

WEST MIDLANDS COMBINED AUTHORITY

SKILLS PROGRAMMES Supply Chain Funding Rules

2023/2024

(For the funding year 1 August 2023 to 31 July 2024)

Version 1

This document sets out the Supply Chain rules that apply to all providers of education and training who receive skills programmes funding, including but not limited to Adult Education Budget funding, Free Courses for Jobs (FCFJ) funding, UK Shared Prosperity Fund (UK SPF), Multiply and/or National Skills Fund Technical 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 B. Providers must read these in conjunction with the Skills Programme Funding rules, Skills Programmes Provider Payment & Performance Management Framework, and any other related operational guidance.

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Section 1. Introduction and Aim

1. Introduction

- 1.1. This document sets out the West Midlands Combined Authority (WMCA) Skills programmes supply chain funding rules for the 2023 to 2024 funding year (1 August 2023 to 31 July 2024).
- 1.2. It aims to set out a clear and consistent approach for the (contract) management of supply chain partners by lead providers.
- 1.3. The Skills Programmes Supply chain funding rules apply to Adult Education Budget (AEB), Free Courses for Jobs (FCFJ), Multiply funding, UK Shared Prosperity Fund (UKSPF), and the National Skills Fund (NSF) Technical Bootcamps.
- 1.4. The rules apply to all providers of education and training who receive either devolved AEB funding or delegated FCFJ or NSF Technical Bootcamp funding from the WMCA.
- 1.5. These Funding Rules do not apply to apprenticeships, advanced learner loans or to 19 to 24 traineeship programmes, that began before 31 July 2023 - You can access these separate funding rules on the [GOV.UK website](#)
- 1.6. This document forms part of the terms and conditions of your contract, and you must read them in conjunction with your funding agreement. You must operate within the terms and conditions of the funding agreement, these rules, the [Skills Programme Funding rules](#), the [Performance Management Framework](#) and the [WMCA Coding guidance](#). If you do not, you are in breach of your funding agreement with WMCA.
- 1.7. Additional guidance on the delivery of programmes funded through the above-mentioned streams may be given in programme-specific documents listed in [Annex B](#). Providers must read these in conjunction with these [Supply Chain Funding Rules](#).
- 1.8. All information, including any hyperlinks, was correct when the WMCA published this document. During the 2023/2024 funding year, this document will be kept under review to reflect how we may need to respond to the changing economic context.
- 1.9. The WMCA reserves the right to make changes to these rules and will publish any updated versions on the WMCA website. It is your responsibility to ensure that you regularly visit the [WMCA website](#) and comply with the current versions of these rules.

2. Future policy intent

- 2.1. We would like to see a reduction in the overall volume of supply chain delivery in the sector.
- 2.2. From the 2024 to 2025 funding year onwards, supply chain, in any given funding stream may only be up to 25% of that funding stream, unless the express permission of WMCA has been sought and granted via a [Business case](#) or the contract was awarded as part of WMCA commissioning. Local Authorities are exempt from this rule.
- 2.3. From 2023/2024 we are asking providers to review their supply Chain approach and reduce the amount of their Supply Chain in order to meet the 25% limit by 2024 to 2025 funding year and each subsequent funding year thereafter.
- 2.4. This intention has been put in place to ensure learners receive the best possible education and training and to enable WMCA to have oversight of the use of public funds, ensuring these are spent appropriately, and providing value for money.
- 2.5. Where a provider does not think it can make a reduction, a [Business case](#) should be submitted no later than May 2024.
- 2.6. Additionally, WMCA is particularly concerned about the use of third-party companies to 'Funder/find' learners, who often recruit, provide IAG and sign-up learners on behalf of an

organisation. WMCA will monitor these and will want to discuss with any providers the rationale for the use of such services and why they are unable to attract learners to their provision themselves.

3. Our aims are as follows:

- 3.1. reduce the overall volume of supply chain activity.
- 3.2. eliminate supply chain that is undertaken for purely financial reasons.
- 3.3. retain a supply chain that meets niche or specialised needs, improves access, and provides opportunities for disadvantaged learners.
- 3.4. strengthen our monitoring and improve our assessment of risks to enable the identification of problems earlier. This will result in additional checks and reviews against supply chain declarations.
- 3.5. intervene more quickly and decisively.

4. These aims will assist in mitigating the risk of

- 4.1.1. inadequate (contract) management of supply chain
- 4.1.2. non-compliance with WMCA funding rules by supply chain
- 4.1.3. fraudulent and incorrect funding claims

Section 2. Supply Chain Definitions

5. WMCA definition of Supply chain

- 5.1. The WMCA defines a supply chain delivery partner as a separate legal entity that has an agreement with you. A separate legal entity includes companies in your group, other associated companies, and sole traders.
- 5.2. The term 'supply chain delivery partner' will encompass all third-party arrangements you have with other organisations, where they are managing, delivering, or helping to fulfil a proportion of your WMCA delivery plan, in order for you to meet your contractual obligations. This includes:
 - 5.2.1. 'learner funder/find' services, job placement services and brokerage services.
 - 5.2.2. any individual which could include a person who is a sole trader, self-employed, or employed by an agency unless those individuals are working under your direct management and control in the same way as your employees.
 - 5.2.3. the delivery of all or elements of the teaching, learning or assessment.
- 5.3. For clarity, if you are using the funds that are paid to you by WMCA to pay for services relating to any aspect of the learner experience, or to meet your contractual obligations, then this is part of your supply chain, and as such will require all relevant detail on your 2023/24 Supply chain declaration.
- 5.4. These arrangements must also be identified when completing the ILR, using the Partner UKPRN Field.
- 5.5. Each lead provider and supply chain delivery partner must have a valid UK Provider Registration Number (UKPRN) where they are delivering any element of teaching, learning or assessment.

Section 3. Supply chain policy intent

6. Supply chain rationale

- 6.1. WMCA will seek to ensure the use of supply chain for WMCA-funded providers meet one or more of the following aims:
 - 6.1.1. enhances the opportunities available for learners.
 - 6.1.2. fills gaps in niche or expert provision or provides better access to training facilities.
 - 6.1.3. supports better geographical access for learners.
 - 6.1.4. offers an entry point for disadvantaged groups; or
 - 6.1.5. gives consideration of the impact on individuals with shared protected characteristics, where there might otherwise be gaps.
- 6.2. You must not use supply chain for delivery to meet short-term funding objectives.
- 6.3. You must only use supply chain arrangements if you have the knowledge, skills, and experience within your organisation to:
 - 6.3.1. competently procure and contract
 - 6.3.2. contract with and manage those supply chain delivery partners.
 - 6.3.3. can evidence this with the CVs of relevant staff.
 - 6.3.4. you have robust procedures in place to ensure supply chain use does not lead to the inadvertent funding of extremist organisations.
- 6.4. You are responsible for the actions of your supply chain delivery partners connected to, or arising out of, the delivery of the services.

Section 4. Supply chain Pre awarding

7. Pre-award activity

- 7.1. Before you enter a supply chain arrangement you must be able to demonstrate:
 - 7.1.1. There is a clear educational rationale for supply chain, which aligns with the corporate and operational strategies.
 - 7.1.2. Your rationale for supply chain needs, including business and operational objectives, consultation with stakeholders, and research undertaken.
 - 7.1.3. Your procurement strategy/process in ensuring that a robust assessment for selecting supply chain has been established. There should be a clear rationale for how the tenders are evaluated, scored, and awarded.
 - 7.1.4. Your due diligence process included but not limited to identity, ownership and background, principal activities (past and present), professional/commercial affiliations, legal, financial, capability, quality management systems, Ofsted reports and experience and track record for delivery.
- 7.2. If you have not previously used a supply chain delivery partner for provision we fund, you must get our written approval before awarding a contract to a supply chain delivery partner and keep evidence of this.
 - 7.2.1. We would expect the business case to set out clear rationale for supply chain use. Evidence of approval should be available if requested.
- 7.3. If you intend to secure services that have been defined as 'supply chain' through a procurement exercise or a broker, then you must notify the WMCA in advance.

- 7.4. Failure to act in line with the rules provided may result in a reduction of the maximum contract value in line with the proposed funding value to the new supply chain organisation.

8. Selection and procurement of your supply chain delivery partners

- 8.1. Prior to any contract award and start, your supply chain declaration must be updated and approved by the WMCA. No starts will be accepted for any supply chain organisation that has not been approved through the supply chain declaration process.
- 8.2. When appointing supply chain delivery partners, you must avoid conflicts of interest and you must:
 - 8.2.1. inform us about any circumstances (for example, where you and your proposed supply chain delivery partner have common directors or ownership) which might lead to an actual or perceived conflict of interest and
 - 8.2.2. not award the contract without our written permission and
 - 8.2.3. keep as evidence both your request and our reply.
- 8.3. You must carry out your own thorough due diligence checks when appointing supply chain delivery partners and have both the detailed process and the results available for inspection by us.
- 8.4. You must not appoint a supply chain organisation to deliver training on your behalf where the most recent Ofsted full inspection outcome was inadequate, or the most recent Ofsted monitoring visit outcome is insufficient progress made. For supply chain organisations that fall into this category in year, no further starts will be accepted unless approved by WMCA upon evidence that either the re-inspection cycle is complete, or a monitoring visit is concluded showing reasonable or significant progress.
- 8.5. You must only award contracts for delivering WMCA-funded Skills Programme provisions to legal entities. If the legal entity is a registered company, it must be recorded as 'active' on the Companies House database.
- 8.6. You must not award, or renew a supply chain to any organisation if:
 - 8.6.1. it has an above-average risk warning from a credit agency.
 - 8.6.2. it has passed a resolution (or the court has made an order) to wind up or liquidate the company, or administrators have been appointed.
 - 8.6.3. its statutory accounts are overdue.
 - 8.6.4. Or they are a brand-new company who are yet to submit their first statutory accounts unless they are able to thoroughly verify the new company's financial capability.
- 8.7. You must make sure that learners supported through supply chain delivery know about you and your supply chain delivery partner's roles and responsibilities in providing provision.
- 8.8. You must have a legally binding contract with each supply chain delivery partner that includes all the terms set out in [paragraph 12](#)
- 8.9. Failure to act in line with the rules provided may result in a reduction of the maximum contract value in line with the proposed funding value to the new supply chain organisation.

Section 5. Supply chain policy

9. Your policy for supply chain delivery partners

- 9.1. You must take your own legal advice about the impact of Public Contracts Regulations 2015 on your recruitment of supply chain delivery partners and have this advice available for inspection by us on request.
- 9.2. Your Governing Body or Board of Directors and your accounting officer (senior responsible person) must be satisfied that all supply chain delivery partners meet your strategic aims and enhance the quality of your offer to residents.
- 9.3. You must have a policy in place, setting out your intent for using supply chain, including supply chain fees and charges.
- 9.4. You must publish your policy for supply chain delivery on your website by 31st October of each funding year.
- 9.5. You must review your policy for supply chain delivery partners annually. This policy must be signed by your governing body or board of directors and your accounting officer.

10. Minimum content requirements for your policy for supply chain delivery partner

- 10.1. As a minimum, you must include the following in your policy for supply chain delivery:
 - 10.1.1. the rationale for supply chain provision in line with the WMCA supply chain intent. The supply chain must enhance the quality of your learner's offer. You must not use supply chain delivery to meet short-term funding objectives.
 - 10.1.2. how you will identify the support required and associated costs for different supply chain delivery partners
 - 10.1.3. You must set out your full range of fees retained and charges that apply including:
 - 10.1.3.1. funding retained for quality assurance and oversight.
 - 10.1.3.2. funding retained for administrative functions such as data returns.
 - 10.1.3.3. funding cost for quality monitoring activities
 - 10.1.3.4. funding retained for mandatory training delivered to the supply chain delivery partner.
 - 10.1.3.5. specific costs for any other support activities offered by you to the supply chain delivery partner.
 - 10.1.3.6. clawback for under-delivery or other reasons.
 - 10.1.3.7. how you will determine that each cost claimed by a supply chain is reasonable and proportionate to the delivery of their teaching or learning and how each cost contributes to delivering high-quality learning.
- 10.2. We reserve the right to require an explanation where the funding you have retained as your management fees are unjustifiably high, for example when outcomes are too low, the WMCA may set a funding cap on management fees.
- 10.3. We expect these policies, including the rationale, to be reviewed by you ahead of each funding year, and signed off by those charged with overall responsibility for your organisation in your governance structure. Once reviewed, the updated policy must be published by 31st October each year.

Section 6. Reporting your supply chain

11. Reporting your supply chain arrangements

- 11.1. You must provide a fully completed supply chain declaration by the dates provided.
- 11.2. This will be at least twice during the 2023 to 2024 funding year. If you do not make the declaration on time, we will suspend your payments. If you do not use supply chain delivery partners, you must still provide a nil return to confirm this.
- 11.3. Within your declaration, you will be asked to provide details of your supply chain, including but not limited to; intent, the value of the agreement, where the delivery will take place and the course portfolio to be provided.
- 11.4. For other supply chain services outside of delivery, we expect you to confirm the service that will be provided and the cost of that service. This will cover brokerage support, including learner and employer find agents and teaching or specialist input such as coaching. We have taken this step following concerns related to the use of WMCA funds, and the need for greater transparency to reduce the risk of funds not being used as intended.
 - 11.4.1. WMCA will want to discuss with any providers the rationale for the use of such services and why they are unable to attract learners to their provision themselves.
- 11.5. You must also update your supply chain declaration if, and when any of your supply chain delivery agreement arrangements change during the year. This must be approved by WMCA before any award or allocation change, via a [business case](#) submission.
- 11.6. You must report to us the actual level of funding paid and retained for each of your supply chain delivery partners from 2023 to 2024 by the dates provided.
- 11.7. You must include the following on the return template for WMCA-funded Skills Programme delivery:
 - 11.7.1. name of each supply chain delivery partner
 - 11.7.2. the UK Provider Reference Number (UKPRN) of each supply chain delivery partner
 - 11.7.3. contract start and end date for each supply chain delivery partner.
 - 11.7.4. the funding we have paid to you for WMCA-funded Skills Programme delivery by each supply chain delivery partner in that funding year.
 - 11.7.5. details of the funding you have retained in relation to each supply chain delivery for that funding year.
 - 11.7.6. if appropriate, funding each supply chain delivery partner has paid to you for services or support you have provided in connection with the supply chain delivery.
 - 11.7.7. Supply chain delivery partners' contract value
- 11.8. At present, a single supply chain delivery partner can work with multiple numbers of direct providers, and the aggregate value of the provision that they are delivering under these supply chain arrangements can be significant. The WMCA believes that it should monitor and control the level of financial exposure to WMCA in such circumstances.
- 11.9. The WMCA view is that single delivery supply chains with multiple directly funded providers do not provide value for money through associated management fee costs.
- 11.10. WMCA reserves the right (a) when approving supply chain delivery to make such approval conditional; and (b) during the term of the Agreement to ask a prime provider to increase/decrease/cease allocations with specific supply chain members. WMCA will ensure that sufficient cover is achieved across the region and that emerging gaps throughout West Midlands are filled. Providers are required to have a clause within their supply chain contracts to accommodate such changes.

- 11.11. Where the aggregate value of the supply chain delivery partner's delivery exceeds £500,000 then the WMCA will make a referral to Ofsted for the supply chain delivery partner to be subject to a direct inspection.
- 11.12. Where the aggregate value of the supply chain delivery partner's delivery exceeds £500,000, or more than 25% of your provision is Supply chain, we expect the supply chain delivery partner/s to partake in the standard Performance Management Reviews held between the WMCA and the lead provider.

Section 7. Supply chain contract

12. Supply Chain Contract Requirements

- 12.1. Before the start of any provision, you must have a legally binding written contract between you and your supply chain.
- 12.2. As a minimum, you must make sure your supply chain contracts include the requirements within [paragraph 13](#).

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

- 13.1. You must set a requirement for Supply chain partners to give WMCA and any other person nominated in writing by WMCA, access to its premises and all documents related to their supply chain delivery.
- 13.2. You must make sure your supply chain delivery partners meet the requirements set out in the [Skills programme funding rules](#) and [associated documents](#).
- 13.3. You must include agreements allowing you to request evidence in order to monitor supply chain delivery, including but not limited to
- 13.3.1. quality of education and training provided by supply chain delivery partners, including where applicable the performance against the [Ofsted inspection framework](#)
 - 13.3.2. Self-assessment, including judgements and grades.
 - 13.3.3. ILR data so your data returns to us accurately reflect your supply chain delivery partner's delivery information.
- 13.4. You should incorporate the evidence they provide into your self-assessment report.
- 13.5. You should highlight the supply chain:
- 13.5.1. always have suitably qualified staff available to provide the education and training we fund through WMCA-funded Skills Programmes
 - 13.5.2. co-operate with you to make sure there is continuity of learning if the supply chain ends for any reason.
- 13.6. Supply chain delivery partners must also tell you if evidence of any irregular financial or delivery activity arises; irregular activity could include but is not limited to.
- 13.6.1. non-delivery of training when funds have been paid.
 - 13.6.2. sanctions imposed on the supply chain delivery partner by an awarding organisation.
 - 13.6.3. an inadequate Ofsted grade.
 - 13.6.4. complaints or allegations by learners, people working for the supply chain delivery partner or other relevant parties.
 - 13.6.5. allegations of fraud

- 13.7. You must ensure that you include a clause which requires your supply chain to inform you of any changes which impact its ability to meet the due diligence or financial health/require standards, including that your organisation may as a result be required to terminate the contract with them.
- 13.8. You must include in your contract with each supply chain delivery partner:
 - 13.8.1. reference to your supply chain policy, and where it can be found on your website.
 - 13.8.2. rationale for the use of supply chain delivery
 - 13.8.3. a list of services you will provide and specific costs for managing the supply chain delivery partner, including costs for quality monitoring activities and any other support activities offered by you to the supply chain delivery partner.
 - 13.8.4. how these fees are reasonable and proportionate to the delivery of high-quality supply chain provision.
- 13.9. You must have a contingency plan in place for learners in the event that:
 - 13.9.1. you need to withdraw from a supply chain arrangement.
 - 13.9.2. a supply chain delivery partner withdraws from the arrangement.
 - 13.9.3. a supply chain delivery partner goes into liquidation or administration.
- 13.10. You must ensure that you include a clause which enables you to terminate, should your supply chain fail to meet the required due diligence or financial health requirements/standards.
- 13.11. Payment terms between you and your supply chain delivery partners; the timing of payments in relation to delivery and timescale for paying invoices and claims for funding received.

14. Payments and incentives

- 14.1. WMCA's expectation is that a lead provider will have sufficient processes and procedures in place to effectively monitor the financial payments in relation to their supply chain provision, you will be required to demonstrate that as a minimum:
 - 14.1.1. Payment mechanisms are documented and are clear and well understood by all parties (including incentives, penalties, and non-standard charges).
 - 14.1.2. Payment processes are well-defined and efficient; appropriate checks and authorisation processes are in place for paying invoices.
 - 14.1.3. The costs of the services delivered, and contract management costs are mapped against budgets and allocated appropriately.
 - 14.1.4. 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.
 - 14.1.5. Payments are not made in advance of evidence to demonstrate learning activity has been undertaken.

15. Administration

- 15.1. In managing the contract(s) and the timetable for making key decisions, the lead provider must demonstrate that:
 - 15.1.1. 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.
 - 15.1.2. Key contractual information is recorded appropriately to allow, for example, search capability; documentation of up-to-date contract information; and key dates.

- 15.1.3. There are mechanisms in place for identifying key contract 'trigger points, such as notice periods.
- 15.1.4. There is a schedule of regular as well as ad hoc reporting of contract management information and retention of appropriate documentation such as minutes of contract meetings, reviews of teaching and learning etc.
- 15.1.5. There are appropriate processes and procedures in place to ensure that contracts are closed and/or terminated efficiently.
- 15.1.6. The provider has considered the cost of contract management activities to the supply chain delivery partner, and the cost is proportionate to the contract size and risk.

16. Managing relationships

- 16.1. The provider must have appropriate procedures in place to manage their relationships with supply chain delivery partners and be able to demonstrate that:
- 16.2. Proactive conversations and/or independent checks are undertaken in relation to the supply chain delivery partner at least on an annual basis which covers and documents as a minimum, the supply chain delivery partner(s):
 - 16.2.1. current ownership and person of significant control. Notification must be made to WMCA where this has changed from a previous year.
 - 16.2.2. current/ latest financial health position.
 - 16.2.3. a review of learning activity delivered, including compliance with the relevant funding rules for each programme.
 - 16.2.4. the supply chain delivery partner(s) business continuity/contingency plan remains relevant or has been updated appropriately.
- 16.3. Their contract manager understands their own role and has clear visibility of the roles and responsibilities of staff on the supply chain delivery partner side.
- 16.4. The respective responsibilities of the contract manager and the supply chain delivery partner are clear and potentially defined in a 'joint statement of intent or similar document.
- 16.5. Continuity of key supply chain delivery partner staff is desirable, where this cannot be achieved, there must be a handover from the staff responsible for the tendering process.
- 16.6. Both regular structured and informal communication routes between the contract manager and supply chain delivery partner are open and used; customer and supply chain delivery partner staff are co-located where appropriate.
- 16.7. Users are given clear expectations and an understanding of the contract and the services/ performance to be delivered (for example, through newsletters or briefings).
- 16.8. Communications between the contract manager, supply chain delivery partner and other stakeholders (users of the contract and others such as technical experts) are effective; and stakeholders are involved in contract management processes where appropriate.
- 16.9. 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).

17. Managing performance

- 17.1. WMCA's expectation is that a lead organisation will have processes and procedures in place to effectively manage provision delivered by supply chain delivery partners, you will be required to demonstrate that as a minimum:

- 17.1.1. Service management is well structured; baselines are understood by both parties and supply chain delivery partners understand the service they are required to deliver. The contract manager ensures that the lead provider furnishes the supply chain delivery partner with the information and contacts needed to deliver the service.
- 17.1.2. A performance management framework is in place when the contract is signed. The framework is comprehensive, objective and provides incentives for the supply chain delivery partner to meet or exceed agreed performance standards.
- 17.1.3. Service level agreements are in place and are linked to business needs, understood by the supply chain delivery partner, and monitored by the contract manager and/or end-users.
- 17.1.4. Supply chain delivery partner performance is assessed using clear, objective, and meaningful metrics, linked where appropriate to [WMCA's Skills Programme funding rules](#) and/or [associated funding documents](#).
- 17.1.5. Clear processes are in place to handle operational problem resolution and resolve issues as quickly as possible.
- 17.1.6. Where appropriate, user compliance with the contract is monitored and managed to ensure maximum operational effectiveness and value for money.
- 17.1.7. Regular and routine feedback is given to supply chain delivery partners on their performance.
- 17.1.8. There are clear contact points for service users both within the supply chain delivery partner organisation and with the contract manager. Users understand what the contract is intended to deliver and are involved in the assessment of supply chain delivery partner performance where relevant. Users understand escalation routes where issues arise.
- 17.1.9. Changes in user requirements are captured and considered as part of formal change and contract management processes.
- 17.1.10. There are formal performance reviews with supply chain delivery partners, with documented improvement plans agreed upon where necessary, covering both operational issues and adherence to key contractual requirements, for example, on data security.
- 17.2. You must manage and monitor all your supply chain delivery partners to ensure that high-quality delivery is taking place that meets these funding rules.
- 17.3. You must carry out a regular and substantial programme of quality-assurance checks on the education and training provided by supply chain delivery partners, including visits at short notice and face-to-face interviews with staff and learners. The programme must:
 - 17.3.1. include whether the learners exist and are eligible.
 - 17.3.2. involve direct observation of initial guidance, assessment, and delivery of learning programmes.
- 17.4. The findings of your assurance checks must be consistent with your expectations and the supply chain delivery partner's records.

18. Risk management

- 18.1. In order to provide assurance to WMCA that you have effective risk management procedures in place to effectively manage the public money, which is paid to supply chain delivery partners, as a minimum you will be expected to demonstrate:
 - 18.1.1. Contractual/supply chain delivery partner risk management is in place with clear responsibilities and processes, identification of who is best placed to manage risk, and supply chain delivery partner involvement where appropriate.

- 18.1.2. Risks are formally identified and monitored regularly, with mitigating actions developed and implemented where possible, and 'obsolete' risks removed from consideration where appropriate.
- 18.1.3. Escalation and reporting routes are in place for risk governance.
- 18.1.4. Contingency plans are developed to handle supply chain delivery partner failure (temporary or long-term failure/default); exit strategies are developed and updated throughout the life of the contract.
- 18.1.5. Contractual terms around termination are understood and monitored by the contract manager.
- 18.1.6. Contractual terms around warranties, indemnities and insurance are understood and monitored by the contract manager.
- 18.1.7. Contractual terms around security and confidentiality are understood and monitored by the contract manager, particularly issues relating to the security/confidentiality of personal data.
- 18.1.8. Dispute resolution processes are in place, including agreed adjudication procedures, mediation, and arbitration.
- 18.1.9. The contract manager monitors the supply chain delivery partner's financial health and business performance (including using credit rating agencies).
- 18.1.10. The contract manager monitors the supply chain delivery partner's compliance with contractual 'non-performance' issues (for example, on tax and sustainability targets).

19. Contract development and/or termination

- 19.1. To ensure that changes to the contract or termination are handled appropriately and efficiently the lead provider must:
 - 19.1.1. Undertake an analysis of their supply chain activity each year. Regularly review the supply chain (with a view to updating where necessary) to ensure it meets evolving business and educational needs.
 - 19.1.2. Ensure processes are in place that clearly lay out the governance of contractual change – who needs to approve what and how it will happen – with a focus on effective and prompt change implementation.
 - 19.1.3. Ensure there are clear processes for the management of minor changes and contract variations, with a focus on the cost/effort being proportionate to the importance and value of the change.
 - 19.1.4. Ensure there are more rigorous processes to handle major contractual changes, including clear approval mechanisms and accountabilities, and controls to demonstrate that changes offer value for money.
 - 19.1.5. Where appropriate, undertake value-for-money testing of existing services through benchmarking or other processes.
 - 19.1.6. Ensure there are processes to cover the introduction of new services under the contract, including market testing where necessary.
 - 19.1.7. Have dispute handling processes in place to address any change-related issues.
 - 19.1.8. Have processes to account for various types of contractual changes. Both parties have a clear understanding of the arrangements for any extension of the contract (both scope and time) and related issues.
 - 19.1.9. Ensure processes are in place to handle commercial (financial) changes to the contract in a fair and structured manner.

- 19.1.10. Manage price changes fairly and effectively with the use of mechanisms such as benchmarking, competitive tendering (for example, for major additional works), or other techniques such as open book pricing as appropriate, to demonstrate value for money.
- 19.1.11. Demonstrate their rationalisation of specifications and demand management are considered options to achieve better value for money.

20. Provider development

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

21. Second-level supply chain delivery partners

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

Section 8. Assurance

22. Audit assurance

- 22.1. You must obtain an annual report from an external auditor if the WMCA-funded Skills Programme contracts with your supply chain delivery partners will exceed £100,000 in anyone funding year.
- 22.2. The external auditor should be certified and have experience in the rules and requirements of supply chain provision.
- 22.3. The report must provide assurance on the arrangements to manage and control your supply chain delivery partners and
 - 22.3.1. comply with any guidance/rules issued by us.
- 22.4. You must also supply us with a certificate signed by the external auditor and an authorised signatory to confirm you have received a report that provides satisfactory assurance.
- 22.5. You must forward this report to your WMCA Skills Delivery officer by 31st August 2024
- 22.6. Annual reports should meet the minimum standards as listed in [Annex A](#):

Section 9. Annexe

23. Annex A - Reporting requirements

- 24. Each reporting auditor can use their own stylised report; however, it must include the following as a minimum:
 - 24.1. name and contact details of the organisation and auditor undertaking the audit.
 - 24.2. name of the provider being audited and the provider audit contact.
 - 24.3. funding year applicable to the review
 - 24.4. date the review was undertaken and concluded.
 - 24.5. report status [Draft] [Final]
 - 24.6. table of contents
 - 24.7. executive summary of findings including:
 - 24.7.1. compliance status: in line with the requirement set out within these rules.
 - 24.7.2. summary of findings
 - 24.7.3. number of recommendations raised.
 - 24.8. detailed findings and recommendations including:
 - 24.8.1. findings/observations/issues in relationship to
 - 24.8.1.1. the supply chain policy and intent of supply chain, in line with these rules
 - 24.8.1.2. reporting of supply chain
 - 24.8.1.3. supply chain agreements, including commissioning.
 - 24.8.1.4. contingency plans
 - 24.8.2. risk/implications
 - 24.8.3. recommendations
 - 24.8.4. compliance rating
 - 24.8.5. response from the provider
 - 24.8.6. responsible officer & target date

Annex B – Associated documents

[Skills Programme Funding](#)

[Performance & Management Rules](#)

[Skills Programme Coding Guidance](#)

[DfE Skills Bootcamps Guidance](#)

[Multiply Guidance](#)

[Quality Assurance Framework](#)

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

[Privacy Notice](#)

[Whistleblowing process](#)

[Complaints process](#)

Annex E – Summary of main changes since 2022-23

Section	Change
Policy intent	<p>WMCA would like to see a reduction in the overall volume of supply chain delivery in the sector.</p> <p>From the 2024 to 2025 funding year onwards supply chain, in any given funding stream, may only be up to 25% of that funding stream unless the express permission of WMCA has been sought and granted via a Business case or as part of the WMCA commissioning. Local Authorities are exempt from this rule.</p>
Supply chain annual report	<p>WMCA has made a clarification to the requirements of the annual report, this includes:</p> <p>The external auditor should be certified and have experience in the rules and requirements of supply chain provision.</p> <p>Additional requirements for the report including;</p> <ul style="list-style-type: none"> • intent for supply chain is in line with the providers supply chain policy. • reporting of supply chain in line with the Supply chain rules • the effectiveness of supply chain agreements, including commissioning. • the effectiveness of contingency plans

Clarification around supply chain attendance at PMRs	Where the aggregate value of the supply chain delivery partner's delivery exceeds £500,000, or more than 25% of your provision is Supply chain, we expect the supply chain delivery partner/s to partake in the standard Performance Management Reviews held between the WMCA and the lead provider.
Clarification around the approval of supply chain	WMCA reserves the right (a) when approving supply chain delivery to make such approval conditional, and (b) during the term of the Agreement to ask a prime provider to increase/decrease/cease allocations with specific supply chain members. WMCA will ensure that sufficient cover is achieved across the region and that emerging gaps throughout West Midlands are filled. Providers are required to have a clause within their supply chain contracts to accommodate such changes.

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Senior policy owner;	Miguel Silva
Document owner;	Joanne Galvin