

Skills Funding Agency: Guidance Note 8

Chief Executive's Performance Management 2011/12

July 2011

Contents

1. This Guidance Note covers the following areas:
 - Performance management arrangements for colleges¹, training organisations and employers for the Adult Skills Budget and 16-18 Apprenticeships.
 - Discretionary Learner Support – payments and performance management.
 - Update on Outcome Incentive Payments - Trialling Job Outcome Payments
 - Apprenticeship update including additional funds and Framework Rates – Specification of Apprenticeship Standards for England (SASE).

Performance Management for Colleges, Training Organisations and Employers

2. This Guidance Note clarifies how the Skills Funding Agency will implement performance management for colleges, training organisations and employers during 2011/12.

Updated performance management arrangements for colleges delivering Adult Skills Budget provision

3. The Skills Funding Agency is to continue with its simplified performance management and payment arrangements for colleges. Colleges will not be subject to in-year performance management; all reconciliation will take place at the final funding claim stage and there will be no automatic payments for over-delivery.
4. Colleges will continue to be expected to deliver their allocation in line with their assessment of community, stakeholder and employer needs, Government ambitions and funding requirements. This will include a continued emphasis on delivering high-quality provision and ensuring value for money.

¹Definition of college is any General Further Education (GFE) College, Local Authority, Specialist Designated Institution, Sixth Form College or Higher Education Institution funded through a financial memorandum or conditions of funding grant will be subject to the same freedoms and flexibilities as colleges and will be paid on profile for their Adult Skills Budget

- The current payment arrangements for colleges remain unchanged for 2011/12. Each college will continue to be paid a single amount each month through a single payment profile for their Adult Skills Budget. This cash profile is the same profile that we used for 2010/11 and is set out below.

Monthly profile for the Adult Skills Budget for colleges.

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
Adult Skills Budget Profile (colleges)	12.56%	9.44%	9.56%	7.44%	5.60%	5.60%	5.20%	5.16%	12.56%	11.60%	9.60%	5.68%

- At the mid-year point (February 2012), the Skills Funding Agency will invite each college to provide a forecast of expected performance at the year-end, against the overall cash profile. The Skills Funding Agency will not reconcile funding as a result of this mid-year review. However, it will take account of any forecast cash under-delivery in agreeing allocations for the following academic year, including looking at the accuracy of previous years' mid-year forecasts.
- If there are funds which are released to the sector during the year (for example, because of under-performance) the Skills Funding Agency may wish to discuss increases to a college's maximum contract value.
- The Skills Funding Agency has put in place transition arrangements for providers (colleges and training organisations) where the funding policy changes for 2011/12 require a significant shift in curriculum that, without transition arrangements, may cause the providers to fail to earn its Adult Skills Budget.
- In 2011/12, the arrangements for Individualised Learner Record (ILR) data collection from colleges for Adult Skills Budget provision (i.e. formerly Adult Learner Responsive and Employer Responsive funded provision) are aligned within the single ILR. The Skills Funding Agency will receive quarterly ILR data for Adult Skills Budget provision and Funding Claims at Mid-Year, Year-End and Final Funding Claim stage. Please refer to the Information Authority website for the detail of the returns [here](#).

Updated performance management arrangements for training organisations and employers delivering 19+ provision Adult Skills Budget provision and all providers and employers delivering 16-18 Apprenticeships.

- The Skills Funding Agency will continue to use a standard national profile for performance management purposes for all providers for 2011/12. The profile has been updated to take into account the pattern of delivery and funding over the two accounting periods of eight months (August to March) and four months (April to July). Therefore the updated profile is set out below:

Monthly profile for the Adult Skills Budget for training organisations and employers and for 16-18 Apprenticeships for all providers.

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
Adult Skills Budget Profile (Training Organisations) & 16-18 Apprenticeships profile for all providers	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.19%	8.19%	8.19%	9.14%	9.14%	9.15%

11. Training organisations and employers will continue to be paid on their actual delivery for the Adult Skills Budget and all providers will continue to be paid on actuals for 16-18 Apprenticeships. The requirement for ILR monthly returns will remain. Please refer to the Information Authority website for the detail of the returns [here](#).
12. Performance reviews will continue to take place quarterly. Adjustments to contracts will continue to be made where performance against cash profiles for the period in question is outside of our published tolerance levels.
13. Where there is a pattern of under-delivery, the Skills Funding Agency will reduce maximum contract values to reflect some or all of the value of the under-delivery to date. In addition, the Skills Funding Agency will normally adjust the maximum contract value on the future profile by the under-performance to date (shown in the table below). For this reason, it will be important for all colleges, training organisations and employers to submit timely data returns, as per the Information Authority timeline.
14. There will be no automatic payments for over-delivery. However, the Skills Funding Agency will re-distribute funds from underperforming training organisations, colleges, employers to some or all of those who are delivering above their contract value to date. This will increase the training organisation's, college's or employer's maximum contract value and be put in place via a formal signed contract variation.
15. In order to effectively manage its programme budgets, the Skills Funding Agency will continue to divide the Adult Skills Budgets and 16-18 Apprenticeships budgets into two parts, to reflect the financial and academic year split for 2011/12 (i.e. the eight months from August 2011 to March 2012 and then the four months from April 2012 to July 2012). This means that maximum contract values will be set for both those periods. Again, there can be no guarantee of payments for over delivery in a financial year without a signed variation from the Skills Funding Agency.
16. Those programmes outside the Adult Skills Budget and 16-18 Apprenticeships will continue to be performance managed and reconciled as they have been in 2010/11.
17. Following the quarterly performance management outcome, the Skills Funding Agency will publish the updated Maximum Contract Values (MCVs) and or Grants for those paid on profile as part of our commitment to transparency. We will publish these updates as soon as possible following the outcome of each quarterly process.

Tolerances to be used for quarterly performance management for training organisations' and employers' Adult Skills Budget and all providers for 16-18 Apprenticeships.

Quarter	Quarter 1	Quarter 2	Quarter 3
Month	November 2011	February 2012	May 2012
Data used	Year to date		
Tolerance % of cumulative profile to date	15%	8%	5%
Default de minimis limit for MCV adjustments	£10,000	£10,000	£10,000
Action to adjust for underperformance to date and to adjust the future MCV.	<p>Reduce the MCV profile to date by the amount equal to the under-performance to date in excess of tolerance (unless the adjustment is below the de minimis limit of £10K).</p> <p>In addition, the future MCV will be reduced by taking the provider's underperformance to date (in excess of the tolerance including the £10k de minimis) at each quarter. The calculations will automatically be applied unless the Relationship Director agrees to override them (this will be moderated nationally).</p> <p>The assumption is that they will only be overridden in very rare circumstances.</p>		

Discretionary Learner Support – payments and performance management

18. Discretionary Learner Support (dLS) has been allocated to colleges and training organisations as part of the funding statement for 2011/12. The dLS budget is outside of the Adult Skills Budget. 2011/12 will be the last year of this separate budget.
19. In 2011/12, 19+ dLS will continue to be paid on profile in three instalments but the payments will be made in August (50%), January (25%) and April (25%).
20. The Skills Funding Agency will collect two in-year funding forecasts from providers where they will have the opportunity to inform us of in-year allocation pressures or any surplus funding which is not required. The Skills Funding Agency will use these estimates to adjust allocations in year. Any identified surplus funds from providers may be removed and recycled to support those providers with budget pressures. However any additional funding cannot be guaranteed.
21. The dates for the mid-year forecasting exercise will be November 2011 and February 2012. Further information relating to the detail of how to submit an in-year forecast for dLS funding will be released prior to the first in-year forecast in November 2011.
22. Following the end of the 2011/12 contracting year, providers will be expected to submit a claim detailing how their allocated dLS funds have been used. Where providers have not fully utilised their allocation, funds will be recovered. The financial reconciliation and any recovery of funds will be completed by the end of November 2012. Further information relating to the end of year funding reconciliation will be released during the year.
23. The existing ILR data requirements remain in place. For all learners in receipt of 19+ dLS funding, providers must continue to complete the relevant ILR fields relating to dLS. For

full details on the submission of ILR data please refer to the 19+ Discretionary Learner Support Funding Guidance 2011/12.

Update on Outcome Incentive Payments - Trialling Job Outcome Payments

24. All colleges and training organisations have received a funding statement which highlights 2.5% of their 2011/12 Adult Skills Budget funding allocation attributed to the achievement of job outcomes for learners - Outcome Incentive Payments (OIP). The contracts/grants issued by 30 June will not show the OIP as a separate contract line.
25. For Outcome Incentive Payments, 2011/12 will be a transitional year for many providers where we are asking them to work with the sector in a different way and with new client groups, particularly unemployed clients.
26. Colleges will be paid for this provision as part of their combined payment profile. Training organisations will claim their 2.5% through the Training Provider Statement (TPS) throughout the year. Further guidance on how to claim through the TPS will be covered in the Funding Requirements.
27. For all providers, the 2.5% OIP fund will not form part of the in year performance management process. This will allow all providers to set up the infrastructure required to deliver job outcomes to unemployed learners.
28. This fund is intended to remove some of the artificial barriers that have led to under-reporting of job outcomes, and ultimately move to a position where we are using match data to verify returns. The Skills Funding Agency has committed to developing a Memorandum of Understanding (MOU)/Protocol with Jobcentre Plus (JCP) and sector representative bodies agreeing roles and responsibilities for different parties in taking this forward.
29. The Skills Funding Agency expects the money to be used to define the key stakeholders in their locality and to make significant progress in engaging with them in preparing to develop a more formal offer in 2012/13. For example the outcomes we would expect would be: to develop resources/processes to improve engagement with JCP or employers to determine skills needs; develop destination tracking and reporting methods; additional support to help people find and apply for jobs; renting of more suitable delivery premises close to Jobcentre Plus premises; additional teaching capacity to help deliver more regular start dates for roll on roll off provision or smaller group sizes etc.
30. If providers do not wish to receive the OIP funds for 2011/12 then the Skills Funding Agency must be informed by 1 August 2011 so that we can convert the 2.5% OIP funds back into participation. If providers choose not to participate during 2011/12 they will be disqualifying themselves from a Job Outcome Incentive payment allocation in 2012/13. The Skills Funding Agency would however be prepared to discuss with individual providers an option to pilot other outcomes.
31. The Department for Business, Innovation and Skills (BIS) and the Skills Funding Agency are involved in research into Job Outcome Incentive Payments. Plans are at an early stage, but the research will include exploring the impact on providers and implementation issues, as well as assessing the effectiveness of incentive payments. The Department

for Business, Innovation and Skills (BIS) and the Skills Funding Agency would like to encourage providers to participate in the research should they be asked to do so.

32. The results from this survey with the data collected from the ILR will inform the Agency's future policy for the Outcome Incentive Payments.

Apprenticeship Framework Rates – Specification of Apprenticeship Standards for England (SASE)

33. Over the last year, Sector Skills Councils and Sector Bodies have been working with the colleges, training organisations and employers to put in place new frameworks. All new frameworks must meet the requirements of the Specification of Apprenticeship Standards for England (SASE).
34. No new starts will be funded on old blueprint frameworks from 1 August 2011. The introduction of SASE puts in place new statutory requirements governing the content of frameworks and embeds the transition of qualifications in the Qualifications and Credit Framework (QCF). All frameworks must be compliant by the end of July 2011.
35. The Skills Funding Agency has been working with the National Apprenticeship Service and representatives from the sector to determine what, if any changes should be made to existing Apprenticeship rates as a result of the introduction of SASE. After much consultation, we have agreed to continue to fund all existing and replacement frameworks at their current rate. This means we will not introduce changes to current rates where a framework is a direct replacement for an existing one. Apprenticeship rates will reduce by the 2% for 16-18 and 4.3% for 19+ in 2011/12 as previously announced.
36. You will be aware there has been a significant delay in some sectors coming forward with new frameworks, and a number of these are still outstanding. Completely new frameworks, i.e. those that are not direct replacements for existing frameworks, will continue to be set a rate using the existing process. In addition to this we are aware of some concerns from sector representatives about the accuracy of these rates in reflecting delivery costs. We will move immediately to verify these rates when all frameworks have been assessed at the end of July.
37. We are continuing to plan and work towards implementing a new simplified rates approach for the whole sector for 2012/13. This new simplified system will include Apprenticeships and will put in place a simple pricing structure that delivers on Government's key priorities.
38. We believe this is the right decision for 2011/12 and ensures we are able to retain a high quality Apprenticeship offer to both new and existing apprentices. If however, as a direct result of this decision, there is a risk that apprentices are disadvantaged from participating, the Skills Funding Agency will discuss this with the college/training organisation on a case by case basis.