



Subcontracting and Supply Chain Fees and Charges Policy 2025/2026

Title: Subcontracting and Supply Chain Fees and Charges Policy			Version 10
Authorised by	ELT	Date Authorised	30/10/2019
Annual check date	July 2024	Next full review	August 2025

Policy History

Revision	Date	Changes Made
1	30/10/2019	Published
2	18/10/2020	Published
3	24/08/2021	Published
4	02/08/2022	Published
5	03/11/2022	Revised Funding band table / added retained fees 21/22
6	10/08/2023	Published
7	01/11/2023	Revised Funding band table / added retained fees 22/23
8	03/09/2024	Published
9	24/10/2025	Revised Funding band table / added retained fees 23/24
10	13/08/2025	Published

Subcontracting and Supply Chain Fees and Charges Policy

1. Policy Statement

The purpose of this policy is to define the basis on which supply chain arrangements will be managed as defined by the Department for Education's subcontracting regulations. <https://www.gov.uk/government/publications/subcontracting-funding-rules-for-DfE-funded-post-16-funding-excluding-apprenticeships>

Nacro will provide a transparent process for all Supply Chain Partners, Funding Organisations and other associated parties or individuals. This policy includes the rationale for Subcontracting, Procurement, Supply Chain Fees, Support Monitoring and Controls, Partner Expectations, Implementation, and Approval process for being a partner in the delivery Nacro's contract with the Department for Education. All organisations that contract with Nacro will be subject to the requirements set in this policy. This policy is reviewed on an annual basis and published on Nacro's website: - [Our Policies and Procedures | About us | Nacro](#)

2. Scope

All education providers who intend to subcontract Government monies are required to produce an annual Subcontracting and Supply Chain Fees and Charges Policy. This policy is produced in accordance with the Department for Education's funding guidance and rules apply to all potential and actual subcontracting.

This policy outlines our procurement processes, the rationale for utilising subcontractors to support delivery of Nacro's education programmes, the support we provide to subcontractors and the range of management fees that are charged, fulfilling our obligations to both students and commissioners.

This policy is provided to all potential subcontractors during the procurement exercise and existing subcontractors during the annual re-contracting process (if applicable).

Nacro recognises that it holds full accountability for the delivery of subcontracted activity and that this cannot be assigned to subcontractors.

This policy is shared with our Board of Trustees and is approved by Nacro's Principal and Director of Education and Director of Finance and Corporate Services.

3. Strategic Aim and Rationale for Subcontracting

We are dedicated to the goal of increasing social inclusion by providing high quality services that improve the lives of individuals and communities across England. We design and deliver programmes that equip people with the skills, advice, attitude and support they need to move their lives on.

Our education services provide a broad range of education and skills programmes (focussed on entry to Level 3 vocational learning, English, maths and employability training) to young people and adults across many locations and through our Education and Skills Centres and other contracted provision. This offer may be extended subject to government priorities.

Nacro will, in the first instance, consider direct delivery when looking to grow internal provision to meet local, regional, and national needs. However, we recognise the added value that effective subcontracting arrangements with organisations that share similar social justice aims and objectives can bring to extending the range and accessibility of provision for students and employers. Nacro's subcontracting arrangements will not compete with existing provisions unless for strategic or quality enhancement purposes. Nacro does not subcontract to fulfil short-term funding objectives.

We consider subcontracting in the following circumstances: -

- Where our existing students or stakeholders require additional provision which is beyond our existing scope or capacity.
- Where subcontracting will allow us to build capacity in new areas, both geographical and within new sectors or skills areas.
- Enable us to build strong local partnerships with like-minded organisations to broaden our offer in a single geographical area.
- Fill in gaps in niche or expert provision or to provide better access to training facilities, which Nacro would not be able to adequately resource.
- Enhance the offer to our students, creating a wider network of opportunities and offer an entry point for disadvantaged students.
- Where subcontracting would create an enhanced and innovative enterprise offer.
- In response to local and regional demand.
- Develop links with employers to create programmes matched to needs of industry.
- To share good practice between like-minded organisations for the benefit of students, employers, and communities.

4. Procurement

Advert - Tendering opportunities are advertised on our website and via Contracts Finder. Interested suppliers are required to complete a Pre-Qualifying Questionnaire (PQQ), Invitation to Tender (ITT) and funding profile. A clear programme specification, including set funding models, performance targets and fees are included in the tender advert.

Tender - Comprehensive due diligence is undertaken on PQQs and ITTs. Suppliers who pass this stage are quality scored against a published criteria and threshold. Due Diligence includes track record, reputation, quality measures, responsiveness, specialism, and location to ensure that Nacro can respond to learner and employer demand. We would only consider those subcontractors who we determine as being of high quality and low risk to public funds.

Contracting - Suppliers who pass both stages are invited to a pre-contract meeting where further quality checks are undertaken, including assessment of Safeguarding, Prevent Duty agenda, Health, Safety and Welfare and Quality Assurance arrangements. A contract is subsequently issued with an indicative funding allocation included.

Re-Contracting - Existing suppliers are required to submit a PQQ refresh and curriculum intent for the following academic year. These are reviewed by a panel of key staff with specialist knowledge of subcontracting policies prior to contract approval. Ongoing due diligence and financial checks are undertaken periodically throughout the year.

5. Defined Roles for Contract Ownership

- Senior Responsible Owner (SRO) and Budget Holder is **Elise Temple** (Principal/Director of Education & Skills)
- Contract Manager is **Dani Small** (Head of Funding, Compliance & MIS)

6. Supply Chain Fees and Charges

The 'Supply Chain Fees and Charges' applies to subcontractors of Nacro, as listed on the 'declaration of Subcontractors' and notified to the DfE.

We calculate a charge based on several factors, including the type of contract, the outcomes of the due diligence process, the pre-contract risk assessment, and the support services subcontractors require.

We seek an indicative management fee of a minimum 15% of published funding rates. The overall fee is determined by the value of contract & delivery locations *. We provide pricing schedules and funding models that are transparent, fair, realistic, and achievable.

The risk band is determined using the table below: -

Risk Band	Low	Medium	High
Management Fee Range	15%	17.50%	20%
Value of Contract	Under £50,000	£50,000 > £100,000	Over £100,000
			<i>* Both inner & outer London delivery locations may benefit from a reduced management fee</i>

A breakdown of our management fees is included within our Contract for Services and in [Appendix 1](#) of this policy.

[Appendix 2](#) and [Appendix 3](#) outline our Funding Model and Funding Band template.

[Appendix 4](#) outlines our Fee's retained at the end of each academic year. Added to this policy after R14 ILR Upload.

Our management fee includes, but is not limited to, administration support to process data, ILR management, day-to-day management of subcontracted delivery, monitoring of learner progress, collecting and updating due diligence, ensuring audit compliance, dealing with partner queries, refresher training sessions at regular intervals throughout the year, coordinating self-assessment processes, and quality and compliance monitoring.

Funding models are designed for the proper use of public funds and to drive performance in key contract performance areas, with payment based on volumes of starts, retention, successes, and progressions, based on an original agreed profile.

Nacro will endeavour to ensure the management fee arrangements for different subcontractors are fair and equitable based on these parameters. If additional and/or exceptional services are required of Nacro, a separate fee will be agreed upon above the core retention percentage, for example, internal verification.

Nacro reserves the right to impose funding clawbacks in cases of under delivery or late notification of a learner having left for whom funding had been previously released.

7. Support, Monitoring and Controls

Ongoing support, monitoring and control of our subcontractors includes: -

- Day-to-day management and support are provided by a dedicated Subcontractor Manager to ensure the smooth running of the contract, with additional support being provided by a range of internal specialists.
- Regular bi-monthly, ad-hoc and annual review meetings are held to support all partners in meeting Nacro's quality standards and KPI's.
- Quality of Teaching, Learning and Assessment is monitored through enhanced support from our dedicated Performance, Improvement and Innovation team to ensure both Nacro and Ofsted standards are met. Areas covered include: -
 - Careers advice & guidance,
 - Assessment, teaching and learning practice; visits both announced and unannounced, of which at least one will be a short notice visit,
 - face to face interviews with students and staff
 - regular quality and curriculum reviews undertaken both remotely and face to face
 - remote learning
 - self-assessment
 - quality improvement activities
 - Safeguarding and PREVENT
- BKSB Diagnostic Tool – free access to our literacy and numeracy assessment and diagnostic tool, enabling effective programme planning and high levels of compliance.
- We oversee the DfE 16-19 Bursary & Free Meals and Learning Support process for each subcontractor and provide access to Element 2 place funding for High Needs Students (*where allocation permits*).
- Safeguarding Training, including access to nominated safeguarding and Prevent co-ordinator for queries, concerns and reporting of incidents.
- Access to Nacro's Continuous Improvement Programme, staff training, annual teacher development training programme and working groups.
- Validation of enrolment paperwork and data input for ILR data upload service to the DfE by a dedicated Data Centre.
- Learner tracking documents including access to our national licence for the EBS management information system and use of our programme planning tool to assist in lesson planning, creation of learning agreements, recording of attendance, progression of students and other operational activities.
- We provide a suite of DfE compliant learner paperwork designed to aid the enrolment, monitoring and support evidence requirements of our funders.
- Offer full training on paperwork, processes, compliance and provide on-going support to all staff involved in the delivery and administration of programme.
- We conduct regular Compliance Audit's to ensure high levels of contractual compliance and minimal funding risks to both parties.

- Regular weekly/monthly funding and analysis reports including detailed MIS performance on overall programme and individual learner.
- Payments to subcontractors are calculated on a cumulative basis at the end of each month in which the activity is successfully and satisfactorily processed in accordance with the evidence requirements detailed in the service level agreement and deadlines for submission of paperwork.

Following validation of the evidence in the ILR return, Nacro will calculate the appropriate payment to the partner based on the level of income calculated by the validation process in that month less the agreed management fee.

This calculation will form a funding report which is sent to the subcontractor detailing students and amount due to invoice. Payment is made within 30 days of receipt of invoice.

8. What we expect from partners

As a social justice charity, it is important that our partners share our values and objective of creating a socially just country where people feel safe, are supported to reach their aspirations and communities are crime free.

We expect subcontractors to adhere to quality frameworks and processes including Ofsted Education Inspection Framework

Public Funds: We expect that funding is only used to pay for delivering on programmes and is not used to cover ancillary aspects such as memberships of sports clubs or theatre groups.

Safeguarding: We expect subcontractors to provide safe, supportive, and engaging learning environments that arm students with the skills that prepare for life in modern Britain.

PREVENT: We expect subcontractors to adhere to policies and guidance in relation to all forms of radicalisation and embed British Values.

We expect timely communication and adherence to all DfE and Nacro contractual requirements.

9. References

Funding guidance for young people 2025/2026 Funding regulations
<https://www.gov.uk/government/publications/advice-funding-regulations-for-post-16-provision>

Funding guidance for young people 2025/2026 rates and formula
<https://www.gov.uk/government/publications/funding-rates-and-formula>

10. Definitions used.

DfE: refers to the Department for Education also referred to as The Agency.

EBS Management System: refers to the management information system used by Nacro.

KPI: Key Performance Indicators

ILR: means the Individualised Learner Record which is the ongoing collection of Learner data undertaken by Nacro.

Ofsted: means the Office for Standards in Education, Children's Services and Skills.



Subcontracting: refers to providers delivering education or training on behalf of Nacro. This encompasses subcontractors listed on the Department for Education's (DfE) 'Declaration of Subcontractors', together with any updates or subsequent listings from the DfE or the relevant funding authority.

11. Appointment of Subcontracting Partners

Using the Procurement rationale set out in this document, the Board of Trustees, CEO, Director of Education and Director of Finance consider and subsequently approve the role and contribution of each proposed subcontract partner.

Distribution of Funding – A copy of our Subcontracting and Supply Chain Fees and Charges Policy 2025/2026 can also be found here:

[Our Policies and Procedures](#) | [About us](#) | [Nacro](#)

Signed:		Signed:	
Date:	13 th August 2025	Date:	6 th August 2025
Elise Temple: Principal/Director of Education & Skills		Andy Wilkinson-Sharpe: Director of Finance, Risk and Assurance	

Appendix 1 – Management Fee Explained

Management Fee			
Nacro Activity	Proportion of funding retained by Nacro	Contribution to high quality learning	Explanation of how cost is proportionate to the delivery of teaching and learning
Quality Assurance and Oversight	8% > 10%	<p>Direct observation of initial guidance, assessment and delivery of learning programmes, training, and direct observation of assessment.</p> <p>Best practice advice and guidance on teaching, delivery and development of programmes and tutors where necessary including annual review of curriculum and programme pathways.</p> <p>Announced and unannounced funding assurance audits that test compliance with DfE funding rules.</p> <p>Verification that students exist and meet the eligibility criteria for DfE Funding.</p> <p>Provider development including access to training opportunities and CPD for staff and students, provided by Nacro.</p> <p>Ongoing student satisfaction survey monitoring.</p>	<p>To ensure high quality delivery that is value for money and public funds are safeguarded.</p> <p>Ensure each learner receives the highest level of support from a programme that is tailored to their needs and aspirations.</p> <p>Ensure programmes are well planned and well-structured to support achievement and progression.</p> <p>To ensure a wide and well promoted range of progression opportunities are available.</p> <p>To ensure teaching delivery is undertaken by a professional workforce supported by appropriate training.</p>
Subcontractor Management	3.5% > 5%	<p>Ensuring subcontractor staff are trained in Safeguarding, Prevent, UK GDPR and any other relevant training.</p> <p>Regular contract and performance review meetings.</p> <p>Providing regular updates on policy / funding developments and the impact on funding and delivery.</p> <p>Provide expert advice and support.</p> <p>Health and Safety risk assessments and audits.</p> <p>Regular audit and compliance support and reviews that ensure adherence to the DfE's funding rules and guidance.</p>	<p>Protecting students by ensuring staff have the most up to date knowledge and ability to safeguard them.</p> <p>Take action to address under-representation from any group(s)</p> <p>Public funds are being safeguarded through regular monitoring of progress and performance of the subcontractor.</p>
Administrative Functions	3.5% > 5%	<p>Data returns submissions</p> <p>Management Information</p> <p>Learner tracking systems</p> <p>Financial due diligence</p>	<p>To help ensure data sent to DfE is 100% accurate and compliant with DfE Funding Rules and ILR Submission Rules.</p> <p>To facilitate regular reporting of performance vs targets.</p>

Appendix 2 – Study Programme Funding Model

The following arrangements will be adopted:

1. Management fee applied to the Full Funding Rate (income paid to Nacro by the DfE, includes all available disadvantage, area, and learner retention uplifts).
2. Funding split: -
 - 80% for delivery
 - 10% for 75% overall achievement rate (per learner)
 - 10% for Positive Progression outcome (per learner).
3. Additional English and Maths achievement bonus linked to overall programme size and set at a maximum of 2 per learner in any one contract year.
4. Delivery funding will be paid on profile monthly between the month the learner qualifies as a start and their programme planned end date (usually the latest qualification planned end date).
5. For early leavers, funding will be reconciled to the month of the learner's last day of evidenced attendance.
6. Students must meet the qualifying period to be eligible for funding, criteria to count as a start:

Study programme bands	Planned length in-year	Qualifying period
Bands 4 and above	2 weeks or longer	6 weeks (42 days)
Bands 1, 2 and 3	24 weeks or longer	6 weeks (42 days)
Bands 1, 2 and 3	2 to 24 weeks	2 weeks (14 days)

7. High Needs Funding: If element 2 place funding is agreed upon with any subcontractor, Nacro will provide a payment schedule that will be aligned to the receipt of funding from DfE.

Appendix 3 - Total funding available per funding band is based on the delivery location *

As determined by the DFE, if funding band rates change, Nacro will update this template accordingly and advise each subcontractor.

Funding Band & Fee Template 2025/2026 as at 06/8/25 (pre R02 FIS upload)

Non-London *

Band	Full funding Rate	Management Fee (20%)	Subcontractor Funding	Delivery Funding 80%	Outcome Funding 20%		English & Maths Bonuses Rate = maximum 2 per learner
					Achievement 10% 75% KPI	Progression 10% 80% KPI	
Band 5 - 580+ Hours	8,296.31	£1,659.26	£6,637.05	£5,309.64	£663.70	£663.70	£150.00
Band 4 - 485 to 579 Hours	6,870.39	£1,374.08	£5,496.31	£4,397.05	£549.63	£549.63	£100.00
Band 3 - 385 to 484 Hours	5,574.09	£1,114.82	£4,459.27	£3,567.42	£445.93	£445.93	£100.00
Band 2 - 300 to 384 Hours	4,407.42	£881.48	£3,525.94	£2,820.75	£352.59	£352.59	£100.00
Band 1 - up to 299 hours	2,264.54	£452.91	£1,811.63	£1,449.31	£181.16	£181.16	£100.00

Outer London

Band	Full funding Rate	Management Fee (18%)	Subcontractor Funding	Delivery Funding 80%	Outcome Funding 20%		English & Maths Bonuses Rate = maximum 2 per learner
					Achievement 10% 75% KPI	Progression 10% 80% KPI	
Band 5 - 580+ Hours	8,296.31	£1,493.34	£6,802.97	£5,442.38	£680.30	£680.30	£150.00
Band 4 - 485 to 579 Hours	6,870.39	£1,236.67	£5,633.72	£4,506.98	£563.37	£563.37	£100.00
Band 3 - 385 to 484 Hours	5,574.09	£1,003.34	£4,570.75	£3,656.60	£457.08	£457.08	£100.00
Band 2 - 300 to 384 Hours	4,407.42	£793.34	£3,614.08	£2,891.27	£361.41	£361.41	£100.00
Band 1 - up to 299 hours	2,264.54	£407.62	£1,856.92	£1,485.54	£185.69	£185.69	£100.00

Inner London *

Band	Full funding Rate	Management Fee (17.5%)	Subcontractor Funding	Delivery Funding 80%	Outcome Funding 20%		English & Maths Bonuses Rate = maximum 2 per learner
					Achievement 10% 75% KPI	Progression 10% 80% KPI	
Band 5 - 580+ Hours	8,296.31	£1,451.85	£6,844.46	£5,475.56	£684.45	£684.45	£150.00
Band 4 - 485 to 579 Hours	6,870.39	£1,202.32	£5,668.07	£4,534.46	£566.81	£566.81	£100.00
Band 3 - 385 to 484 Hours	5,574.09	£975.47	£4,598.62	£3,678.90	£459.86	£459.86	£100.00
Band 2 - 300 to 384 Hours	4,407.42	£771.30	£3,636.12	£2,908.90	£363.61	£363.61	£100.00
Band 1 - up to 299 hours	2,264.54	£396.29	£1,868.25	£1,494.60	£186.82	£186.82	£100.00

Appendix 4 - Retained Fee's in 2024/2025

Will be published after R14 ILR Upload