

# Delivery Partner Negotiated Price Policy 2018-19

---

## Scope

The policy applies to all supply chain activity supported with funds supplied by the Education and Skills Funding Agency (ESFA) or any successor organisations.

## Context

The policy is a mandatory requirement that must be in place prior to participating in any subcontracted delivery partner provision or supply chain management arrangement. The content of this policy has been developed in line with the AoC/AELP Common Accord, the ESFA Funding Rules and the LSIS Supply Chain Management document.

## Overarching Principle

HIT Training will use its Delivery Partners to optimise the impact and effectiveness of service delivery to the end user. HIT Training will therefore ensure that;

Supply chain management activities comply with the principles of best practice in the skills sector. In particular they will be guided by the principles given in the LSIS publication “Supply Chain Management – a good practice guide for the post-16 skills sector” (November 2012 and subsequent iterations)

HIT Training will at all times undertake fair and transparent procurement activities, conducting robust due diligence procedures on potential Delivery Partners to ensure compliance with the Common Accord at all levels and to ensure the highest quality of learning delivery is made available, demonstrating value for money and a positive impact on learner lives.

The funding that is retained by HIT Training will be related to the costs of the services provided. These services, and the levels of funding being retained for them, are clearly documented and agreed by all parties, as set out in the contract agreement. The rates of such retained funding will be commercially viable for both sides and will be negotiated and agreed in a fair and transparent manner. They will be proportionate to the actual services being provided.

Where disputes between Delivery Partners cannot be resolved through mutually agreed internal resolution procedures, HIT Training will submit to independent outside arbitration or mediation and abide by its findings. Contract documents will require both parties to agree that the achievements of Delivery Partners are attained through adherence to both the letter and spirit of contracts or delivery. Signatories therefore commit that all discussions, communications, negotiations and actions undertaken to build, maintain and develop supply chains will be conducted in good faith in accordance with the Overarching Principle.

## Policy and Rationale for recruitment and selection of Delivery Partners

HIT Training engages with Delivery Partners to better meet customer needs. Our policy as to how we recruit and select partners is:

- To temporarily expand provision to meet a short term need.

- To provide immediate provision whilst expanding direct capacity. This might include working with Delivery Partners to explore and learn about new frameworks or sectors prior to investment in resources.
- Providing access to, or engagement with, a new range of customers.
- To ensure delivery intention is met where there is a recognised risk in direct provision (e.g. through JCP referrals not being realised).
- To support another provider to develop capacity/quality.
- To provide niche delivery where the cost of developing direct delivery would be inappropriate.
- To support employers with a wide geographic requirement.

### **Quality Assurance**

The quality of the provision will be monitored and managed through the existing HIT Training quality audit arrangements and observation of practise as designated by a partner's overall risk banding grade.

The observation of partners will result in a report from HIT Training that will state areas of good practice identified and areas for development to improve the quality of provision. In addition to observation visits, partners can request access to information and guidance on preparing for Ofsted inspection and sharing of information relevant to operating as an approved centre.

### **Publication of information relating to Delivery Partnerships**

In compliance with the ESFA and other agency funding rules that apply, HIT Training will publish its delivery partner negotiated price policy and actual end-of-year Delivery Partner funding and negotiated prices on the company website each ESFA Contract year (and in the case of actual end of year data, as required by the ESFA). This will only relate to Delivery Partner provision, i.e. delivery of full programmes or frameworks. It will not include the delivery of service as part of the delivery of a programme (for example buying the delivery of part of an Apprenticeship framework or outreach support.) Delivery Partner and supply chain lists will be agreed with any available ESFA published formats prior to publication.

HIT Training will ensure all actual and potential Delivery Partners have sight of this policy and any other relevant documents, such as risk banding. Risk banding includes:

- The typical percentage range of negotiated price to manage the supply chain, and how this range is calculated.
- The rationale used to determine the negotiated price through each Delivery Partner is a risk based approach.
- The contributory risk factors that would result in differences in negotiated price for, or support provided to, different Delivery Partners might include:
  - Previous track record
  - Success levels
  - Type of customers to be engaged
  - Type of provision to be undertaken
  - Contract duration

The risk band that will be used to allocate HIT Training's negotiated price. Risk factors are given a score so that each Delivery Partner is aware of why they are in a particular band, this process will be used to give Delivery

Partners an incentive to improve and thus reduce the risk band that they fall in. For example, higher risk Delivery Partners will be allocated less funding but receive more monitoring and support.

Details of any successful completion 'bonuses' where Delivery Partners are paid some of the money retained, once it is clear that they will fulfil their contract.

Payment terms between HIT Training and the Delivery Partner – timing of payments in relation to delivering provision and timescale for paying invoices and claims for funding received.

The support a Delivery Partner will receive in return for the negotiated price.

### **Communication**

This Policy will be reviewed annually in July and updated as required. It will be published on HIT Training's website on the 1st August prior to the start of the new ESFA Contract year in which it will be applied. Potential Delivery Partners will be directed to it as the starting point in any relationship.

### **Subcontracting by the Delivery Partner**

Hit Training does not expect Delivery Partners will subcontract any part of their contract with HIT Training to a third party. Any exceptional reasons which may lead a Delivery Partner to consider subcontracting should be discussed with HIT Training in the first instance, and would require approval by the ESFA before proceeding. The terms of the contract between HIT Training and the Delivery Partner would continue to apply in the event of sub- contracting.

### **Contingency Planning**

Should HIT Training withdraw from a contract with a Delivery Partner, or should a Delivery Partner withdraw from the arrangement, or should a Delivery Partner go into administration or liquidation, HIT Training will consider any such occurrence subject to its individual circumstances, for the best possible outcome for the learners, and where applicable, the employers of those learners. HIT Training would look to our ongoing sub-contractor base, and if this is not viable, HIT Training would evaluate whether it had resource and expertise internally. Should this not be the case, HIT Training would look to its broader network to source the appropriate expertise.

### **The Negotiated Price Risk Factor Table**

The standard HIT Training service will typically range from 15% to 20% of all funding drawn down against the provision to be delivered. This figure represents the total cost that HIT Training incurs in effectively identifying, selecting and managing all Delivery Partners provision. This includes the amount of administration and QA activity that HIT Training would attach to the risk rating of the Delivery Partner.

Further price negotiation may be required to cover any of HIT Training's additional support that HIT Training deems necessary to ensure the quality of teaching and learning and the success rates of any supply chain provision.

Further price negotiation is determined using a weighted table of risk factors. The table is available to all actual and potential Deliver Partners. It is designed to ensure that additional support provided to a Delivery Partner is covered through the funding retained. Prices may be negotiated each year at contract renewal, giving Delivery Partners the opportunity to enhance their negotiated price through continuous improvement. Delivery Partners new to contracting with HIT Training may be prudently assessed at the higher level of risk, with negotiated price applicable to this level of risk, until their performance has been proven under contract. This approach will allow HIT Training to focus support where and when it is needed.

Benchmark Criteria	Scale	Score
Overall success rates for AAP	70%	1
	66 - 69%	2
	65 - 63%	3
	62% or less	4
Overall success rates for APP	75%	1
	71 - 74%	2
	68 - 70%	3
	67% or less	4
Overall success rates for NVQ only	80%	1
	76 - 79%	2
	75 - 73%	3
	72% or less	4
Overall success rates for E3 qualifications	85%	1
	80-84%	2
	76 - 79%	3
	75% or less	4
Overall success rates for L1 qualifications	85%	1
	80 - 84%	2
	76 - 79%	3
	75% or less	4
Overall success rates for Other Vocational qualifications (all levels) only	85%	1
	80 - 84%	2
	76 - 79%	3
Out of funding learners as a % of a contract	0%	1
	1 - 2%	2
	3 - 4%	3
	5%+	4
Observation grading. Each partner will be observed at least once a quarter - we will look at the quality of teaching, learning and assessment in line with the common inspection framework.	Grade 1	1
	Grade 2	2
	Grade 3	3
	Grade 4	4
Compliance results (error ratings to be applied) Based on 10-30% sample	1%	1
	2%	2
	5%	3
	6%+	4
Job entries per quarter	50% or more	1
	30 - 49%	2
	15 - 29%	3
	0 - 14%	4
<u>Ofsted</u> Grade	Grade 1	1
	Grade 2	2
	Grade 3	3
	Grade 4	4

### **Additional support for Delivery Partners**

The precise additional support given to each Delivery Partner will be negotiated individually, but will be based on the risk approach, and may include:

- Additional Quality visits
- Additional site visits
- Additional Teaching & Learning observation
- Additional tutor support
- More rigorous verification

The risk band will be determined using the table above.

### **Additional price negotiation**

HIT Training may also retain funding to cover the cost of any funded activity that it might undertake on behalf of the Deliver Partner such as:

- Awarding Organisation fees and charges
- Hiring of facilities/equipment within/from HIT Training
- Internal Verification