and proportionate. It should be designed to meet the reporting accountant's responsibilities, applying the reporting accountant's professional judgement to tailor their work to the circumstances in place at the provider and the risks to which they give rise. The reporting accountant should also consider carefully the practical and resource implications for the provider when framing recommendations arising from their work
- **appropriate knowledge and skills** – the reporting accountant should ensure that they have the necessary skills and knowledge to discharge their functions effectively and have arrangements in place to ensure that their staff have sufficient knowledge of the relevant funding rules, regulatory and legislative frameworks. They will ensure that their teams comply with statutory and other relevant requirements relating to the security, transfer, holding, disclosure and disposal of information, particularly personal information received or obtained during the course of their work

Terms of engagement

10. The Secretary of State for Education, acting through ESFA, has prescribed standard terms of reference under which reporting accountants are engaged to perform a subcontracting standard assurance review at a provider. These terms of reference are included at **Annex A**.
11. ESFA accepts that an agreement between it, the provider and its reporting accountant on these terms is formed when the reporting accountant signs and submits its assurance report on the subcontracting standard to the Provider, which will then submit to ESFA alongside the Providers' *subcontracting standard Assurance Declaration*, confirming the validity of the assurance report (**see Annex B**).
12. ESFA is not required to sign the letter. The volume of providers in scope of this engagement makes it impractical to have an engagement letter with each individual reporting accountant. Standard terms of reference are therefore in place.

13. Amendments to the standard terms may only be considered in exceptional circumstances and require ESFA's approval through Finance & Provider Market Oversight (such requests should be made to FPMOA.Technical@education.gov.uk). Amendments may cause delay to the reporting accountant's work leading to late submission of the related report and consequent breaches of funding conditions.

Part 2: Assessing whether the standard is achieved

14. The published [subcontracting standard](#) sets out the framework for providers to subcontract provision. Where a provider subcontract's £100k or more of apprenticeship, AEB, ESF or 16 to 19 funding combined, within any funding year, the provider must engage the services of a reporting accountant to obtain a report, which aligns to the requirements of the example template report (see **Annexes C and D**). This report must be sent to ESFA upon completion of the work (see **Part 3**). There is no longer a requirement to provide a certificate.

15. In planning their work, the reporting accountant should consider [International Standard on Assurance Engagements \(ISAE\) 3000](#), which set out specific considerations for assurance engagements.

16. We set out in **Annex E** the key elements of each component of the subcontracting standard, together with suggested matters for reporting accountants reporting accountants to consider and suggested examples of evidence.

17. All providers must perform a self-assessment of their compliance with the entirety of the subcontracting standard (see template at **Annex F**), with a particular focus on the information within **Annex E** of this document. To do this the provider should record:

- a. a narrative description of the process or control that is in place, which demonstrates the providers' compliance with each point within the standard; and
- b. the description of the evidence that the provider has available to support the process or control described (it is entirely reasonable that one process and/or supporting evidence could support compliance for multiple elements of the standard)

18. ESFA recognises it is the responsibility of the reporting accountant to design their work programmes. However, ESFA expects these programmes to contain elements of controls and compliance testing, as well as ILR / learner level testing of subcontracted provision.

19. Upon completion of their review, the reporting accountant must prepare and agree their report with the provider. Once agreed the reporting accountant must submit the report to the provider, which will submit to ESFA, alongside the required declaration at **Annex B**.

ESFA assessment

20. Upon receipt of the finalised report ESFA will review the report's findings, together with other relevant information, including locally held intelligence, to determine whether the provider has:

- a) achieved the standard
- b) not achieved the standard, but would be able to do so, if a series of identified actions are completed, which will demonstrate compliance with the standard. In this scenario the provider will be advised of the timeframe to demonstrate completion of the actions by ESFA
- c) not achieved the standard and are required to cease subcontracting activities, until ESFA is satisfied that the standard has been reached. This could mean that further audit work is required to substantiate this
- d) not achieved the standard and due to significant concerns identified either by the reporting accountant or by ESFA results in a permanent cessation of subcontracting

21. Within approximately twelve weeks of receiving the report the provider will receive a response with the outcome of ESFA's assessment and, if applicable, any actions required to achieve the standard. All actions will include a clear timeframe and will identify whether independent verification that the action has been completed is required by the reporting accountant, who provided the report.

22. Any provider which fails to submit a report by 31 July of the year where the report is required will automatically be in breach of the requirements of the standard (and their contract) and will be informed by ESFA how this breach will impact on their subcontracted provision.

23. The provider will need to decide at what point in the funding year it will engage a reporting accountant. Once the report has been received by ESFA and it has been determined that the standard has been achieved, then this achievement will remain in place for three years unless there are:

- material increases in the volume of the provider's subcontracted provision at a funding stream level. (We expect this to be identified from the subcontracting declaration)³
- material changes in operational staff managing your subcontracted

³ Material changes will be determined by ESFA through the subcontracting declarations that are returned post achievement of the standard and will be determined on a provider-by-provider basis.

provision⁴

- changes in the provider's senior leadership who have responsibility for the oversight of subcontracted provision
- any significant concerns that have been brought to ESFA's attention in relation to you're a provider's subcontracted provision

24. In any of the instances highlighted above, the provider must discuss appropriate next steps with ESFA, which will advise the actions and whether work is required from a reporting accountant accordingly.

Figure 1 - Normal 3-year cycle



⁴ The ESFA acknowledges that a one size fits all approach is not applicable and will consider material changes on a case-by-case basis.

Part 3: Reporting requirements

25. The report produced by the reporting accountant will be used as part of ESFA's assessment to determine whether a provider achieves the subcontracting standard. ESFA **does not require an assurance opinion**. However, it is for the provider and reporting accountant to agree the type of engagement to be carried out, as long as the report provided to ESFA is aligned to requirements set out at **Annex C**.

26. Whilst reporting accountants are not required to provide an assurance opinion, to enable ESFA to determine whether a provider achieves the subcontracting standard, providers may request an opinion from their reporting accountant.

27. There are ten sections (components) of the subcontracting standard where we require the reporting accountant to apply a RAG* (*red, amber, green) rating to each subsection, based on the work undertaken.

28. We **do not** require the reporting accountant to give each section an overall RAG rating, nor do we need an overall report rating. The ESFA will use the rating of each subsection as part of their overall determination as to whether the provider has achieved the standard.

- **Green** = No exceptions noted / sufficient evidence provided to demonstrate compliance with the subsection
- **Amber** = a small number of exceptions / limited evidence provided to demonstrate compliance with the standard
- **Red** = Multiple or significant exceptions noted / no evidence provided to demonstrate compliance with the standard

29. Each assurance report should be considered by a provider's audit committee, or equivalent, and reflected in the appropriate minutes.

Annex A: Example ESFA engagement terms

The following are the [pre-agreed] terms of reference on which the Secretary of State for Education, acting through ESFA, engages the reporting accountant to perform an assurance engagement on the subcontracting standard in connection with the Provider.

ESFA accepts that an agreement between it, the Provider and its reporting accountant on these terms is formed when the reporting accountant signs its assurance report on the subcontracting standard, and this is submitted by the Provider to ESFA.

ESFA is not required to sign anything. The volume of Providers in scope of this engagement makes it impractical to have an engagement letter with each individual reporting accountant. Standard terms of reference are therefore in place.

Amendments to these standard terms may only be considered in exceptional circumstances and require ESFA's approval through Finance & Provider Market Oversight (such requests should be made to FPMOA.Technical@education.gov.uk). Amendments may cause delay to the reporting accountant's work leading to late submission of the related report and consequent breaches of funding conditions.

1. Introduction

The Provider is required to submit to ESFA a report on the subcontracting standard that is signed by a reporting accountant. These terms of engagement set out the basis on which the reporting accountant will sign the assurance review report on the subcontracting standard.

2. The Provider's responsibilities

The Provider is responsible for:

- complying with the requirements of ESFA's grant funding agreements and contracts, or of any other public funder, including provision of information as required; and
- maintaining proper records complying with the terms of any legislation or regulatory requirements and the terms and conditions of funding

The Provider will make available all records, correspondence, information, and explanations that the reporting accountant considers necessary to enable the reporting accountant to perform its work. The reporting accountant will request, and the Provider shall provide:

- written representations in relation to matters for which independent corroboration is not available
- confirmation that significant matters have been brought to the reporting accountant's attention

The Provider and ESFA accept that the ability of the reporting accountant to perform their work effectively depends upon the Provider providing full and free access to financial, individualised learn and related records. The Provider shall obtain any such records held by a third party and ensure they are made available to the reporting accountant.

The reporting accountant accepts that, whether or not the Provider meets its obligations, there remains an obligation on the reporting accountant to the Provider and ESFA to perform its work with reasonable care. The failure by the Provider to meet its obligations may cause the reporting accountant to modify its report or be unable to provide a report.

3. Scope of the reporting accountant's work

The reporting accountant will use professional judgement and take account of the circumstances of the Provider to determine the scope of work to support the report in accordance with the *Assurance Reviews of the subcontracting standard for Post-16 Providers Framework and Guide for Reporting Accountants*, published by ESFA.

The reporting accountant may communicate with ESFA as part of the planning and delivery of this engagement, where they believe there is an issue, which needs to be brought to the attention of ESFA.

4. Form of the reporting accountant's report

The mandatory reporting requirements that the reporting accountant will provide, on the assumption that the reporting accountant is able to report in that form, is included in the *Assurance Reviews of the subcontracting standard for Post-16 Providers Framework and Guide for Reporting Accountants*, published by ESFA.

The reporting accountant's report is prepared on the following basis:

- it is prepared solely for the use of the Provider and ESFA, and solely for the purpose of submission to ESFA in connection with the requirements of the subcontracting standard. It may not be relied on by the Provider or ESFA for any other purpose
- the Provider, ESFA or others may not rely on any oral or draft reports the reporting accountant provides. Exceptionally and upon request by the Provider or ESFA, the reporting accountant may provide a letter or report on interim findings or specific subcontracting standard matters, based on findings to date and without prejudice to any conclusions contained in the final signed report. Such reports/letters will be subject to a variation of or addendum to these terms, agreed with the Provider and ESFA. Otherwise, the reporting accountant accepts responsibility to the Provider and ESFA for the reporting accountant's final signed reports only
- to the fullest extent permitted by law, the reporting accountants, its partners, and staff neither owe, nor accept any duty to any person or entity (including, without limitation, any person who may use or refer to publications of ESFA) other than the [Insert Name of Provider] and ESFA. They shall not be liable for any loss, damage or expense of whatever nature which is caused by any

person or entity other than the Provider or ESFA's reliance on representations in the reporting accountant's reports

5. Liability provisions

The reporting accountant will perform the engagement with reasonable skill and care and accepts responsibility to the Provider and ESFA, for losses, damages, costs, or expenses ('losses') caused by its breach of contract, negligence, or wilful default, subject to the following provisions:

- the reporting accountant will not be responsible or liable if such losses are due to the provision of false, misleading, or incomplete information or documentation or due to the acts or omissions of any person other than the reporting accountant, except where, on the basis of the enquiries normally undertaken by reporting accountants within the scope set out in these terms of engagement, it would have been reasonable for the reporting accountant to discover such defects
- the reporting accountant accepts liability for the consequences of its own fraud and for any other liability which it is not permitted by law to limit or exclude
- subject to the previous paragraph, the reporting accountant must agree any proposal to limit their liability, whether to the Provider and/or to ESFA, arising on any basis; whether in contract, tort (including negligence) or otherwise, arising from or in any way connected with this engagement (including any addition or variation to the work) with the audit committee and ESFA in advance of approval by the Provider. This is on the basis that the Provider and ESFA agree that any such limitation to the reporting accountant's liability will apply in aggregate to the reporting accountant's liability to the Provider and ESFA

The Provider and ESFA agree that they will not bring any claims or proceedings against any individual partners, members, directors, or employees of the reporting accountant. This clause is intended to benefit such partners, members, directors and employees who may enforce this clause pursuant to the [Contracts \(Rights of Third Parties\) Act 1999](#) ('the Act'). Notwithstanding any benefits or rights conferred by this agreement on any third party by virtue of the Act, the parties to this agreement may agree to vary or rescind this agreement without any third party's consent. Other than as expressly provided in these terms, the Act is excluded.

Any claims, whether in contract, negligence or otherwise, must be formally commenced within 2 years after the party bringing the claim becomes aware (or ought reasonably to have become aware) of the facts which give rise to the action, and in any event no later than six years after the relevant report was issued (or, if no report was issued, when the reporting accountant accepted the engagement in writing). This expressly overrides any statutory provision which would otherwise apply.

6. Fees

The reporting accountant's fees, together with VAT and out-of-pocket expenses, will be agreed with, and billed to, the Provider. **The ESFA is not liable to pay these fees.**

7. Quality of service

The reporting accountant will investigate all complaints. The ESFA or the Provider has the right to take any complaint to the professional supervisory body governing the reporting accountant.

8. Provision of Services Regulations 2009

The reporting accountant will not be prevented or restricted by virtue of the reporting accountant's relationship with the Provider or ESFA, including anything in these terms of engagement, from providing services to other clients. The reporting accountant's standard internal procedures are designed to ensure that confidential information communicated during an assignment will be maintained confidentially.

9. Freedom of Information Act 2000

If ESFA receives a request under the [Freedom of Information Act 2000](#) for the disclosure of confidential information, it will inform the Provider promptly of such request and ensure that any representations made by the Provider, or reporting accountant, are fully taken into account when it responds to the request. However, the decision to release information rests with ESFA.

10. Alteration to terms

Amendment to these standard terms of engagement may only be considered in very rare circumstances. All additions, amendments, and variations to these terms of engagement shall be binding only if in writing and signed by the duly authorised representatives of the parties. These terms do not affect any separate agreement in writing between the Provider and the reporting accountant.

11. Applicable law and jurisdiction

This agreement shall be governed by, interpreted, and construed in accordance with English law.

The Provider, ESFA, and the reporting accountant irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any dispute (including claims for set-off and counterclaims) which may arise on any basis in connection with the validity, effect, interpretation, or performance of, or the legal relationship established by this agreement or otherwise arising in connection with this agreement.

Annex B: subcontracting standard Assurance Declaration

The Provider must complete this statement, electronically, confirming the validity of the reporting accountant's assurance report, and submit it with the report to ESFA.



Department
for Education

subcontracting standard: Assurance Declaration

By noting the check boxes below, I confirm the following:

- I have submitted the final assurance report, issued by the reporting accountant, on my organisation's subcontracting arrangements to ESFA/DfE for 2022 to 2023 funding year.
- The information provided on my organisation is accurate.
- The final assurance report is in its original format as supplied by the reporting accountant and has not been amended.
- I understand that if ESFA/DfE discovers the accompanying information provided with this statement contains material inaccuracies, then my organisation could risk being in breach of contract and subsequent action could be taken by ESFA/DfE.

First name and last name	
Signature	
Provider name	
UK Provider Reference Number (UKPRN)	
Date (DD/MM/YYYY)	

Annex C: Reporting requirements

Each reporting accountant can use their own stylised report. However, the report must include the following as a minimum:

- Name and contact details of the organisation and reporting accountant conducting the assurance review
- Name of the provider being reviewed and the provider contact
- Funding year applicable to the review
- The period over which the review was performed and/or date concluded
- Report status [Draft] / [Final]
- Table of contents
- Executive summary / summary of findings
- Agreed objectives and scope of work
- Approach
- Detailed findings and action plan linked to each point of the Standard in a tabular format with the headings such as:
 - Area of standard
 - Findings / observations / issues / exception
 - Risk / implications
 - Recommendations
 - RAG rating
 - Response from the provider
 - Responsible officer & target date for completing each action

Annex D: Report template

This Annex provides a report template and example content, which the reporting accountant may include within their report. This is based on Annex A, which contains the elements which must be included within the report submitted.

[Name of Audit organisation]

[Name and contact details of reporting accountant]

[Draft] or [Final] Report of the assessment of ESFA Subcontracting standard for [Provider ABC] for funding year [2022/23]

[Insert Date]

[Contents]

Executive Summary

During our review, we have identified the following observations which are recorded in detail at [cross reference to detailed findings] and summarised in the table below:

subcontracting standard Requirements	No of Recs/Exceptions raised	Summary of findings / Exceptions noted
Pre-Award Activities	0	No issues were noted during our review.
Contract Award & Management	2	We identified two areas for improvement. Recommendations have been made in respect of [relevant detail]
People	6	The provider was unable to supply evidence to demonstrate compliance with the standard. Six recommendations have been made in section [x] of this report.
Administration	0	No issues were noted during our review.
Managing Relationships	0	No issues were noted during our review.
Managing Performance	0	No issues were noted during our review.
Payments and Incentives	0	No issues were noted during our review.
Risk Management	0	No issues were noted during our review.
Contract Development and/or termination	0	No issues were noted during our review.
Provider Development	0	No issues were noted during our review.

Introduction

The ESFA consulted on subcontracting reforms in February 2020. As part of that consultation, one of the proposals for reforming the future arrangements for subcontracting of ESFA funded post-16 education and training was that ESFA would develop an externally assured subcontracting standard to replace the audit certification process which was previously required.

The subcontracting standard was developed to drive improvement in the quality of contract management and oversight by lead providers in the post-16 education sector. The ESFA's intent is that this standard will ensure that there is a clear and consistent approach for the (contract) management of subcontractors by lead providers and that there are appropriate and independent oversight arrangements in place. It will help to mitigate the risk of:

- Inadequate (contract) management of subcontractors.
- Non-compliance with ESFA funding rules by subcontractors; and
- Fraudulent and incorrect funding claims.

This report is a review of [Provider ABC's] subcontracting provision. It will assist ESFA in its decision making as to whether the provider has the systems and controls in place to manage their subcontractors in line with the standard and provide assurance that subcontracted provision is appropriately managed.

Objectives and scope

ESFA has established the subcontracting standard and published its framework and guide for an assurance review thereof, which [reporting accountant] has used to design the approach for this review. The framework and guide facilitate a consistent approach (which meets ESFA's expectations) to be adopted by reporting accountants in their review of providers' compliance with the subcontracting standard.

The review has been designed to gain assurance that providers are managing their subcontracted provision and may identify control weaknesses or instances where funding has not been used for the purpose for which it was intended.

Our review covered all requirements of the standard, as detailed in the executive summary, and the compliance with the subcontracting funding rules, which cover the following funding streams [insert as appropriate]:

- Carry-in apprenticeships
- Adult education budget
- Apprenticeships (for starts from 1 May 2017)
- 16 to 19 study programmes

Approach

[Outline the approach and procedures performed i.e., enquiries of management, document review, learner sampling etc. to identify the detailed findings.]

Detailed findings and recommendations

Our detailed observations and recommendations are recorded below:

Area of standard	Finding / observation / issue	Risk/ Implication	Recommendation / Action to be undertaken	RAG Rating	Response from the provider	Responsible Officer & Target Date
2.1 CM	[Nature of finding/ exception]	Insufficient evidence to demonstrate section 2.1 of the standard.	The provider should retain evidence to support...		Disagreed, supplementary evidence submitted to ESFA alongside report.	Jane Smith 01 April 2023
2.1 CM	[Nature of finding/ exception]	Insufficient evidence to demonstrate section 2.1 of the standard.			Agreed	Jules Smith 01 April 2023
3.1 People	[Nature of finding/ exception]	No evidence to demonstrate compliance with section 3.1 of the standard.			Agreed	Janice Smith 01 April 2023
3.2 People	[Nature of finding/ exception]	No evidence to demonstrate compliance with section 3.2 of the standard.			Agreed	Jack Smith 01 April 2023
3.3 People	[Nature of finding/ exception]	No evidence to demonstrate compliance with section 3.3 of the standard.			Agreed	Jorgy Smith 01 April 2023
3.4 People	[Nature of finding/ exception]	No evidence to demonstrate compliance with section 3.4 of the standard.			Agreed	Julie Smith 01 April 2023
3.5 People	[Nature of finding/ exception]	No evidence to demonstrate compliance with section			Agreed	Jake Smith 01 April 2023

		3.5 of the standard.				
3.6 People	[Nature of finding/exception]	No evidence to demonstrate compliance with section 3.6 of the standard.			Agreed	Joey Smith 01 April 2023

Annex E: subcontracting standard – assurance review considerations

1. Pre-award activities

Standard requirements	Considerations	Examples of evidence
<p>There is a clear educational rationale/business case for subcontracting which has been approved at executive/board level sign off.</p> <p>There is a procurement strategy/process which would cover pre-qualification, qualification, and tendering procedures.</p> <p>Tender evaluation is comprehensive and robust. There is a contract management plan.</p> <p>Approval has been sought from ESFA where appropriate.</p> <p>Management fees have been agreed at the appropriate level and published on the organisation’s website.</p>	<p>What has the provider considered to show that there is an educational rationale for subcontracting?</p> <p>Is there a business case that aligns to the provider’s corporate and operational strategies and clearly sets out the policy, business, and operational objectives?</p> <p>Has the education rationale/business case been approved at executive/board level?</p> <p>What consideration has the provider given to the specification and requirements that ensures that the objectives for subcontracting will be met by the subcontractor?</p> <p>Is there a procurement strategy/process? Is this up to date and approved at executive level?</p> <p>Has the procurement strategy/process been followed in producing the ITT documents, going out to tender and tender evaluation?</p> <p>Is there a Contract Management Plan?</p>	<p>Enquiries of management.</p> <p>Subcontracting business case / strategy including an education rationale for subcontracting.</p> <p>Board / appropriate committee minutes to demonstrate approval of the business case, the education rationale, and the process for the ITT & SQQ specification and award requirements.</p> <p>Procurement strategy/policy documents. Invitation to tender documents showing that due process has been followed.</p> <p>Tender evaluation/assessment documentation in line with the procurement strategy/policy.</p> <p>Contract management plan or similar that clearly shows how the contract will work once awarded.</p>

Standard requirements	Considerations	Examples of evidence
	<p>Has the provider sought ESFA approval for any agreed subcontracting terms in relation to distance learning and whole programme subcontracting for 16 to 19?</p> <p>How has the provider determined management fees?</p> <p>Have these been approved at executive level and are they published on the provider's website?</p> <p>Has the provider retained evidence to support their decisions?</p>	<p>Template of the subcontract contract which sets out the obligations of the parties and meets the requirements of the funding rules.</p> <p>Where applicable ESFA approval for whole programme subcontracting.</p> <p>Organisation website showing published management fees and evidence of executive authorisation.</p>

2. Contract award and management

Standard requirements	Considerations	Examples of evidence
<p>Contract managers have clearly defined roles and contract ownership is clear within the organisation.</p> <p>There are well defined policies and processes including a clear contract management plan with a focus on outputs and a 'whole life' approach to performance. Policies are reviewed and up to date.</p> <p>Contract management processes are aligned with, among others, wider organisational governance processes, operational boards, and risk structures.</p> <p>Contract management issues and performance are reported through the governance structure with senior level engagement.</p> <p>There is contract management guidance including regular assessment and evaluation of the processes and activities.</p>	<p>Does the provider have an appropriate function or dedicated staff to undertake their defined roles in managing the subcontracts?</p> <p>Is contract ownership clear, with the budget holder, senior responsible owner (SRO) clearly defined?</p> <p>Are there well-defined policies and processes and a contract management plan which are reviewed and approved by the provider annually?</p> <p>Are there governance arrangements that ensure contract management issues and performance are reported accordingly?</p> <p>Does the contract provide for key performance indicators and milestones?</p> <p>Is there any contract management guidance which ensures consistency, which is evaluated annually following lessons learnt?</p>	<p>Enquiries with management.</p> <p>Job Description.</p> <p>Organisation Chart.</p> <p>Contract Management Policies and Processes.</p> <p>Committee/Executive approval.</p> <p>Contract Management Plan.</p> <p>Contract Management guidance.</p> <p>Evaluation of the contract management policies, processes, and guidance.</p> <p>Contract.</p>

3. People

Standard requirements	Considerations	Examples of evidence
<p>Business continuity / contingency plan incorporates the role of the contract manager(s)/ those with contract management responsibility.</p> <p>The contract manager(s) have the knowledge, skills, and experience to perform the job role as per the job description including having a full understanding of ESFA requirements.</p> <p>The provider ensures that contract managers have clear objectives and reporting lines and have the appropriate delegated authority to manage the contract.</p>	<p>Does the provider have a business continuity / contingency plan? Does this incorporate the role of the contract manager?</p> <p>What process does the provider have to ensure they correctly determine the right level of skills needed and have appointed a person in that role with the right knowledge, skills, and experience in order to undertake the role?</p> <p>Is there a job description for each of the role holders?</p> <p>Has appropriate training has been provided to those with contract management and procurement responsibilities. If so, who attended, when, and what was covered?</p> <p>Does the contract manager have clear objectives and reporting lines and performance is appraised as per the provider's own system?</p> <p>Does the contract manager(s) have appropriate delegated authority to manage the contract effectively?</p>	<p>Enquiries of management.</p> <p>Continuity / contingency plan.</p> <p>CV/Job Description/Organisation Chart.</p> <p>Training and development undertaken.</p> <p>Objectives and appraisal system.</p>

4. Administration

Standard requirements	Considerations	Examples of evidence
<p>Signed contracts are stored and logged.</p> <p>Key contractual information is recorded appropriately.</p> <p>There is schedule of regular as well as ad hoc reporting of contract management information.</p> <p>There are appropriate processes and procedures in place to ensure that contracts are closed and/or terminated timely.</p> <p>There is an appropriate process in place to quantify the information presented in the subcontracting declaration(s) made to ESFA.</p>	<p>What is the provider's process for ensuring the signed contracts are held in a secure location?</p> <p>Are there any controls or processes that ensures all key information is recorded appropriately and accurately? Are retention dates recorded?</p> <p>What management information/reports does the provider produce? Is this sufficient data and information to make informed decisions about the subcontracting arrangements.</p> <p>How does the provider ensure that a contract is closed or terminated timely and under whose authority is this decision made?</p> <p>How does the provider ensure that the subcontracting declaration submitted to ESFA is accurate and complete?</p>	<p>Enquiries of management.</p> <p>Sight of stored location.</p> <p>Management information.</p> <p>Minutes of contract meetings.</p> <p>Timely closed/terminated contracts.</p> <p>Subcontracting declaration.</p>

5. Managing relationships

Standard requirements	Considerations	Examples of evidence
<p>The Provider must have appropriate procedures in place to manage their relationships with subcontractors.</p> <p>Delivery by the subcontractor does not commence until the subcontracts have been signed.</p> <p>Relevant checks are undertaken in relation the subcontractor at least on an annual basis.</p> <p>The respective responsibilities of the contract manager and the subcontractor are clear.</p> <p>There is regular communication between the provider and the subcontractor which is effective in resolving problems.</p>	<p>Does the provider have any procedures in place to manage their subcontractors?</p> <p>Is there any evidence that delivery commenced prior to the contracts being signed? Do the contracts contain all the terms and conditions specified in the funding rules?</p> <p>What processes are in place to ensure that checks are carried out annually in relation to the subcontractor's viability to continue to deliver?</p> <p>Are the joint responsibilities between the provider and the subcontractor clearly defined?</p> <p>How regularly is the provider communicating with the subcontractor and is there evidence of the outcomes of these conversations?</p> <p>Can the provider demonstrate that they have been able to resolve issues/problems?</p>	<p>Enquiries of management</p> <p>Documented procedures for contract management.</p> <p>Signed contracts.</p> <p>ILR records of delivery.</p> <p>Annual checks covering minimum requirements specified in the standard i.e., current financial health position.</p> <p>Defined responsibilities.</p> <p>Documented discussions confirming communication and resolution of issues.</p>

6. Managing performance

Standard requirements	Considerations	Examples of evidence
<p>Subcontractors understand the service they are required to deliver. The contract manager ensures that the lead provider furnishes the subcontractor with the information and contacts needed to deliver the service.</p> <p>A performance management framework is in place when the contract is signed.</p> <p>Subcontractor performance is assessed using clear, objective, and meaningful metrics/KPIs, linked where appropriate to ESFA's funding rules and/or guidance.</p> <p>Clear processes are in place resolve issues as quickly as possible.</p> <p>There are formal performance reviews with Subcontractors, with documented improvement plans agreed where necessary.</p>	<p>Has the provider clearly informed the subcontractor of what they need to do to meet the contract requirements?</p> <p>Has the provider considered a performance management framework and put this in place?</p> <p>How does the provider monitor and assess performance by the subcontractor?</p> <p>How does the provider deal with poor performance and put in place resolutions to ensure that this does not continue?</p> <p>Does the provider hold regular review meetings with the subcontractor? Are these documented?</p>	<p>Contracts alongside other documents outlining requirements.</p> <p>Performance Management Framework</p> <p>Monitoring and assessment of subcontracted delivery. Metrics/KPIs used to measure performance.</p> <p>Compliance checks to ensure subcontractors are adhering to ESFA rules.</p> <p>Management information – key performance indicators and milestones reports.</p> <p>Reports to senior management.</p> <p>Improvement plans.</p> <p>Documented review meetings.</p>

7. Payments and incentives

Standard requirements	Considerations	Examples of evidence
<p>Lead provider will have sufficient processes and procedures in place to effectively monitor the financial payments in relation to their subcontracted provision.</p> <p>Payment mechanisms are documented and are clear and well understood by all parties.</p> <p>The costs of the services delivered, and contract management costs are mapped against budgets and allocated appropriately.</p>	<p>Do the agreements include how the subcontractor will be paid?</p> <p>Are payment processes well defined with appropriate management checks and authorisation processes for paying invoices?</p> <p>Are payments made to the subcontractor in line with the contract and appropriate incentive mechanisms are in place and well managed?</p> <p>Is there evidence of segregation of duties?</p> <p>Is there evidence to demonstrate payments made on time and as agreed?</p>	<p>Contracts / agreements</p> <p>Creditor payments</p> <p>Invoices</p> <p>Budgets</p> <p>Minutes from meetings discussing budget against actuals.</p>

8. Risk management

Standard requirements	Considerations	Examples of evidence
<p>Provider has effective risk management procedures in place to effectively manage the public money which is paid to subcontractors.</p> <p>Risks are formally identified and monitored regularly, with mitigating actions developed and implemented where possible.</p> <p>Escalation and reporting routes are in place for risk governance.</p> <p>Contingency plans are developed to handle subcontractor failure; exit strategies are developed and updated through the life of the contract.</p> <p>Contractual terms around termination are understood.</p>	<p>Does the provider have a risk management procedure and risk register? Is there evidence to demonstrate regular review?</p> <p>Is subcontracting seen as a risk and if so what mitigations against loss of public monies has the provider got in place?</p> <p>Does the risk assessment include legislative and regulatory risks?</p> <p>Has fraud been considered and mitigated against?</p> <p>How often are risks monitored? Is there any risk governance within the organisation?</p> <p>Are there documented procedures for contingency should a provider fail?</p> <p>Are there contractual terms around termination, security, confidentiality of personal data, warranties, identities, and insurance?</p> <p>Does the provider monitor the subcontractor's compliance with contractual 'non-performance' issues?</p>	<p>Risk management process documentation including policies, guidelines, and standards. Risk appetite statement(s) where available. Strategy documents.</p> <p>Control reports or other management reports that contain performance information. Minutes of meetings of board/audit committee and other relevant committees (e.g., risk committee)</p> <p>Results of risk monitoring activities.</p> <p>Contractual terms.</p> <p>Risk register.</p>

9. Contract development and/or termination

Standard requirements	Considerations	Examples of evidence
<p>Contract development and/or termination</p> <p>Analysis of subcontracted activity is performed annually, to inform the progress made in the plans for a reduction across the 3-year period. Contract is regularly reviewed to ensure it meets evolving business needs.</p> <p>The provider ensures there are rigorous processes to handle major contractual changes, including clear approval mechanisms and accountabilities, and controls to demonstrate that changes offer value for money.</p>	<p>Are there processes are in place that clearly lay out the governance of contractual change including approval processes?</p> <p>Is any analysis carried out and/or an action plan to reduce the level of subcontracting?</p> <p>Are contracts reviewed to ensure they are still fit for purpose?</p>	<p>Process documentation.</p> <p>Approval process for contractual changes.</p>

10. Provider development

Standard requirements	Considerations	Examples of evidence
Processes in place that clearly set out how provider development activities will be planned, managed, and governed?	Are there processes in place that set out how provider development activities will be planned, managed, and governed? How does the lead provider understand what motivates and drives the subcontractor and how provider development fits with the provider's goals?	Provider development processes. Minutes of meetings with providers

Annex F: subcontracting standard – self assessment

	Standard	Provider's description of process(es) / control(s) (narrative)	Evidence to support
Pre-award activities			
1.1	There is a clear educational rationale/business case for subcontracting which aligns to the provider's corporate and operational strategies. We would expect the business case to set out the policy, business and operational objectives including consultation with stakeholders and undertaking research to determine the education rationale. This rationale must consider the expectation ESFA has for providers to reduce their subcontracted provision. We would also expect the business case to be presented and approved at executive/board level for sign off.		
1.2	The education rationale meets one or more of the following aims: <ul style="list-style-type: none"> • enhances the opportunities available for learners; • fills gaps in niche or expert provision or provides better access to training facilities; • supports better geographical access for learners; • offers an entry point for disadvantaged groups; or • gives consideration of the impact on individuals with shared protected characteristics, where there might otherwise be gaps. 		
1.3	The drafting process for the specification and requirements. This drafting process is concerned with breaking down the overall scope documented as part of the educational rational /business strategy into more detail and then, progressively, and iteratively, refining into schedules of detailed requirements, ensuring that the objectives for subcontracting will be met and the subcontractor will meet the requirements of this standard along with the requirements laid out in the funding rules.		

1.4	There is a procurement strategy that would cover the pre-qualification, qualification, and tendering procedures. As part of the strategy, whether this is new or an existing process, the provider would need to decide what pre-qualification is required in respect of the criteria resulting in a Pre-Qualification Questionnaire (PQQ) being produced for those expressing an interest.		
1.5	That the PQQ is sufficient to collect, but not limited to, the following information: organisation, including ultimate parent details including identity, ownership and background, principal activities (past and present), organisational chart, contractor/sub-contracting approach, professional/commercial affiliations, legal, financial, capability, quality management systems, Ofsted reports and experience and track record.		
1.6	The procurement strategy/process ensures that a robust assessment process for selecting subcontractors has been established that would review the subcontractor's completed PQQ as well as their capability to control quality, delivery, quantity, price and all the other factors contained in the subcontract. Following a successful appraisal, the subcontractor is placed on an approved list of contractors.		
1.7	The procurement process includes the drafting of the ITT documents. Attention should be paid by the provider to ensure that the contract document sets out clearly, comprehensively, and unambiguously, the obligations of the parties to the agreement.		
1.8	The evaluation process includes not only the analysis of the potential subcontractor's response to the main subject matter of the requirements set out in the ITT, such as price, delivery, quality, methodology, for example but also, most importantly, the quality of the bidder's offer. There should be a clear rationale for how the tenders are evaluated and scored.		

1.9	That following tender evaluation and, where appropriate, negotiation, the provider will satisfy themselves that an offer has been made which meets its requirements in all respects, including budgetary and capability, and consider that it is able to accept an offer and award the contract to the tenderer who meets the contract specification. It may then move directly to the award stage or make a recommendation to higher authority levels within the organisation for acceptance is aligned to the provider's strategic and operational objectives.		
1.10	That there is a contract management plan which determines how the contract will work once it has been awarded. It is vital that a contract management plan is drawn up in advance of contract award. This should set out how the obligations of all the parties should be carried out effectively and efficiently.		
1.11	That the proposed subcontract will meet the agreed educational needs, that it is achievable and affordable, and it addresses the desired outcome(s) of the subcontract, critical success factors, the possible alternatives, including existing contracts, the risks including the extent and where they may fall, identification of any contingent needs and ramifications of proceeding and timescales.		
1.12	Where appropriate you have sought approval from ESFA for any agreed subcontracting terms in relation to distance learning and whole programme subcontracting for 16 to 19 and there is evidence to support this.		
1.13	That management fees have been determined for the full range of funding retained and charges that they wish to apply, and these have been agreed at executive level and published on the website. These should only exceed 20% in exceptional circumstances, which, in all cases will ESFA reserve the right to challenge.		

Contract award and management			
2.1	That all awarded contracts are managed by staff within the organisation who have clearly defined role(s) that have been agreed as part of the overall considerations in producing the business case.		
2.2	The defined roles ensure that contract ownership is clear, with the budget holder, senior responsible owner (SRO), and contract manager clearly defined (where appropriate).		
2.3	<p>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. For example, this must include, where appropriate, evidence of how the provider will:</p> <ul style="list-style-type: none"> a. manage and oversee 16 to 19 distance and whole programme provision through the life of each learner's programme of study. b. define how whole programme subcontracting for AEB will be agreed and managed. c. ensure apprenticeship provision is not delivered solely by a subcontractor, as per the apprenticeship funding rules with specific regard to substance, leading the relationship, and the subcontracted delivery complimenting the main provider's programme. 		
2.4	How these policies, including the rationale, are reviewed by the provider ahead of each Funding Year. Furthermore, the provider should demonstrate that the policies and rationale have been appropriately authorised through the organisation's governance structure. Once reviewed, updated policies must be published by 31 October in the relevant funding year.		
2.5	Where appropriate, overall ownership of contract management across the organisation is clear, with a 'contract management senior responsible owner' with responsibility for driving organisation-wide contract management performance.		
2.6	Contract management processes are aligned with, among others, wider organisational governance processes, operational boards, and risk structures.		

2.7	Contract management issues and performance are reported through the governance structure with senior level engagement.		
2.8	Regular assessment and evaluation must take place to ensure that the cost of contract management activities is justified and proportionate to the benefits obtained.		
2.9	Knowledge management is embedded, capturing key data and lessons from contract management process and experience both within the organisation and more widely.		
2.10	Professional contract management guidance is developed, or identified from external sources, and made available to contract managers.		
2.11	An appropriate assessment to ensure extremist organisations are not funded through the subcontracting Department of Education funding.		
People			
3.1	That either your business continuity / contingency plan incorporates the role of the contract manager(s)/ those with contract management responsibility (ideally through involvement during the tendering/contract award processes) or you ensure continuity by ensuring there are appropriate handover / information sharing procedures in place.		
3.2	The contract manager(s) have a detailed knowledge of the contract and other relevant issues, such as service level agreements, requirements in line with ESFA contract and funding rules and current subcontractor performance.		
3.3	The contract manager(s) have the appropriate skills (both specific contract management skills and more general commercial awareness and expertise), with access to relevant training and development. Experienced contract managers are utilised on key contracts.		
3.4	Contract manager(s) have accurate job descriptions, roles are positioned at an appropriate level and salary, and there is a career path for contract management staff.		

3.5	Contract manager(s) have clear objectives and reporting lines, and their performance is managed through reviews and appraisals.		
3.6	The contract manager(s) have appropriate delegated authority to manage the contract effectively.		
Administration			
4.1	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.		
4.2	Key contractual information is recorded appropriately to allow, for example; search capability; documentation of up-to-date contract information; and key dates.		
4.3	There are mechanisms in place for identifying key contract 'trigger points', such as notice periods.		
4.4	There is schedule of regular as well as ad hoc reporting of contract management information and retention of appropriate documentation i.e., minutes of contract meetings, reviews of teaching and learning etc.		
4.5	There are appropriate processes and procedures in place to ensure that contracts are closed and/or terminated efficiently.		
4.6	The provider has considered the cost of contract management activities to the subcontractor, and the cost is proportionate to the contract size and risk.		
4.7	There is an appropriate process in place to quantify the information presented in the subcontracting declaration(s) made to ESFA. Where the information made in the declaration significantly changes an updated declaration should be made to ESFA as soon as possible.		

Managing relationships			
5.1	The minimum provisions within ESFA's Subcontracting rules form part of their subcontract agreement(s) and learning and/or delivery must not commence prior to a signed contract being in place between the two parties.		
5.2	Proactive conversations and/or independent checks are undertaken in relation the subcontractor at least on an annual basis which cover and document as a minimum, the subcontractor(s): <ul style="list-style-type: none"> a. Current ownership and person of significant control. Notification must be made to ESFA where this has changed from a previous year. b. Current/ latest financial health position. c. A review of learning activity delivered, including compliance with the relevant funding rules for each programme. d. The subcontractor(s) business continuity / contingency plan remains relevant or has been updated appropriately. 		
5.3	Their contract manager understands their own role and has clear visibility of the roles and responsibilities of staff on the subcontractor side.		
5.4	The respective responsibilities of the contract manager and the subcontractor are clear, and potentially defined in a 'joint statement of intent' or similar document.		
5.5	Continuity of key subcontractor staff is desirable (ideally through involvement during the sales process); where this cannot be achieved, there must be a handover from the staff responsible for the tendering process.		
5.6	Both regular structured and informal communication routes between the contract manager and subcontractor are open and used; customer and subcontractor staff are co-located where appropriate.		
5.7	Users are given clear expectations and an understanding of the contract and the services/ performance to be delivered (for example, through newsletters or briefings).		

5.8	Communications between the contract manager, subcontractor, 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.		
5.9	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).		
Managing performance			
6.1	Service management is well structured; baselines are understood by both parties, and subcontractors understand the service they are required to deliver. The contract manager ensures that the lead provider furnishes the subcontractor with the information and contacts needed to deliver the service.		
6.2	A performance management framework is in place when the contract is signed. The framework is comprehensive, objective and provides incentives for the subcontractor to meet or exceed agreed performance standards.		
6.3	Service levels agreements are in place, and are linked to business needs, understood by the subcontractor, and monitored by the contract manager and/or end users.		
6.4	Subcontractor performance is assessed using clear, objective, and meaningful metrics, linked where appropriate to ESFA's funding rules and/or guidance.		
6.5	Clear processes are in place to handle operational problem resolution and resolve issues as quickly as possible.		
6.6	Where appropriate, user compliance with the contract is monitored and managed to ensure maximum operational effectiveness and value for money.		
6.7	Regular and routine feedback is given to Subcontractors on their performance.		

6.8	There are clear contact points for service users both within the Subcontractor organisation and with the contract manager. Users understand what the contract is intended to deliver and are involved in the assessment of Subcontractor performance where relevant. Users understand escalation routes where issues arise.		
6.9	Changes in user requirements are captured and considered as part of formal change and contract management processes.		
6.10	There are formal performance reviews with Subcontractors, with documented improvement plans agreed where necessary, covering both operational issues and adherence to key contractual requirements, for example, on data security.		
Payments and incentives			
7.1	Payment mechanisms are documented and are clear and well understood by all parties (including incentives, penalties, and non-standard charges).		
7.2	Payment processes are well defined and efficient; appropriate checks and authorisation processes are in place for paying invoices.		
7.3	The costs of the services delivered, and contract management costs are mapped against budgets and allocated appropriately.		
7.4	Payment changes after the contract is let, for example from contract variations or benchmarking/ market testing, are made using contractual provisions and demonstrated to provide value for money.		
7.5	Payments are not made in advance of evidence to demonstrate learning activity has been undertaken.		

Risk management			
8.1	Contractual/subcontractor risk management is in place with clear responsibilities and processes, identification of who is best placed to manage risk, and subcontractor involvement where appropriate.		
8.2	Risks are formally identified and monitored regularly, with mitigating actions developed and implemented where possible, and 'obsolete' risks removed from consideration where appropriate.		
8.3	Escalation and reporting routes are in place for risk governance.		
8.4	Contingency plans are developed to handle subcontractor failure (temporary or long-term failure/default); exit strategies are developed and updated through the life of the contract.		
8.5	Contractual terms around termination are understood and monitored by the contract manager		
8.6	Contractual terms around warranties, indemnities and insurance are understood and monitored by the contract manager.		
8.7	Contractual terms around security and confidentiality are understood and monitored by the contract manager, particularly issues relating to the security/confidentiality of personal data.		
8.8	Dispute resolution processes are in place, including agreed adjudication procedures, mediation, and arbitration.		
8.9	The contract manager monitors the subcontractor's financial health and business performance (including using credit rating agencies).		
8.10	The contract manager monitors the subcontractor's compliance with contractual 'non-performance' issues (for example, on tax and sustainability targets).		

Contract development and / or termination			
9.1	Undertake analysis of their subcontracted activity each year, to inform the progress made in their plans for a reduction across the 3-year period.		
9.2	Regularly review the subcontract (with a view to updating where necessary) to ensure it meets evolving business and educational needs.		
9.3	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.		
9.4	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.		
9.5	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.		
9.6	Where appropriate, undertake value for money testing of existing services through benchmarking or other processes.		
9.7	Ensure there are processes to cover the introduction of new services under the contract, including market testing where necessary.		
9.8	Have dispute handling processes in place to address any change related issues.		
9.9	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.		
9.10	Ensure processes are in place to handle commercial (financial) changes to the contract in a fair and structured manner.		
9.11	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.		

9.12	Demonstrate their rationalisation of specifications and demand management are considered as options to achieve better value for money.		
Provider development			
10.1	Processes in place that clearly set out how provider development activities will be planned, managed, and governed.		
10.2	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.		
10.3	The lead provider understands what motivates and drives the subcontractor and how provider development fits with the provider's goals.		
10.4	Provider operational performance improvement activities (for example, 'Lean' and '6-sigma'), with potential input or assistance provided by the lead provider.		
10.5	Joint working or shared activities between the two parties for the benefit of both the provider and subcontractor (for example, process improvement, shared training, task forces or joint project teams).		
10.6	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)).		
10.7	Shared risk reduction programmes or activities.		
10.8	Shared management activities (for example, provider boards) to drive performance improvement.		



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