Addendum to the apprenticeship funding and performance management rules
May 2017 to March 2018

Introduction

SC1. This document is an addendum to the apprenticeship funding and performance management rules May 2017 to March 2018. This document sets out separate rules for subcontracting delivery of apprenticeships for non-levy paying employers.

SC2. This addendum forms part of your terms and conditions for the use of government-employer co-investment and you must read them in conjunction with your funding agreement or contract for services with the Secretary of State for Education, acting through the Education and Skills Funding Agency (the ESFA), an executive agency of the Department for Education.

SC3. We will apply these separate rules to all apprenticeship programmes for non-levy paying employers starting on or after 1 May 2017 until 31 December 2017. This includes both apprenticeship frameworks and standards. This does not include apprenticeship programmes for levy-paying employers who have exhausted the funds in their digital account.

SC4. The key changes from the ‘2017 to 2018 apprenticeship funding and performance-management rules for training providers’ are:

4.1. The rule requiring the main provider to directly deliver a volume of training and/or on-programme assessment some substance does not apply to delivery for non-levy paying employers.

4.2. Permission must be sought from us to subcontract for the first time.

4.3. Second-level subcontracting is allowed on an exceptional basis. Permission must be sought from us to do this.
Subcontracting apprenticeship delivery for non-levy paying employers

SC5. You can only be funded for apprenticeship delivery to employers who do not pay the apprenticeship levy if you have a contract with us for the delivery of apprenticeships and you are also on the Register of Apprenticeship Training Providers (RoATP).

SC6. If any of your delivery subcontractors undergoes a change of circumstances that affects its ability to continue to deliver under a subcontract with you, you must make alternative delivery arrangements for each apprentice affected by this, in agreement with their employer. Change of circumstances include going into liquidation, administration, key delivery staff leaving the organisation, or removal from the register of apprenticeship training providers.

SC7. Training providers who have a contract with us to deliver apprenticeships for non-levy paying employers must follow the Apprenticeship Funding and Performance Management Rules for Training Providers May 2017 to March 2018. However, the following rules do not apply:

P123, P131, P132, P133 (including P133.1 to P133.8 inclusive) and P139

In addition, the following rules apply:

Contracting

Staying on the register of apprenticeship training providers

SC8. The register of apprenticeship training providers is the ESFA’s current market entry point for organisations that intend to deliver apprenticeship training and/or on-programme assessment or operate in our supply chain as a subcontractor with an aggregated contract value of £100,000 or more. You can find out further information about the register of apprenticeship training providers on GOV.UK.

SC9. If you and any subcontractors want to continue to be listed on the register of apprenticeship training providers, you must successfully complete the register of apprenticeship training providers refresh and update your information when we ask you to. If you fail, or do not update when we ask you to, you must apply at the next opening. During this period, you and any subcontractors will not:

9.1. be listed on the register of apprenticeship training providers

9.2. be invited to tender, and

9.3. be able to increase contract value through growth cases

Written approval of new subcontractors

SC10. If you have not previously subcontracted provision we fund, you must get our written approval before awarding a contract to a subcontractor and keep evidence
of this. You can find details about seeking written approval on GOV.UK.

**Distributing income between you and your subcontractors**

**SC11.** You must review your supply-chain fees and charges policy and this must be signed by your governing body or board of directors and your accounting officer.

**SC12.** You must publish your supply-chain fees and charges policy on your website before entering into any subcontracting agreements for delivery of new apprenticeship starts to non-levy paying employers for the duration of this funding agreement extension.

**SC13.** Your fees and charges policy must only include ‘provision subcontracting’. This is when you subcontract the delivery of full apprenticeship frameworks or standards. It is not subcontracting a service as part of the delivery of a programme (for example, part of an apprenticeship framework or standard). If you are not sure whether your subcontracting is ‘provision subcontracting’, please discuss this with your business operations provider manager.

**SC14.** You must, as a minimum, include the following in your supply-chain fees and charges policy.

14.1. Your reason for subcontracting.

14.2. Your contribution to improving yours and your subcontractor’s quality of apprenticeship training and/or on-programme assessment.

14.3. The typical percentage range of fees you retain to manage subcontractors, and how you calculate this range.

14.4. The support subcontractors will receive in return for the fee you charge.

14.5. If appropriate, the reason for any differences in fees or support provided to different subcontractors.

14.6. Payment terms between you and your subcontractors; timing of payments in relation to delivering apprenticeship training and/or on-programme assessment and timescale for paying invoices and claims for funding received.

14.7. How and when the policy is communicated and discussed with current and potential subcontractors.


14.9. Where the policy is published.
SC15. You must also tell us the actual level of funding paid and retained for each of your subcontractors for the duration of your contract with us. You must email this information to your business operations provider manager using a template we will supply to you. We will let you know the date by when you must do this. We will publish the information on GOV.UK.

15.1. The actual level of funding paid and retained must only include ‘provision subcontracting’, which we define in paragraph SC11.

SC16. You must include the following in your published supply-chain fees and charges.

16.1. Name of the subcontractor.

16.2. The UK Provider Reference Number of the subcontractor.

16.3. Contract start and end date.

16.4. Type of provision (for example, 16 to 18 apprenticeships, 19+ apprenticeships).

16.5. Funding we have paid to you for provision delivered by the subcontractor during the duration of your contract with us.

16.6. Funding you have paid to your subcontractor for provision delivered during the duration of your contract with us.

16.7. Funding you have retained in relation to each subcontractor during the duration of your contract with us.

Second-level subcontracting

SC17. You must get our written approval each year if you want to subcontract to a second level. We will only allow this in exceptional circumstances. You can find more information about subcontracting to a second level on GOV.UK.

SC18. You must declare any second-level subcontracting on your subcontractor declaration form.

Collection of non-levy paying employers’ co-investment contribution by a delivery subcontractor

SC19. The responsibility for the, collection, recording and evidence of non-levy paying employer co-investment remains with the main provider but they can choose to subcontract the collection and evidence to the subcontractor if required. When the subcontractor collects the co-investment the financial transaction must be visible in the subcontractors’ financial systems.

SC20. Where you arrange for a subcontractor to collect the employer’s co-investment contribution:
20.1. you must ensure your subcontractor’s collections meet the rules set out in the employer co-investment section (paragraph P171 to P176)

20.2. you are responsible for recording the co-investment contribution on the ILR (see paragraph P175.2)

20.3. you are responsible for ensuring the subcontractor follows rule P172

20.4. we may take action where your subcontractor has, refunded, returned or failed to collect the employer’s co-investment contribution