

ESFA to require reduction in subcontracted activity and introduce a new subcontracting standard, following sector consultation

ESFA, as part of new measures, will implement a subcontracting standard and reduce, significantly, the volume of subcontracted activity in the sector.

We will also apply a cap on the volume of subcontracting and will take forward work this academic year to establish the right threshold for that cap and timescales for a staged reduction. All providers' Corporations and Boards who choose to subcontract will have to publish a curriculum rationale for their limited subcontracted activity.

The new measures are being introduced gradually, following a sector wide ESFA [consultation](#) launched earlier this year, to improve the management and oversight of the limited, but necessary, future subcontracting arrangements entered into.

Before the consultation launched, ESFA's chief executive, Eileen Milner [wrote](#) to the sector highlighting concerns about the continued rise in cases of fraud linked to subcontracting arrangements managed by ESFA lead providers despite ESFA's tightening of subcontractor arrangements.

The consultation received over 400 responses, with a large proportion from independent training providers. The majority of proposals were supported, including the requirement for a clear curriculum rationale; control of the volume and value of provision delivered by subcontractors; simplifying third party arrangements with specialist providers such as sport; rationalising funding rules; requiring the publication of fees and charges across all funding streams; and the introduction of an externally validated standard.

Eileen Milner said:

I have been clear that the current arrangements in place for subcontracting were not going far enough from an agency, accounting officer and sector perspective.

We must all be satisfied that public money is being managed properly.

The changes ESFA is introducing will strengthen oversight by lead providers and give confidence that the limited subcontracting that is necessary in the future evidentially and defensibly meets the needs of specific learners or employer, is of good quality and is managed responsibly by the lead provider.

We will work with the sector to test and implement these changes gradually to ensure that the outcome for learners is central.

ESFA will develop the new subcontracting standard through 2020/21, will trial it in 2021/22 and fully implement, once externally validated by audit firms, in 2022/23.

Other areas that will change include:

- placing restrictions and limits on types of subcontracting that have been identified as higher risk
- acting on the use of brokers to 'sell on' provision to subcontractors
- improving, across ESFA, the use of the data and audit returns to identify and act on risks

Although the implementation of these reforms will begin in time for the next academic year, the changes will be brought in over the next three years, to allow for a period of adjustment.

The changes will also need to align to plans for the reform of further education and adapt as necessary.

We will be setting out the detail of these reforms later this year.

You can read the full consultation response on [GOV.UK](https://www.gov.uk).