



# Estyn

*Rhagoriaeth i bawb – Excellence for all*

Arolygiaeth Ei Mawrhydi dros Addysg  
a Hyfforddiant yng Nghymru

Her Majesty's Inspectorate  
for Education and Training in Wales

# The effectiveness of sub-contracting arrangements in work-based learning

November 2011



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- ▲ local authority education services for children and young people;
- ▲ teacher education and training;
- ▲ work-based learning;
- ▲ careers companies; and
- ▲ offender learning.

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## Introduction

The annual ministerial remit to Estyn for 2010-2011 included a request for advice on the effectiveness of sub-contracting arrangements in work-based learning. This advice, published in Autumn 2011, will help to inform the new network who will deliver the contracts from August 2011.

The Welsh Government has awarded contracts to training providers in Wales for the delivery of Apprenticeships, Traineeships and Steps to Employment programmes.

The tendering process was designed to promote greater cost effectiveness. The invitation to tender specified a minimum contract size by training programme. The minimum contract size is applied to the allocation for new learners at £350,000 for Apprenticeship contractors; at £650,000 for Traineeships/Steps to Employment contractors; and at £500,000 for contractors delivering Apprenticeships and Traineeships and/or Steps to Employment.

## Background

In the contract period August 2010 to July 2011, DfES held contracts with 64 work-based learning providers. The total value of the contracts awarded in this period was £128,371,590. The largest single contract was just over £8,000,000 and the smallest just under £99,000. Forty-one of the contracts were for a value greater than one million pounds.

In July 2010, DfES issued a tender invitation for the delivery of work-based learning programmes for the period August 2011 to July 2014. In March 2011, DfES awarded contracts to 24 providers.

Many of the new contract holders are lead providers. They manage, in some cases, a large number of sub-contractors or consortium members. In its contracts with providers, the Welsh Government defines sub-contracting as an arrangement whereby the main contract holder pays a third party to deliver all elements of a full qualification framework.

The DfES contract holder (the lead provider) is responsible for managing all aspects of the contract, including the use of a third party to deliver all or part of the qualification framework or training programme. When inspecting work-based learning, Estyn adopts the same approach.

This advice was prepared after a review of the sub-contracting practices current during the 2007/11 contracts, and identifying good practice and areas for improvement to inform the increased use of sub-contracting that will be a feature of the new network moving forward from August 2011. It is intended that the advice may also be of use to the arrangements adopted by the seven consortia who hold a contract to deliver work-based learning.

## Main findings

- 1 In the period 2007/11, about half of the providers who acted as lead providers worked with their sub-contractors effectively. In these cases there was a good correlation between the standards that learners achieved and the effectiveness of the contracting relationship. These good lead providers were particularly effective in identifying and sharing good practice across all sub-contracted organisations.
- 2 When sub-contracting was effective:
  - learners gained access to a wider range of specialist training and benefitted from increased progression opportunities;
  - lead providers put into place detailed and comprehensive service level agreements (SLAs) which clearly stated what was required of the sub-contractor;
  - the lead provider engaged with its sub-contractors in a wide range of quality assurance activities, for example when developing the self-assessment report (SAR) and Quality Development Plan (QDP);
  - the lead provider developed a coherent and comprehensive process that collected and analysed data, including benchmarked data, in order to set targets across all of its delivery including sub-contractors;
  - regular performance review meetings took place between the lead provider and its sub-contractors at senior manager level; and
  - the lead provider made its continuing professional development (CPD) activities available to sub-contractors' staff.
- 3 However, too many lead providers did not focus enough on the quality of the individual learner's experience. Instead they focused on 'contract compliance'; meeting overall learner attainment targets; and completing DfES documentation to an appropriate standard.
- 4 Overall, the quality, management and effectiveness of sub-contracting arrangements varied too much across training providers.

## Recommendations

In order to continue to improve the effectiveness of sub-contracting arrangements in work-based learning:

The Welsh Government should:

R1 reinforce advice on how to manage sub-contractors, including their quality assurance arrangements, as part of the DfES Quality and Effectiveness Framework guidance.

Work-based learning lead providers should:

R2 make sure all learners receive consistently good training across all sub-contractors;

R3 where possible and when appropriate, align sub-contractors' quality assurance systems with their own;

R4 involve sub-contractors' staff in relevant training and development;

R5 develop and use comprehensive tracking systems to be able to identify underperformance by sub-contractors quickly;

R6 develop robust systems to identify and share best practice across all sub-contractors;

R7 make sure that there are effective contingency plans in place to cover the breakdown of contracting arrangements; and

R8 take account of the outcomes of learner satisfaction questionnaires to remedy any shortcomings identified.

## How well do lead providers manage their sub-contracting arrangements?

- 5 About half of lead providers worked together with their sub-contractors effectively. In these cases, sub-contracting brought benefits for learners, providers and employers. Learners gained access to a wider range of specialist training and benefitted from increased progression opportunities. For example, they could progress from Skill Build to level three programmes in their chosen vocational learning area.
- 6 When sub-contracting arrangements were good they were robust, challenging and comprehensive. The lead provider engaged its sub-contractors in a wide range of quality assurance activities, for example when developing the self-assessment report (SAR) and Quality Development Plan (QDP). The lead provider developed a coherent and comprehensive process which collected and analysed data, including benchmarked data, in order to set targets across all of its delivery including sub-contractors. This approach was generally successful in ensuring consistency across the lead provider and its sub-contractors.
- 7 When sub-contracting arrangements were effective, there was little difference in learners' completion rates between the lead provider and the sub-contractor. These rates were similar to, or above, national comparators.
- 8 However, about half of lead contractors did not have well developed data management systems in place to monitor the performance of sub-contractors and compare with their performance as lead provider and with national comparators. These lead providers could not quickly identify underperformance by their sub-contractors and did not have a comprehensive range of robust intervention strategies to manage underperformance.
- 9 In a minority of cases, sub-contractors did not use or engage with all aspects of the lead provider's management and quality assurance systems. The sub-contractors' own systems were not robust enough to track learner progress. They could not identify the underperformance of individuals or groups of learners, or identify and share best practice. In a few cases the lead contract holder did not monitor and review these sub-contractors well enough. This meant that they failed to monitor the progress of learners in achieving their full qualification frameworks and other qualifications.
- 10 In the best cases the lead provider selected and used sub-contractors who had a past and current record of high quality performance. These lead providers put in place detailed and comprehensive service level agreements (SLA) which clearly stated what was required of the sub-contractor.
- 11 Where SLAs were effective the lead provider set the sub-contractor realistic but challenging targets across a wide range of key performance indicators (KPIs), for example targets relating to the recruitment and retention of learners and the rates at which learners completed their training programmes. The lead provider regularly reviewed the targets using benchmark data and national comparators. However, most SLAs did not put a high enough focus on the experience of the learner and were too often compliance based.

- 12 Where sub-contracting was effective it was also the case that a senior manager from both the lead provider and their sub-contractors had combined responsibility for all sub-contracting arrangements. These managers had the seniority and authority to make decisions and be responsive to the needs of the learners and the DfES training contract.
- 13 In the best cases, these managers worked very closely together. This meant there were consistent approaches and standards across all of the lead providers' provision with the aim of ensuring all learners had access to provision at a similar level of quality. Regular performance review meetings were scheduled and took place between the lead provider and its sub-contractors. These meetings effectively reviewed the sub-contractors' performance against targets. Communication across the lead provider and its sub-contractors was clear and effective. Meetings were regular, well structured and recorded. Action points, timeframes and responsibilities were clearly stated. The lead provider fully engaged its sub-contractors in self-assessment, planning activities and developing quality.
- 14 In the best examples of sub-contracting, the lead provider made its continuing professional development (CPD) activities available to sub-contractors' staff. In these cases the lead provider fully engaged their sub-contractors in all of their CPD activities. The take-up rate was usually high, with most of the sub-contractors' staff attending training with the lead providers' staff. When staff were not able to attend, managers ensured that they received information subsequently. As a result, all of their sub-contractors kept up to date with a wide range of issues.

### **Quality assurance**

- 15 When quality assurance procedures were effective, the lead provider and sub-contractor worked in partnership to develop and use comprehensive quality improvement arrangements. This often included the use of the lead provider's documentation by sub-contractors. However, this was not essential provided the sub-contractor's own documentation was detailed, comprehensive and integrated easily into the lead provider's systems. In a few cases, a sub-contractor's quality assurance procedures and documentation was more effective than the lead provider's. In a few cases, good practice in a sub-contractor had been identified and shared across all sub-contractors and the lead provider. However, generally many lead providers did not do enough to identify and share best practice across all sub-contractors.
- 16 The most effective quality assurance systems included clear documentation of learner progress reviews and monitoring procedures. In the best cases, lead providers produced sub-contractor quality handbooks and sub-contractors used the lead provider's own quality assurance systems and procedures. The lead provider worked in 'partnership' with sub-contractors, sharing documentation and information. These arrangements were effective in developing and maintaining a consistently high quality of training. Learners could undertake training at any part of the provider's organisation, including sub-contractors, and receive the same high quality training experience. The lead provider and its sub-contractors shared a common ethos of delivering high quality training and striving for excellence. In the best instances the quality of the learner's experience was central to all of the lead provider's activities.



- 17 However, too few lead providers and their sub-contractors had effective quality assurance systems in place. In the majority of cases when training was sub-contracted across a number of sub-contractors, the quality of training was not consistently high. The quality of learners' experiences varied too much across learning areas and across sub-contractors. Too few used systems that fully embraced all aspects of the learner's experience. For example, they did not carry out peer teaching and assessment reviews and did not identify and share best practice in teaching, training and assessment.
- 18 Many lead providers and sub-contractors used a helpful range of learner satisfaction questionnaires to seek the views of learners on the quality of their training experience. In many cases the results were analysed at a provider level but the results were not shared. As a result neither the lead provider nor the sub-contractor gained an overview of learners' views.
- 19 Overall, in the best examples of sub-contracted working the lead provider took responsibility for making all 'document returns' to DfES. By doing this, the lead provider reduced duplication in the number of training staff across the sub-contractor network that were entering data. Most importantly it also acted as a check to make sure that learners were making appropriate progress towards completing their frameworks and qualifications within their scheduled training period.

<b>Value for money</b>
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- 20 In the instances where the lead providers did consider the value for money given by sub-contractors, they did not consider the overall experience that the sub-contractor offered to the learner. Judgements were based purely on the rates of framework completions and the efficiencies of management processes rather than on any added value offered to the learner. For example, lead providers did not take into account any added support that the sub-contractor may have given to improve learners' literacy and numeracy over and above the key skills required for the qualification framework or any work by the subcontractor to build the confidence of learners.
- 21 Overall, the management fees that sub-contractors paid lead providers varied across the sector. About half of the lead providers gave their sub-contractors good support in all aspects of the contract in return for these fees. This included induction on the lead provider's procedures and practices and the continued sharing of best practice. However, the management fees charged did not always correspond with the quality of support given.

## Examples of good sub-contracting practice

- 22 Where lead providers had good sub-contracting arrangements they used a number of the practices identified in the case studies below.

### Case study 1

#### ACT Ltd.

One lead provider had particularly effective sub-contracting arrangements. The management and support of these sub-contractors were fundamental to its overall effectiveness. The lead provider's quality director was the main point of contact with each sub-contractor. He made important decisions quickly and any negative impact on learners was managed at an early stage. A named member of the lead provider's data team worked with the sub-contractor. This had the benefit of developing a consistent approach to the capture, recording, analysis and return of data across the lead provider and its sub-contractors.

Although the sub-contractor maintained and used its own documentation and procedures, the lead provider undertook a vetting and quality assurance check to make sure that they were of high quality and fit for purpose. The lead provider invited key sub-contractor staff to team meetings and CPD training. Attendance at these events was high. The sub-contractor's SAR fed into the lead provider's SAR and QDP. The lead provider and its sub-contractors were effective in identifying good practice and sharing it. This resulted in a consistently good training experience for learners across the lead provider and its sub-contractors.

The lead provider had developed a strong ethos of team working, support and mutual respect with the sub-contractors. The learner experience and the standards that learners achieved were a key priority. The lead provider and sub-contractor were effective in collecting the views of learners in response to learner satisfaction questionnaires and six-monthly telephone surveys and acting on learners' comments. The rates at which learners achieved their full qualification framework and other qualifications were high across the lead provider and its sub-contractors. Across most learning areas the rates were at or above national benchmarks for learner attainment.

The lead provider held regular, recorded and focused monthly meetings during the early stages of working with the sub-contractor. When the relationship had developed, and high standards were being consistently achieved and maintained by learners, the lead provider reduced the number of meetings to four per year.

## **Case study 2**

### **Cambrian Training Company**

In another provider with good sub-contracting arrangements, the initial, rigorous stage of vetting and selecting sub-contractors was key to their effective relationship. The lead provider undertook a comprehensive risk-rating of the sub-contractor to help in deciding whether to work with that sub-contractor. During this selection process the provider's contract manager visited applicants who were seeking to become sub-contractors and completed comprehensive document quality assurance checks. These checks reviewed the potential sub-contractor's policies, procedures, learner outcome performance data, SAR, QDP, management systems, awarding body verifiers (EV) reports, Estyn inspection reports and financial probity checks.

All sub-contractors used the lead provider's documentation. The lead provider undertook sub-contractor staff training to induct them into the lead provider's systems and procedures. The lead provider and sub-contractors used a joint access computer facility to access and share policies, procedures and documentation and to monitor the progress that learners were making.

Successful sub-contractors completed a detailed sub-contracting agreement with the lead provider. A key part of the agreement was the requirement to hold monthly progress review meetings with the lead provider's managers. These meetings effectively monitored the performance and progress of learners, the quality of learner reviews and the quality of the provision available to learners.

The lead provider also undertook a comprehensive annual 'delivery' audit which reviewed the sub-contracting agreement and the performance of its sub-contractors. It also included peer observations of the sub-contractor's teachers, trainers and assessors, quality checks of learner portfolios, and a review of learner satisfaction questionnaires. The sub-contractor's SAR and QDP were reviewed and an action plan developed, agreed and signed by the lead provider and sub-contractor.

The lead provider also held a comprehensive annual strategic partnership meeting with sub-contractors' staff. This meeting was used well to identify and share good practice across the lead provider and its sub-contractors' staff.

## What happens when sub-contracting arrangements break down?

- 23 Approximately 10% of lead providers that responded to the Estyn questionnaire had cancelled arrangements with a sub-contractor. In most cases this was because of the sub-contractor's poor performance. For example, when sub-contractors did not meet their targets for learner recruitment, retention and achievement, the lead provider did not renew their sub-contract. In many of these cases, the rates at which learners attained their full qualification frameworks were poor and many learners made slow progress in completing their training and achieving their qualifications. However, in too many cases the lead provider did not identify the sub-contractor's underperformance at an early enough stage.
- 24 If a sub-contractor lost its contract its learners continued to be the responsibility of the lead provider. However, few providers had in place a strategy to deal with this situation and to enable a speedy and effective transfer of learners with the minimum of impact.
- 25 Nevertheless, a few lead providers exhibited good practice in managing weak delivery by sub-contractors. They had good management systems which identified poorly performing sub-contractors. As a result, they cancelled their agreements with the sub-contractors and put in place effective processes to re-locate learners with a minimum of disruption to their learning.
- 26 In a very few cases sub-contractors cancelled their contract with a lead provider. This occurred, for example, when sub-contractors felt that they were simply being 'audited' and given very little opportunity to provide input to further developing the training programmes. In a few cases sub-contractors stated that too few opportunities for collaboration, support or involvement were offered by the lead provider. When this was the case sub-contractors did not renew their training agreement with the lead provider at the end of the contract period. This meant that learners experienced little disruption in their training.

## **Appendix 1: Evidence base**

In undertaking this survey, inspectors initially reviewed the outcomes from Estyn inspection reports to identify areas of both good and poor practice in relation to lead providers' work with sub-contractors.

The main areas for research and analysis included;

- the effectiveness of sub-contracting arrangements; and
- quality and management of sub-contracting arrangements.

Estyn sent questionnaires to all work based training providers. In total 81% of training providers completed and returned them. To further inform the remit, inspectors also visited a sample of nine lead providers to gather the views of leaders and managers involved in sub-contracting. In identifying training providers to visit, inspectors targeted providers who were engaged in sub-contracting with a number of providers who offered a range of training activities, including Modern Apprenticeships (MA), Foundation Modern Apprenticeships (FMA) and Skill Build. Inspectors also interviewed a number of sub-contractors to obtain their views.

## **Appendix 2: List of lead providers visited**

Acorn

ACT Ltd

Cambrian Training Company

ITEC Training Solutions

City and County of Swansea Training

Neath Port Talbot College (Pathways) Skills Academy Wales

North Wales Training

Torfaen Training

Vale of Glamorgan Training Agency (Barry College)

## Glossary

<b>Lead provider</b>	The training provider awarded the contract by DfES
<b>Sub-contractor</b>	A training provider (third party) paid to deliver training by the lead provider
<b>Consortium</b>	A group or association where a combination of providers work together in a partnership arrangement, with one organisation acting as the lead provider or contract holder

## The remit author and survey team

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