



# Subcontractor Credit Reference Use Policy

Most recent update: 17 May 2024

## Scope

Cheshire West and Chester Council's (CW&C) contract with the Education and Skills Funding Agency (ESFA) to deliver a programme of Adult Education requires that we do not enter into or renew a sub-contract with any organisation if:

- It has an above-average risk warning from a credit agency,
- It has passed a resolution (or the court has made an order) to wind up or liquidate the company, or administrators have been appointed,
- Its statutory accounts are overdue.

To ensure compliance with these rules, CW&C uses the services of credit reference agencies who supply a report on all potential subcontractors before a contract is agreed.

## Timing

CW&C order and review credit reports after a potential subcontractor's bid has been scored as acceptable at a Funding Panel but before a contract is issued. This ensures that CW&C do not have to undertake the cost of running credit checks for organisations who are unlikely to become subcontractors. These checks are in addition to a check which is undertaken as part of the stage 1 approved supplier procurement processes.

## Credit Reference Companies

CW&C are not tied to one credit reference agency and will change agencies in the pursuit of best value over time. Additionally, CW&C may choose to seek references from multiple agencies, sometimes for the same potential subcontractor, in order to seek clarification about a potential subcontractor or to test and improve the robustness of CW&C's credit check systems.

## Using Credit Reports

CW&C will consider the score a company is given from a credit reference agency rather than the rating given. This is to ensure that CW&C are not 'contracting out' our responsibility to read and understand the details in each report to the credit reference agency supplying the report and to allow for the fact that different credit reference agencies ratings can vary significantly for the same organisation.

CW&C will compare the risk score in a credit report to the potential contract being offered. For example, an organisation with a lower score and lower credit rating may be considered below average risk if their contract is small and a zero or low amount of credit will be given during the lifetime of a contract. If an organisation has a 'better' credit score and limit but the contract offer



requires a credit level higher than their credit limit displayed in the report then the potential contract would be considered 'above-average' risk.

If a credit report confirms that a company is in the process of winding down CW&C will not issue a contract.

If a credit report confirms that a company has not submitted their statutory accounts CW&C will not issue a contract.

If a company claims that a report of winding up, of failure to submit statutory accounts or of a poor credit score is out of date or inaccurate, CW&C may, at their own discretion, request an updated credit report from either the original credit reference agency or a different agency.

If a potential sub-contractor's credit report is unclear or is close to being deemed 'above-average' risk by CW&C staff an explanation and reassurance maybe sought from the contractor based on information contained in a credit report. For example, if a company has high debt levels, they may be able to negate this by proving to CW&C staff that they possess tangible assets that are liquid enough to repay the debt if needed or that the debt is structured in such a way that the creditors cannot demand immediate payment. However, if these reassurances cannot be provided in sufficient detail to satisfy CW&C staff, a contract will not be issued.

