

Outcome of Performance Management at Quarter 3 2011

Date of issue 8 June 2011

In line with the Skills Funding Agency's performance management approach and in keeping with our commitment to transparency, we are providing a brief update on the changes as a result of quarter 3 performance management. At quarter 3 we reviewed the performance for the remainder of the 2010/11 year and also reviewed business cases from providers for additional growth for the 2011/12 contracting year. This note updates providers on both aspects.

As previously published, the tolerance at Quarter 3 was 5% and so, if a provider's earnings were less than 95% of their year to date profile then (subject to a £10k de minimus) we will initiate a notification that reduces the Maximum Contract Value (MCV) back to the tolerance. As in quarters 1 and 2, Account Teams could negotiate this revised MCV with providers as necessary. A summary of the overall performance is that as at quarter 3, 27% of providers were delivering at or above 100% performance and 73% were below.

For 16-18 Apprenticeships £45m was recovered from underperforming providers. We have agreed to fund all the growth cases presented for the remainder of the 2010/11 year. The total growth awarded for 2010/11 is £17m. This follows the Agency's commitment to ensure the funding is moved quickly to meet the choices of all young people wishing to undertake an Apprenticeship. Cases were presented for an additional £61.6m for 2011/12. The Agency has not been able to confirm the funding position for all of these cases until we have discussed this with Department for Education (DfE) colleagues. Until we have a decision we will, as per last year, review the outturn position for 2010/11 in September 2011. At this time the Agency will request to move any unspent funds from the 2010/11 year into the 2011-12 year to fund additional activity where required, this will also be subject to DfE approval. The Agency will resume the in year performance management approach and review the MCVs again at quarter 1 (November) 2011. We expect money to be taken off underperforming providers and moved to those demonstrating need. We remain confident that there is sufficient money in the system to fund the learner demand.

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For 19+ provision £37m was recovered from underperforming providers. We have agreed to release £18m to fund all the growth requests including some work place learning; 19-24 Apprenticeships and fund those existing 25+ apprentices already in learning, i.e. to ensure providers have sufficient funds to continue to support these learners. We have not been able to agree at this time any additional funding for new 25+ Apprenticeship starts. Although we are aware that freedoms and flexibilities allow providers to move money within their Adult Skills Budget, we expect the providers who are awarded growth to spend this as per the business cases submitted with the account teams. We want the sector to continue to focus on growth for those aged 19-24.

We believe that current allocations for 2011/12 are currently sufficient to meet the level of demand for adult Apprenticeships and are not agreeing any additional growth requests at this time. The Agency will review the outturn position for 2010/11 and ensure that the mix of provision being delivered is broadly in line with Ministers' expectations but also because new money for 19-24 year olds not in employment, education or training (NEETs) has been announced. The additional money is awarded to us for the remainder of the Comprehensive Spending Review period and we are discussing with BIS and Ministers how we allocate the additional money. The new money will focus on unemployed 19-24 year olds with the intent to get them back into employment. We hope to be able to share more information with you soon.

In the meantime, as per our process for 16-18 Apprenticeships, in September we will review the outturn position for 2010/11 and move unspent funds into 11-12 as required and we will review the position again at quarter 1 of 2011/12 (November 2011).

If you have any queries please contact your account team in the first instance.