

Technical Note to accompany the reconciliation statement that all providers paid on profile by the Agency will receive on 13 December 2011

This note outlines the Skills Funding Agency's (the Agency) approach to finalising payment for those providers paid on profile for 2010/11 and the impact on 2011/12 and 2012/13 allocations. **It should be read in conjunction with the reconciliation statement that the Agency will send to all those providers paid on profile on 13 December.**

Following analysis of the year-end claim the Agency recognises that underperformance by some profile providers for adult skills provision in the year ending 2010/11 was caused, in part, by a reduction to rates in-year. It also acknowledges that a number of other factors need to be taken into account and these include:

- the expectation that at least £150m will be transferred from the former Train to Gain programme into Apprenticeships
- changes to funding policy including the eligibility change for Skills for Life and Job Seeker's Allowance claimants
- the expectation of a reduction of the allocations for 2011/12 which has led to colleges restructuring their resources to accommodate for lower participation and
- the year ending 2010/11 is the first for which assessment will be made against the newly-created Adult Skills Budget (ASB), where the Agency expects colleges to manage their freedoms and flexibilities to deliver to the total ASB contract (and not as in previous years against the individual programmes lines, for example, Adult Learner Responsive (ALR)).

A small number of cases sit outside the general principles below, due to exceptional circumstances that the Agency has identified through discussions with providers and these include:

- providers in transitional years due to mergers or other structural changes
- unexpected loss of, or acquisition of, significant contracts
- additional intelligence on the likely (or sight of the actual) final claim value and
- high-performing providers with confirmed opportunities for expansion of provision to those not in education, employment or training (NEETs) or Apprenticeships.

The Agency will apply the following tolerances to the profile providers' final funding claims for the adult skills provision for the year ending 2010/11:

Over 100%	Payment for over delivery will be made capped at 10% of the 10/11 allocation or £100,000, whichever is greater
97% - 100%	A 3% tolerance is applied and this is treated as on target
Additional funding allocated mid-year in 2010/11	For all providers who were allocated additional funding in 10/11 based on their Mid-Year Estimate, any additional funding which has not been earned will be clawed back up to the value of any underdelivery below the tolerance.
90% - 96.9%	No additional automatic claw back for this group. For those delivering less than 97%, rebasing in 2011/12 has also been considered & will be applied in some cases.
Less than 90%	Automatic claw back of 50% of the underdelivery minus the 3% tolerance
No longer contract in 2011/12	Full claw back of the underdelivery
Exceptions	A small number of cases sit outside these general principles due to exceptional circumstances

Additional information

Adult Learner Responsive (ALR), Additional Learning Support (ALS) 2010/11

The Agency has also agreed to pay for the over delivery against the ALR ALS programme line for 2010/11. This acknowledges that providers have responded to the priorities to recruit the hardest-to-help cohort, specifically the 19-24 NEETs who require additional support. The providers who over deliver against their ALS line in 2010/11 will receive an increase in their ALS line in 2011/12.

Additional Money in 2011/12

A number of providers have also been successful in securing extra funds to provide additional places, in particular, 19- to 24-year-olds who are NEETs. The funding will be awarded within the single adult skills budget through a variation to the financial memorandum. The Agency will issue the variations before 23 December 2011.

Impact on 2012/13 Allocations

The Agency's current position is that for grant-funded providers the final performance delivered in 2010/11 will be used to inform the initial allocations for 2012/13. We will issue these on 16 December 2011. The mid-year estimate and the February data return in 2012 will inform the final allocations to be issued by the end of March 2012.

Next Steps

There is no action for providers to take at this time as all the statements will be manually produced for the profile providers by applying the principles set out above to the final claim in 2010/11. The Agency will produce the final statements and make these available to all grant-funded providers on 13 December 2011.

Any claw-back based on the final funding claim will be recovered in full from the February 2012 payment run. Those providers who miss this run will have money recovered in the March 2012 payment run. Payment for over delivery will be paid on the same timeline.

Any queries please contact your relationship director in the first instance.



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