



Skills Funding  
Agency

# Performance Management Rules 2013/2014

Version 1

This document describes the performance management rules for both participation and support funding in the 2013/2014 funding year.

June 2013

Of interest to providers and employers



**European Union**  
**European Social Fund**  
Investing in jobs and skills

# Performance Management Rules 2013/2014

## Version 1

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## **Introduction**

This document sets out the Performance Management Rules for the 2013/2014 funding year which apply to all providers of education and training funded by the Chief Executive of Skills Funding. It forms part of the Terms and Conditions of funding and should be read in conjunction with the Terms and Conditions set out in your Financial Memorandum, Conditions of Funding (Grant), Contract for Services, Conditions of Funding (Grant) – Employer or 24+ Advanced Learning Loans Facility Conditions and the Funding Rules 2013/2014. In the event of any conflict between this document and the Terms and Conditions or Funding Rules 2013/2014, those documents take precedence.

The terms 'we', 'us', 'Skills Funding Agency' and 'the Agency' refer to the Chief Executive of Skills Funding and her staff.

When we refer to 'you' or 'providers' this includes colleges, training organisations, local authorities and employers who receive funding from us, or through a Loans Facility to deliver education and training.

The term 'contract' refers to the Financial Memorandum, Conditions of Funding (Grant), Contract for Services, Conditions of Funding (Grant) – Employer or 24+ Advanced Learning Loans Facility Conditions.

## Principles

This section sets out the principles by which we will manage your performance in the 2013/2014 funding year (August 2013 to July 2014) and within the two financial years (August 2013 to March 2014 and April 2014 to July 2014).

1. We will continue to apply different performance management processes according to the funding stream and contract. Within those processes we will apply principles of performance management consistently to all providers.
2. We accept no responsibility for payment in excess of your funding year or financial year allocations/Maximum Contract Value (MCV). It is your responsibility to manage your funding year allocation/MCV within the funding year and financial year as detailed on your Funding Agreement (Appendix 2 of your contract).
3. It is your responsibility to understand the impact of the new funding system, making the right choices for learners and employers.
4. We are working with the sector on the definition of track record ensuring alignment with the publication of the Government's [Rigour and Responsiveness in Skills](#). We will use track record to assess your ability to deliver. Criteria used in the track record will include Ofsted grades, minimum standards of performance and financial health.
5. We will maximise participation funds by identifying under-delivery and redistributing funds to providers with a good track record and evidenced employer or learner demand.

6. We will ensure that any changes to the processes and rules in this document are published at least three months in advance, subject to national policy changes.
7. We have retained the same performance management tolerances and standard national profiles as those used in the 2012/2013 funding year.
8. We will uphold the Government's commitment to fund all excellent vocational provision for young adults aged 16-18 so that they can participate in the Apprenticeship or traineeship programme of their choice.
9. In the first year of 24+ Advanced Learning Loans (Loans) we will implement a simplified process for increasing your Loans Facility.
10. Where we request further information from you to support performance management processes, we will try to use existing information produced for your own internal processes.
11. We will ensure that performance management processes are implemented consistently with standard forms and templates.

## Adult Skills Budget

We will continue to fund the Adult Skills Budget according to the legal status of the provider. This enables us to ensure that the appropriate terms and conditions are in place and take account of providers' infrastructure and liabilities.

The two groups of providers are defined as:

- providers funded through a Financial Memorandum or Conditions of Funding (Grant)
- providers funded through a Contract for Services or Conditions of Funding (Grant) - Employer

### Providers funded through grant

12. Payments will be made on a standard national monthly profile, shown in table 1 of Annex A.
13. You must submit three funding claims detailing your actual delivery to date and, where applicable, provide a forecast of your expenditure for the remainder of the funding year. The funding claims required are:
  - 13.1. mid-year funding claim (February 2014)
  - 13.2. year-end funding claim (September 2014)
  - 13.3. final funding claim (October 2014)

(DN: The *information authority* is currently consulting on ILR submission dates for 2013/2014. The assumption is that three funding claims will be required.)
14. When completing your funding claims, you must use the funding claim form that we publish. The funding claim form will include further information on the claim process, evidence requirements and additional details on audits.

15. We will use information submitted in your funding claims to review your 2013/2014 allocation. Where we have evidence that you will not deliver in full, we reserve the right to reduce your allocation to a level in line with your actual delivery.
16. We will use information from your funding claims when agreeing allocations for 2014/2015. This will include looking at the accuracy of historical mid-year funding claims and using your track record.
17. We will not apply an automatic year-end tolerance or automatic payment for delivery in excess of your allocation to your final funding claim. Any under-delivery is subject to year-end adjustment and you must pay back any unspent funds. We will confirm the value of funding you must pay back in your Reconciliation Statement.
18. We reserve the right to adjust your 2014/2015 allocation in light of actual delivery declared on your 2013/2014 final funding claim.

#### **Providers funded through contract**

19. We will pay you on the basis of your actual delivery each month within your MCV. We will calculate the value of the actual delivery using the latest validated ILR data that you submit.
20. We will benchmark your contract performance against a standard national profile (table 2 of Annex A) at the quarterly performance management points throughout the year, which are detailed in tables 7 and 8 of Annex B.
21. We will make adjustments to contracts where performance against cash profiles for the period in question is outside of our published tolerance levels. The tolerance levels that we will apply at quarterly performance management reviews are set out in table 3 of Annex A.

22. We will reduce your MCV where you fail to deliver within the published tolerances. The reduction applied will reflect some or all of the value of under-delivery to date and reduce the future profile of the associated under-delivery. We will not override this approach unless there are exceptional circumstances (for example, evidenced ILR data submission issues).
23. We will increase MCVs if:
  - 23.1. funds are available and
  - 23.2. you have a good track record and
  - 23.3. you can evidence employer or learner demand for additional funding and
  - 23.4. we are confident that awarding additional funds does not represent significant risk to our ability to manage public funds.

**The following sections are applicable to all Adult Skills Budget providers.**

### **Adult Apprenticeships**

24. Your 2013/2014 contract will state the value of your Adult Skills Budget that we expect you to use to fund adult Apprenticeships. This is the minimum value that you must use to fund adult Apprenticeships and you will need formal agreement from us before transferring any funding out of your adult Apprenticeship allocation. We will confirm the process for transferring funding out of your adult Apprenticeship allocation in the final version of this document.

### **Learning Support**

We have incorporated the value of your Learning Support delivery into your overall Adult Skills Budget allocation in 2013/2014.

25. We will manage performance of your Adult Skills Budget allocation/MCV, including Learning Support, for all providers in line with the rules set out in



this document. For providers funded through grant this will be at the end of the year and for providers funded through contract this will be part of quarterly performance management.

26. If you have not had access to Learning Support previously, you will need to agree with us your planned expenditure in the 2013/2014 funding year.

### **Transition Factors**

The [Skills Funding Statement 2012-2015](#) confirmed that we will put in place a single demand-led funding system for adult skills in 2013/2014. To help you manage the implementation of the new funding system and recognising that the new funding calculation may affect your earnings, we have introduced Transition Factors for 2013/2014.

We have calculated your Transition Factor using ILR data you submitted to us in 2011/2012. We have updated your 2011/2012 earnings to take account of any changes to funding rates in 2012/2013. We will apply your Transition Factor to your earnings as part of the 2013/2014 funding calculations. Support is focussed on those who see earnings reduced in the new system. We will put this in place for one year.

Transition Factors are intended to adjust total cash earnings. They have not been designed as a tool for planning provision.

27. We will apply your Transition Factor to adjust your earnings. We will use your adjusted earnings in our reporting and performance management processes.
28. We will review your Transition Factor as part of the performance management process. We reserve the right to adjust your factor where we have evidence that it is no longer suitable from your ILR submissions or because of the change to your offer in 2012/2013 and 2013/2014.

29. We will review Transition Factors for providers funded through contract in line with the quarterly performance management timetable. Transition Factors for providers funded through grant will be reviewed following submission of mid-year funding claims. The timetables for this are set out in Annex B.
30. Providers funded through grant will continue to be paid on the standard national profile. The Transition Factor may affect your earnings which may in turn affect year-end adjustments.
31. Providers funded through contract will initially be paid based on the standard national profile and the Transition Factor will have no effect. Once payments for providers funded through contract are based on actual delivery, the Transition Factor may affect your earnings and payments.

## **16-18 Apprenticeships and traineeships**

We continue to manage the delivery of 16-18 Apprenticeships on behalf of the Education Funding Agency. We will also manage 16-18 traineeship delivery on behalf of the Education Funding Agency for providers that are not currently funded by them. As soon as we have information on adult traineeships, we expect the details to be communicated in this document.

32. We will pay you on the basis of your actual delivery each month. We will calculate the value of the actual delivery using the latest validated ILR data you submit.
33. We will inform you of the value of your 16-18 Apprenticeship allocation that we expect you to use to fund 16-18 traineeships. This is the maximum value that you must use to fund 16-18 traineeships and you will need agreement from us prior to transferring funds from your 16-18 traineeship MCV into 16-18 Apprenticeships.

34. We will benchmark your contract performance against a standard national profile (table 4 of Annex A) at the quarterly performance management points throughout the year, which are detailed in tables 7 and 8 of Annex B.
35. We will make adjustments to contracts where performance against cash profiles for the period in question is outside of our published tolerance levels. The tolerance levels that we will apply at quarterly performance management reviews are set out in table 3 of Annex A.
36. We will reduce your MCV where you fail to deliver within the published tolerances. The reduction applied will reflect some or all of the value of under-delivery to date and reduce the future profile of the associated under-delivery. We will not override this approach unless there are exceptional circumstances (for example evidenced ILR data submission issues).
37. We will increase MCVs if:
  - 37.1. funds are available and
  - 37.2. you have a good track record and
  - 37.3. you can evidence employer or learner demand for additional funding and
  - 37.4. we are confident that awarding additional funds does not represent significant risk to our ability to manage public funds.

## **Community Learning**

38. You will be paid on the standard national profile shown in table 5 of Annex A.
39. You must submit a final funding claim, detailing actual spend against your allocation for the 2013/2014 funding year in September 2014.  
(DN: The *information authority* is currently consulting on ILR submission dates for 2013/2014).

40. We will not apply an automatic tolerance or automatic payment for delivery in excess of your allocation to your final funding claim. Any under-delivery will be subject to year-end adjustment and you must pay back any unspent funds. We will confirm the value of funding you must pay back in your Reconciliation Statement.
41. We reserve the right to adjust your 2014/2015 allocation in light of actual delivery declared on your 2013/2014 final funding claim.

## **24+ Advanced Learning Loans Facility**

We introduced 24+ Advanced Learning Loans (Loans) for the first time in the 2013/2014 funding year. Providers wishing to offer Loans to their learners have been given a Loans Facility (the amount of funding available for learners taking out a Loan through that provider).

We will work to ensure funding supports the demand for Loans and learners' choice. As this is the first year of Loans, we will keep the process under review to ensure that it remains fit for purpose.

42. We will use data from the Student Loans Company about Loans commitments (approved Loans) to manage the Loans budget.
43. We will keep under review the amount of delivery against the national budget. We will not reduce your Loans Facility unless there is a risk that the demand for Loans may exceed the national budget.
44. We will contact you if we need to reduce your Loans Facility. We will focus first on providers that have delivered small values of Loans-funded activity to date.

45. You can request an increase by submitting the *Loans Facility and Bursary Adjustment Request Form* to a central mailbox.
46. Requests for increases to your Loans Facility are subject to quality checks and the availability of funding nationally.
47. We will respond to these requests within two working days. This process, outlined in Annex C, is open to you at any time and therefore it is not subject to a specific timetable.

## **24+ Advanced Learning Loans Bursary Fund**

48. If you have evidence of learner demand that you cannot meet from your existing Bursary, we will discuss this as part of the process for changing the Loans Facility. Any increase to your Loans Bursary is subject to affordability.
49. We will discuss with you your planned use of Bursary funding at the Quarter One, Two and Three Performance Management points and reserve the right to adjust your 2013/2014 allocation in light of these discussions.

## **Discretionary Learner Support**

50. You will be paid on profile in three instalments: August (50 per cent), January (25 per cent) and April (25 per cent).
51. You must submit two funding claims detailing your actual expenditure to date and, where applicable, provide a forecast of your expenditure for the remainder of the year. The funding claims required are:
  - 51.1. mid-year funding claim (February 2014)
  - 51.2. final funding claim (October 2014)

(DN: The *information authority* is currently consulting on ILR submission dates for 2013/2014).

52. We will use information from your funding claims when agreeing allocations for 2014/2015. This will include looking at the accuracy of historical mid-year funding claims and using your track record.
53. We will not apply an automatic tolerance or automatic payment for expenditure in excess of your allocation to your final funding claim. Any under-spend will be subject to year-end adjustment and you must pay back any unspent funds. We will confirm the value of funding you must pay back in your Reconciliation Statement.
54. We reserve the right to adjust your 2014/2015 allocation in light of actual expenditure declared on your 2013/2014 final funding claim.

## **European Social Fund**

We procure European Social Fund (ESF) contracts through an open and competitive tendering process.

Performance management of ESF allows us to maximise expenditure against our budgets and redistribute funds to providers with evidenced demand. Please note the redistribution of ESF is subject to European Union regulations.

The 2007-13 ESF Programme will finish in July 2015.

55. We will make payments to you on the published ESF payment date based on your actual delivery to date. If you exceed contracted deliverables we will cap these payments.
56. Performance management reviews will take place on a quarterly cycle, shown in the timetable in table 6 of Annex B.

57. ESF contracts vary in their length of delivery, so we will not use a national performance profile to benchmark performance. Instead, we will measure performance against individual contract delivery profiles that have been agreed between us and you.
  
58. We will base any variations to your contract on a complete assessment of your ability to deliver contracted volumes of activity. This includes how your delivery profile fits with the timescale you have left to deliver the rest of the contract.
  
59. In the performance management process we will review ESF contracts in the context of the performance of the contracted deliverables.
  - 59.1. We will review actual starts, achievements and progressions against the profiled volume to date for each deliverable.
  - 59.2. We will review actual starts, achievements and progressions against the total number of contracted targets for each deliverable.
  - 59.3. We will review actual starts, achievements and progressions against the amount of time remaining before the end of your contract.
  - 59.4. We will analyse your recruitment rate and the rate of early leavers.
  
60. We will not apply a fixed tolerance level across ESF performance management. We will review underperformance in terms of actual against profiled delivery.

## Annex A: Standard national profiles and performance management tolerances

Table 1. Providers funded through grant standard national payment profile

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
Adult Skills Budget monthly profile	12.56%	9.44%	9.56%	7.44%	5.60%	5.60%	5.20%	5.16%	12.56%	11.60%	9.60%	5.68%
Adult Skills Budget cumulative profile	12.56%	22.00%	31.56%	39.00%	44.60%	50.20%	55.40%	60.56%	73.12%	84.72%	94.32%	100.00%

Table 2. Providers funded through contract standard national profile

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
Adult Skills Budget monthly profile	8.18%	8.18%	8.18%	8.18%	8.18%	8.18%	8.19%	8.24%	8.19%	8.78%	8.78%	8.74%
Adult Skills Budget cumulative profile	8.18%	16.36%	24.54%	32.72%	40.90%	49.08%	57.27%	65.51%	73.70%	82.48%	91.26%	100.00%

Table 3. Adult Skills Budget and 16-18 Apprenticeship performance management tolerances

Quarter	Quarter 1	Quarter 2	Quarter 3
Month	November 2013	February 2014	May 2014
Data used	Year to date		
Tolerance % of cumulative profile to date	15%	8%	5%
Default minimum limit for MCV adjustments	£10,000	£10,000	£10,000
Action to adjust for underperformance to date and to adjust the future MCV.	<p>We will reduce your MCV where you fail to deliver within the published tolerances. The reduction applied will reflect some or all of the value of under-delivery to date and reduce the future profile of the associated under-delivery (unless the adjustment is below the minimum limit of £10,000). We will apply these calculations automatically.</p> <p><b>The assumption is that we will only override the above tolerances in exceptional circumstances. We will use your track record to establish whether the profile fits your recruitment pattern.</b></p>		



Table 4. 16-18 Apprenticeship and traineeship standard national profile

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
<b>16-18 Apprenticeship and traineeship monthly profile</b>	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.19%	8.15%	8.19%	9.14%	9.14%	9.19%
<b>16-18 Apprenticeship and traineeship cumulative profile</b>	8.00%	16.00%	24.00%	32.00%	40.00%	48.00%	56.19%	64.34%	72.53%	81.67%	90.81%	100.00%

Table 5. 2013/2014 Community Learning standard national payment profile

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
<b>Community Learning monthly profile</b>	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.36%	8.33%	8.33%	8.33%	8.34%
<b>Community Learning cumulative profile</b>	8.33%	16.66%	24.99%	33.32%	41.65%	49.98%	58.31%	66.67%	75.00%	83.33%	91.66%	100.00%

## Annex B: Performance management timetables

Table 6. ESF Performance management timetable

<b>Month Start of Process</b>	December 2013	March 2014	June 2014	September 2014
<b>Data Used</b>	November 2013	February 2014	May 2014	August 2014
	Period 4	Period 7	Period 10	Period 1
<b>Default de minimis limit for MCV adjustments</b>	£10,000	£10,000	£10,000	£10,000

Table 7. Performance management timetable

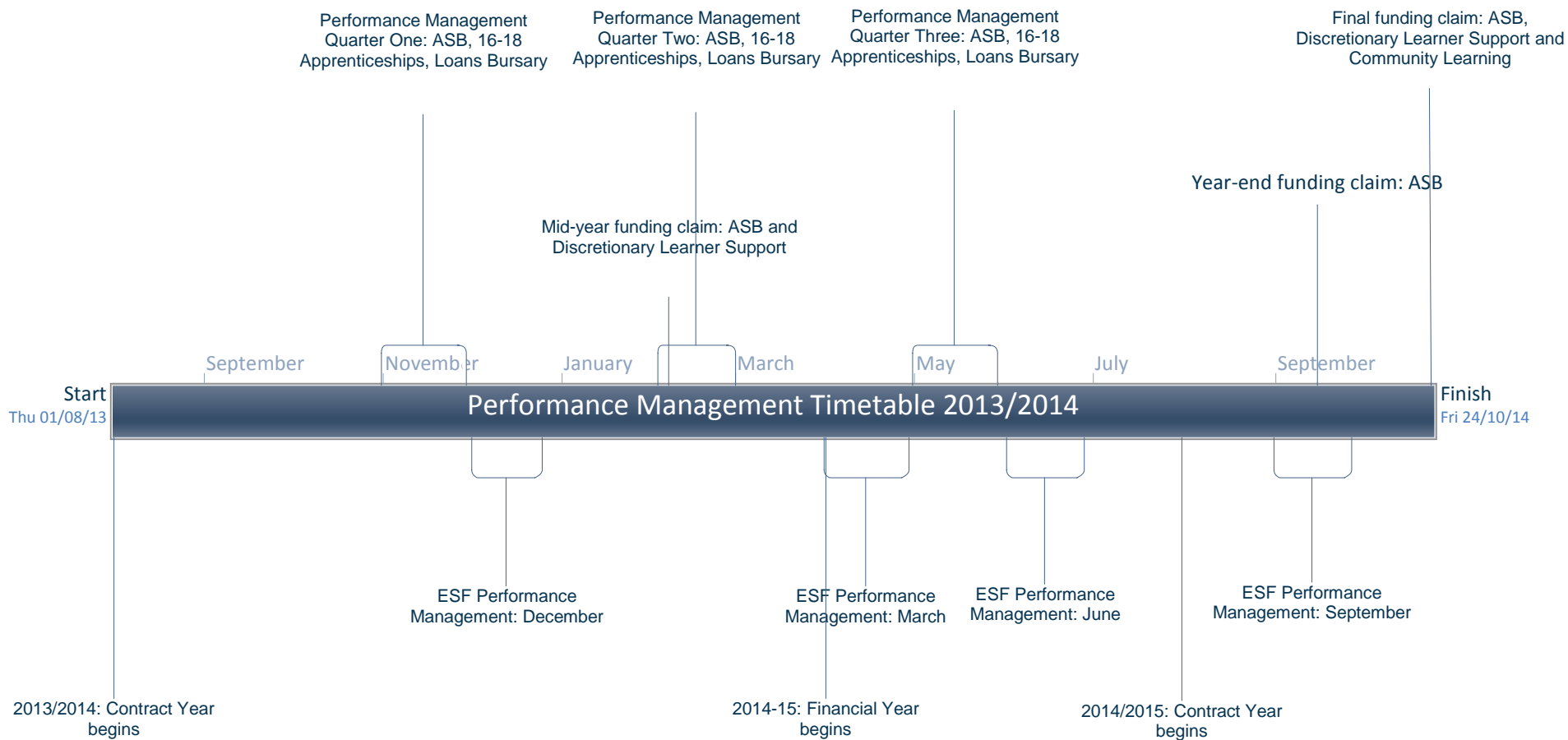
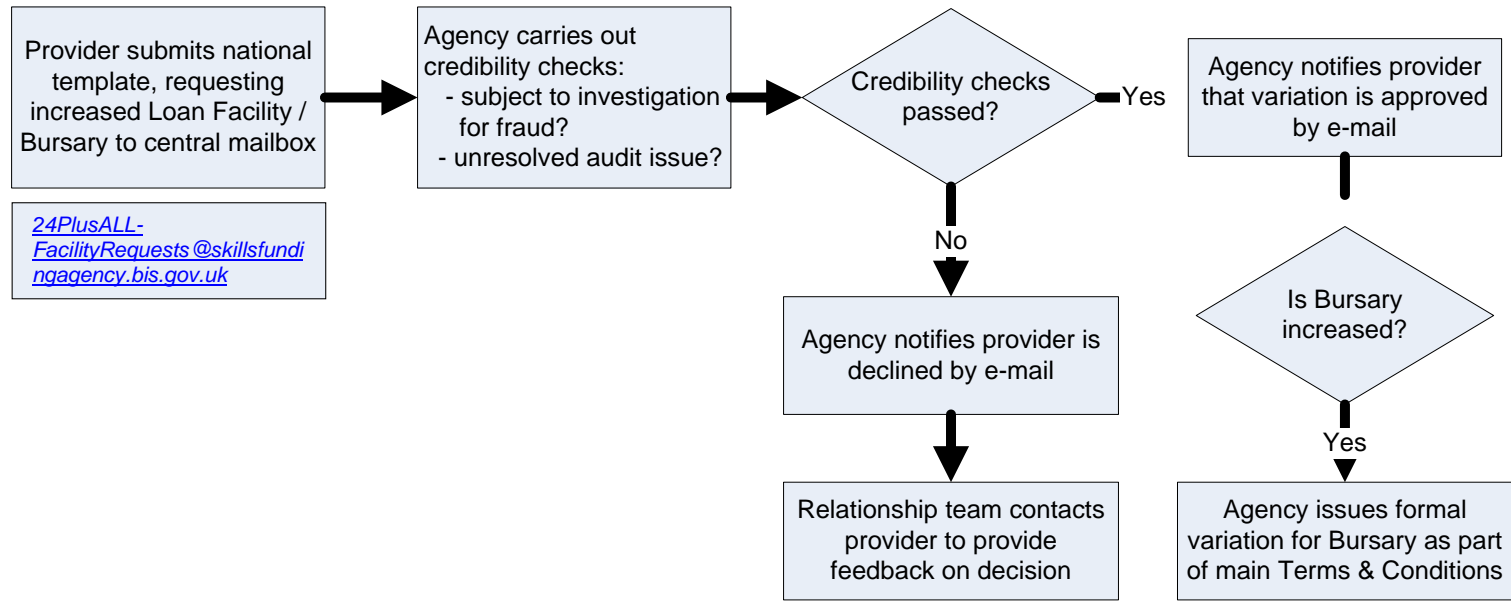


Table 8. Key Performance Management Dates

Performance Management Activity	Timeline (2013/2014)		
	Quarter One	Quarter Two	Quarter Three
Delivery data submitted through the ILR	6 November 2013	6 February 2014	6 May 2014
Preparation and discussion of cases for increases/reductions to MCVs with relationship teams	By 7 November 2013	By 7 February 2014	By 7 May 2014
Moderation and Review	By 9 December 2013	By 6 March 2014	By 19 June 2014
Sign off by Agency Executive team	Week beginning 9 December 2013	Week beginning 17 March 2014	Week beginning 23 June 2014
Communication to providers of outcome of quarter 3	Week beginning 16 December 2013	Week beginning 17 March 2014	Week beginning 23 June 2013

(DN: The *information authority* is currently consulting on ILR submission dates for 2013/2014).

## Annex C: 24+ Advanced Learning Loans performance management process





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