



Skills Funding  
Agency

# Performance Management Rules 2013/2014

Version 3

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

August 2013

Of interest to providers and employers



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

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# Introduction

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This document sets out the Performance Management Rules for the 2013/2014 funding year. The rules apply to all providers of education and training who receive funding from the Chief Executive of Skills Funding. It forms part of the Terms and Conditions of funding and should be read along with the financial memorandum, conditions of funding (grant), contract for services, conditions of funding (grant) – Employer, 24+ Advanced Learning Loans Facility Conditions and the Funding Rules 2013/2014. If any information in this document is different from that in the Terms and Conditions of funding or the Funding Rules 2013/2014, the information in those documents will apply.

The terms ‘we’, and ‘Skills Funding 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.

We use the term ‘contract’ to refer to the financial memorandum, conditions of funding (grant), contract for services, conditions of funding (grant) – Employer and the 24+ Advanced Learning Loans Facility Conditions.

# Principles of performance management

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This section sets out the principles by which we will manage your performance in the 2013/2014 funding year from August 2013 to July 2014, which spans two financial years – August 2013 to March 2014 (the latter part of the 2013/2014 financial year) and April 2014 to July 2014 (the beginning of the 2014/2015 financial year).

1. We will continue to apply different performance-management processes according to the type of funding and contract. Within those processes, we will apply our principles of performance management consistently to all providers.
2. We have no responsibility for paying any amount you spend over your funding allocated for the funding year or financial year. You must manage your funding allocation or maximum contract value as set out in appendix 2 of your funding agreement.
3. You are responsible for making sure you understand the effects of the new funding system and make the right choices for learners and employers.
4. In response to the Government's Rigour and Responsiveness in Skills policy, we will use your track record to assess your ability to deliver education and training to the required quality and standard. Your track record will take account of 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 evidence of demand from employers or learners.
6. We will make sure that any changes to the rules in this document are published at least three months before the changes come into effect, unless this is not possible due to changes in national policy.
7. For these rules, we have used the same performance-management tolerances and standard national profiles (see annex A) that we used in the 2012/2013 funding year. These profiles set out the percentage of your maximum contract value we expect you to deliver each month.
8. We uphold the Government's commitment to fund excellent vocational provision for young adults aged 16 to 18 so that they

can take part in an Apprenticeship or Traineeship programme.

9. In the first year of 24+ Advanced Learning Loans (Loans) we will put in place a simplified process for increasing your Loan Facility.
10. If we need more information to support our performance-management processes, we will try to use existing information produced from your own internal processes.

# Adult Skills Budget

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

The two types of provider are:

- providers funded through a grant – providers with a financial memorandum or conditions of funding (grant); and
- providers funded through a contract – providers with a contract for services or conditions of funding (grant) – Employer.

## Providers funded through a grant

11. We will make payments on a standard national monthly profile, shown in table 1 of annex A.
12. You must provide three funding claims setting out your actual delivery to date and, where appropriate, provide a forecast of your spending for the remainder of the funding year. The funding claims you must provide are:
  - the mid-year funding claim (February 2014);
  - the year-end funding claim (September 2014); and
  - the final funding claim (October 2014).
13. To make your funding claims you must use our published funding-claim form. The funding-claim form contains more information on the claim process, evidence needed and audits.
14. We will use the information you provide in your funding claims to review your funding allocation for 2013/2014. If we have evidence that you will not deliver in full, we can reduce your funding allocation to a level that is in line with your actual delivery.
15. We will use information from your funding claims when agreeing your funding allocation for 2014/2015. This will include looking at your track record and the accuracy of mid-year funding claims you have made in the past.
16. We will not apply an automatic year-end tolerance or automatic payment for delivery over your funding allocation to your final funding claim. For any under-delivery, we will make a year-end adjustment

to your funding allocation and you must pay back any funds you have not spent. We will confirm the value of funding you must pay back in your reconciliation statement.

17. We can adjust your 2014/2015 funding allocation to reflect actual delivery declared on your 2013/2014 final funding claim.

### Providers funded through a contract

18. We will pay you on the basis of your actual delivery each month, within your maximum contract value. We will work out the value of your actual delivery using the latest validated individualised learner record data you provide.
19. We will measure your performance against a standard national profile (see table 2 of annex A) at the performance-management points throughout the year. Those points are set out in table 7 and diagram 1 of annex B.
20. We will adjust contracts where performance against standard national profiles for the period in question is outside our published tolerance levels. The tolerance levels that we will apply at the performance-management points are set out in table 3 of annex A.
21. We will reduce your maximum contract value if you fail to deliver within the published tolerances. The reduction will reflect some or all of the value of the under-delivery to date, and will reduce the future profile of

the associated under-delivery. We will not change this approach unless there are exceptional circumstances.

22. We will increase maximum contract values if:
- funds are available;
  - you have a good track record;
  - you can prove there is demand from employers or learners; and
  - we are confident that awarding an increase to your maximum contract value is good use of public funds.

The following sections apply to all Adult Skills Budget providers.

### Adult Apprenticeships

23. Your 2013/2014 contract will state the minimum value of the Adult Skills Budget that we expect you to use to fund adult Apprenticeships. We will only reduce this minimum value if there are exceptional circumstances.
24. At the performance-management points, we will consider requests to move funding out of your adult Apprenticeship funding allocation or maximum contract value. You will need formal agreement from us before transferring any funding.

## 19-24 Traineeships

We have introduced 19-24 Traineeships for the 2013/2014 funding year.

25. You must use your existing non-Apprenticeship Adult Skills Budget funding allocation to deliver 19-24 Traineeships.
26. We will manage performance of your Adult Skills Budget funding allocation or maximum contract value, including that for 19-24 Traineeships, in line with the rules set out in this document. For providers funded through a grant, this will be at the end of the year. For providers funded through a contract, this will be at the performance-management points.

## Learning Support

The value of your Learning Support delivery is included in your overall Adult Skills Budget allocation in 2013/2014.

27. We will manage the performance of your Adult Skills Budget funding allocation or maximum contract value, including Learning Support, in line with the rules set out in this document. For providers funded through a grant, this will be at the end of the year. For providers funded through a contract, this will be at the performance-management points.
28. If you have not had access to Learning Support before, you will need to agree your planned spending for the 2013/2014 funding year with us.

## 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.

We recognise that the new funding calculation may affect your earnings. To help you adjust to the new funding system, for 2013/2014 we have introduced 'transition factors' to limit losses resulting from the new system to no more than 3%.

We have worked out your transition factor using information from the individualised learner record you provided 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 whose earnings are reduced in the new system. We will put this transition factor in place for one year.

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

29. We will apply your transition factor to adjust your earnings. We will use your adjusted earnings in our reporting and performance-management processes.
30. We will monitor your delivery over the funding year and review your



transition factor as part of the performance-management process. We can adjust your transition factor if we have evidence that it is no longer suitable based on the latest validated individualised learner record data you provide or because of the difference between your offer in 2012/2013 and that for 2013/2014.

31. We will review transition factors for providers funded through a contract at the performance-management points. Transition factors for providers funded through a grant will be reviewed after you provide your mid-year funding claim. The timetables for this are set out in table 7 and diagram 1 of annex B.
32. Providers funded through a grant will continue to be paid on the standard national profile. The transition factor may affect your earnings, which may in turn affect any year-end adjustment that we make.
33. Providers funded through a contract will initially be paid based on the standard national profile and the transition factor will have no effect. When the payments for providers funded through a contract are based on actual delivery, the transition factor may affect your earnings and payments.

# 16-18 Apprenticeships and Traineeships

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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.

34. We will pay you on the basis of your actual delivery each month. We will work out the value of your actual delivery using the latest validated individualised learner record data you provide.
35. Your 2013/2014 contract will state the maximum value of 16-18 Traineeships you can deliver from your overall 16-18 Apprenticeship maximum contract value.
36. At the performance-management points we will consider requests to move funding into 16-18 Traineeships. You will need formal agreement from us before transferring any funding.
37. If you are funded through a contract, we will measure your performance against a standard national profile (table 4 of annex A) at the performance-management points throughout the year, which are set out in table 7 and diagram 1 of annex B.
38. We will adjust your contracts if your performance against standard national profiles for the period in question is outside our published tolerance levels. The tolerance levels that we will apply at performance-management points are set out in table 3 of annex A.
39. We will reduce your maximum contract value if you fail to deliver within the published tolerances. The reduction will reflect some or all of the value of under-delivery to date, and we will reduce the future profile of the associated under-delivery. We will not change this approach unless there are exceptional circumstances.
40. We will increase maximum contract values if:
- funds are available;
  - you have a good track record;
  - you can prove there is demand from employers or learners; and
  - we are confident that awarding an increase to your maximum contract value is a good use of public funds.

# Community Learning

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41. You will be paid on the standard national profile shown in table 5 of annex A.
42. You must provide a final funding claim setting out your actual spend against your funding allocation for the 2013/2014 funding year in October 2014.
43. We will not apply an automatic year-end tolerance or automatic payment for delivery over your funding allocation to your final funding claim. For any under-delivery, we will make a year-end adjustment to your funding allocation and you must pay back any funds you have not spent. We will confirm the value of funding you must pay back in your reconciliation statement.
44. We can adjust your 2014/2015 funding allocation to reflect your actual delivery declared in your 2013/2014 final funding claim.

# 24+ Advanced Learning Loans Facility

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

We will work to make sure funding supports learners' choices and the overall demand for Loans. As this is the first year of Loans, we will monitor the process to make sure that it remains fit for purpose.

45. To manage the Loans budget we will use information from the Student Loans Company on Loans commitments (approved Loans).
46. We will review delivery against the national budget. We will only reduce your Loans Facility if there is a risk that the demand for Loans may go over the national budget.
47. We will contact you if we need to reduce your Loans Facility. We will focus first on providers who have delivered small values of Loans-funded activity.
48. You can ask for an increase in your Loans Facility by sending a Loans Facility and Bursary Adjustment Request Form to; [24plusallfacilityrequests@skillsfundingagency.bis.gov.uk](mailto:24plusallfacilityrequests@skillsfundingagency.bis.gov.uk).
49. When considering whether or not to increase your Loans Facility we will consider your delivery and the amount of funding available nationally.
50. We will respond to these requests within two working days. This process, set out in annex C, is open to you at any time and there is no specific timetable.

# 24+ Advanced Learning Loans Bursary Fund

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We have given a 24+ Advanced Learning Loans Bursary to all providers with a Loan Facility in 2013/2014. The bursary must be used to fund the 'Area Cost Uplift' and to provide Learner Support and Learning Support to learners funded by a loan. (Area Cost Uplift is funding to cover the extra cost of delivery in London and parts of the South East.)

individualised learner records data you provide, at the performance-management points throughout the year. Those points are set out in diagram 1 of annex B. We can reduce your funding allocation in line with your Loans Facility if we have evidence that you will not use your full funding allocation.

## Providers funded through a contract

51. We will pay you a fixed rate each month for eligible learners within your maximum contract value. We will work out the value of funding to be paid using the latest validated individualised learner record data you provide.
52. If you can prove that you cannot meet demand from your existing Loans Bursary funding, we will review this in line with the process for changing your Loans Facility. Any increase to your 24+ Advanced Learning Loans Bursary will depend on the funding available nationally.
53. We will review your actual spend, using the latest validated

## Providers funded through a grant

54. You will be paid in three instalments:
  - 50% in August;
  - 25% in January; and
  - 25% in April.
55. You can use your Loans Bursary and any Discretionary Learner Support funding you receive from us to support learners funded by a loan.
56. You must provide two funding claims giving details of the amount of your Loans Bursary and Discretionary Learner Support funding you have used to support learners funded by a loan. Your funding claims will not include your spending on Learning Support and Area Cost Uplift for learners funded by a loan (see paragraph 58). Where appropriate,

you must also provide a forecast of your spending for the rest of the year.

The funding claims required are:

- the mid-year funding claim (February 2014); and
- the final funding claim (October 2014).

57. We will use information from the latest validated individualised learner records data you provide to review your actual spend on Learning Support and Area Cost Uplift for learners funded by a loan. We will use this and the spending from your mid-year funding claim when agreeing your final funding allocation for 2014/2015.
58. At the end of the year we will compare the amount of Loans Bursary and Discretionary Learner Support funding (including Learning Support and Area Cost Uplift) you have used to support learners funded by a loan against your combined Loans Bursary and Discretionary Learner Support funding allocations.
59. We will not apply an automatic payment for spending over your combined funding allocation and you must pay back any funds you have not spent. We will confirm the value of funding you must pay back in your reconciliation statement.

# Discretionary Learner Support

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60. You will be paid in three instalments:
- 50% in August;
  - 25% in January; and
  - 25% in April.
61. You must provide two funding claims giving details of your actual spend to date and, where appropriate, provide a forecast of your spending for the rest of the year. The funding claims required are:
- the mid-year funding claim (February 2014); and
  - the final funding claim (October 2014).
62. We will use information from your funding claims when agreeing your funding allocation for 2014/2015. This will include looking at your track record and the accuracy of previous mid-year funding claims.
63. We will not apply an automatic tolerance or automatic payment for spending over your funding allocation to your final funding claim. For any underspend we will make a year-end adjustment to your funding allocation and you must pay back any funds you have not spent. We will confirm the value of funding you must pay back in your reconciliation statement.
64. We can adjust your 2014/2015 funding allocation to reflect your actual spending declared in your 2013/2014 final funding claim.

# European Social Fund

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65. We will make payments to you based on your actual delivery, as set out in your European Social Fund contract schedule. We will not pay for any delivery over that in the contract schedule.
66. We will carry out performance-management reviews at the performance-management points shown in the timetable in table 6 and diagram 1 of annex B.
67. European Social Fund contracts can vary in length, so we will not use a national performance profile to measure performance. Instead, we will measure your performance against individual contract-delivery profiles that we have agreed with you.
68. We will base any variations to your contract on a complete assessment of your ability to deliver the amount of provision the contract covers. This includes how your delivery profile fits with the timescale you have left to deliver the rest of the contract.
69. During the performance-management process we will review European Social Fund contracts in terms of your performance against the 'deliverables' set out in your contract.
- We will review the number of learners, achievements and progressions against the profiled volume to date for each deliverable.
  - We will review the number of learners, achievements and progressions against the total number of contracted targets for each deliverable.
  - We will review the number of learners, achievements and progressions against the amount of time remaining before the end of your contract.
  - We will analyse your recruitment rate and the rate of early leavers.
70. We will not apply a fixed tolerance level across European Social Fund performance-management. We will review underperformance by comparing your actual delivery to date against your expected delivery as shown in your contract.



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

The following tables refer to P1 through to P12. These represent the funding-year periods where P1 is August and P12 is July.

	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%	31.56%	39%	44.60%	50.20%	55.40%	60.56%	73.12%	84.72%	94.32%	100%

**Table 1.** Standard national payment profile for providers funded through a grant

	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%

**Table 2.** Standard national profile for providers funded through a contract

Performance-management point	1	2	3
Month	November 2013	February 2014	May 2014
Tolerance (Percentage of cumulative profile to date)	15%	8%	5%
Lower threshold for maximum contract value adjustments	£10,000	£10,000	£10,000

**Table 3.** Performance-management tolerances for the Adult Skills Budget and 16-18 Apprenticeships

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
16-18 Apprenticeship and Traineeship monthly profile	8%	8%	8%	8%	8%	8%	8.19%	8.15%	8.19%	9.14%	9.14%	9.19%
16-18 Apprenticeship and Traineeship cumulative profile	8%	16%	24%	32%	40%	48%	56.19%	64.34%	72.53%	81.67%	90.81%	100%

**Table 4. Standard national profile for 16-18 Apprenticeships and Traineeships**

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
Community Learning monthly profile	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.33%	8.34%
Community Learning cumulative profile	8.33%	16.66%	24.99%	33.32%	41.65%	49.98%	58.31%	66.67%	75%	83.33%	91.66%	100%

**Table 5. Standard national payment profile for Community Learning**

# Annex B: Performance-management timetables

Performance-management points	Timeline (2013/2014)		
	1	2	3
Delivery information using the latest validated individualised learner record data you provide	6 November 2013	6 February 2014	7 May 2014
Moderation and review	December 2013	March 2014	June 2014
Sign off by our executive team	January 2014	April 2014	July 2014
Telling providers the outcome of our performance-management process	January 2014	April 2014	July 2014

**Table 6.** Performance-management dates for the European Social Fund

Performance-management points	Timeline (2013/2014)		
	1	2	3
Delivery information using the latest validated individualised learner record data you provide	6 November 2013	6 February 2014	7 May 2014
Preparing and discussing cases for increases or reductions to maximum contract values	By 7 November 2013	By 7 February 2014	By 8 May 2014
Moderation and review	By 9 December 2013	By 6 March 2014	By 19 June 2014
Sign off by our executive team	Week beginning 9 December 2013	Week beginning 17 March 2014	Week beginning 23 June 2014
Telling providers the outcome of our performance-management process	Week beginning 16 December 2013	Week beginning 17 March 2014	Week beginning 23 June 2014

**Table 7.** Performance-management dates for the Adult Skills Budget, 16-18 Apprenticeships, Traineeships and Loans Bursary

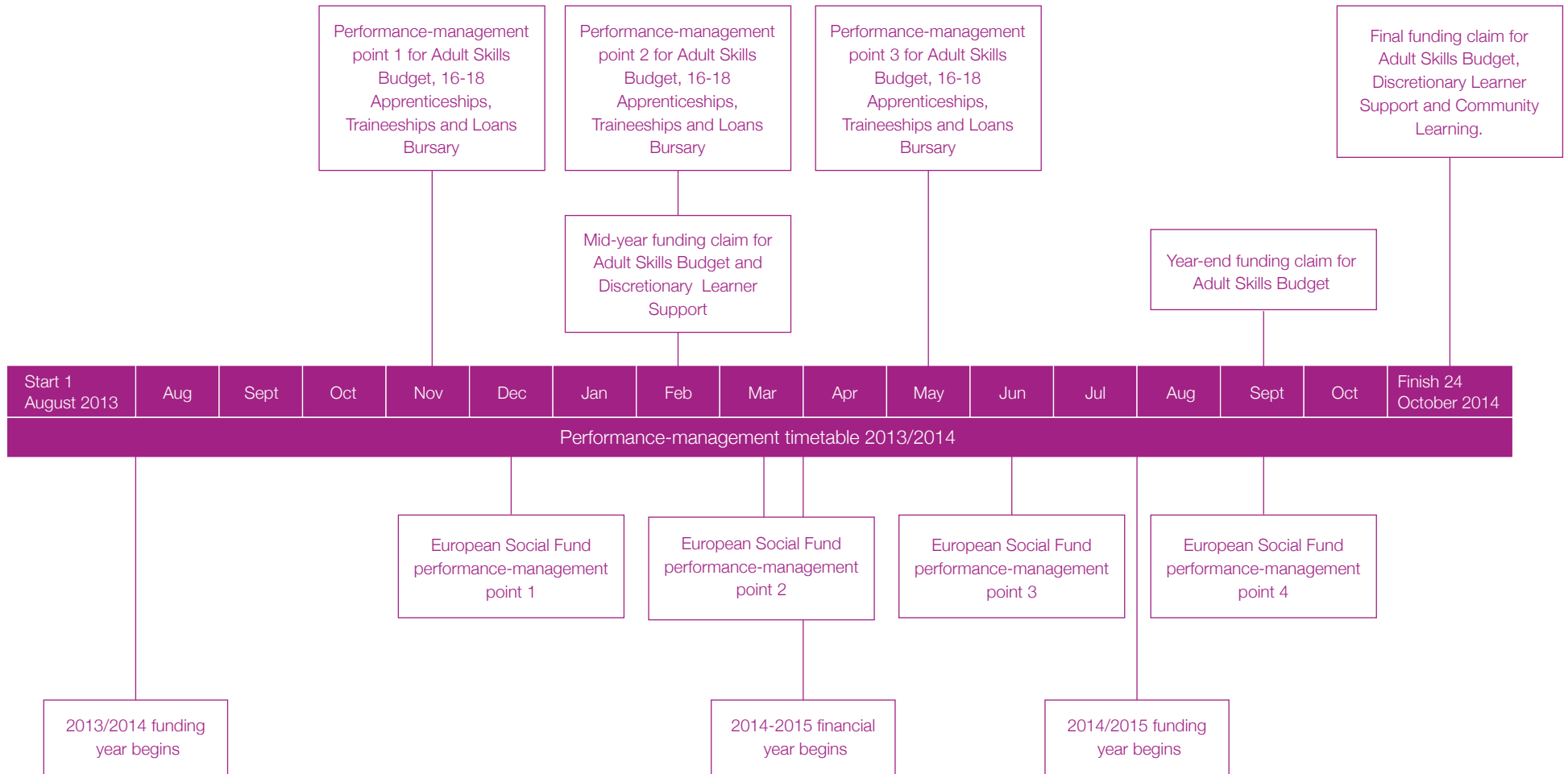
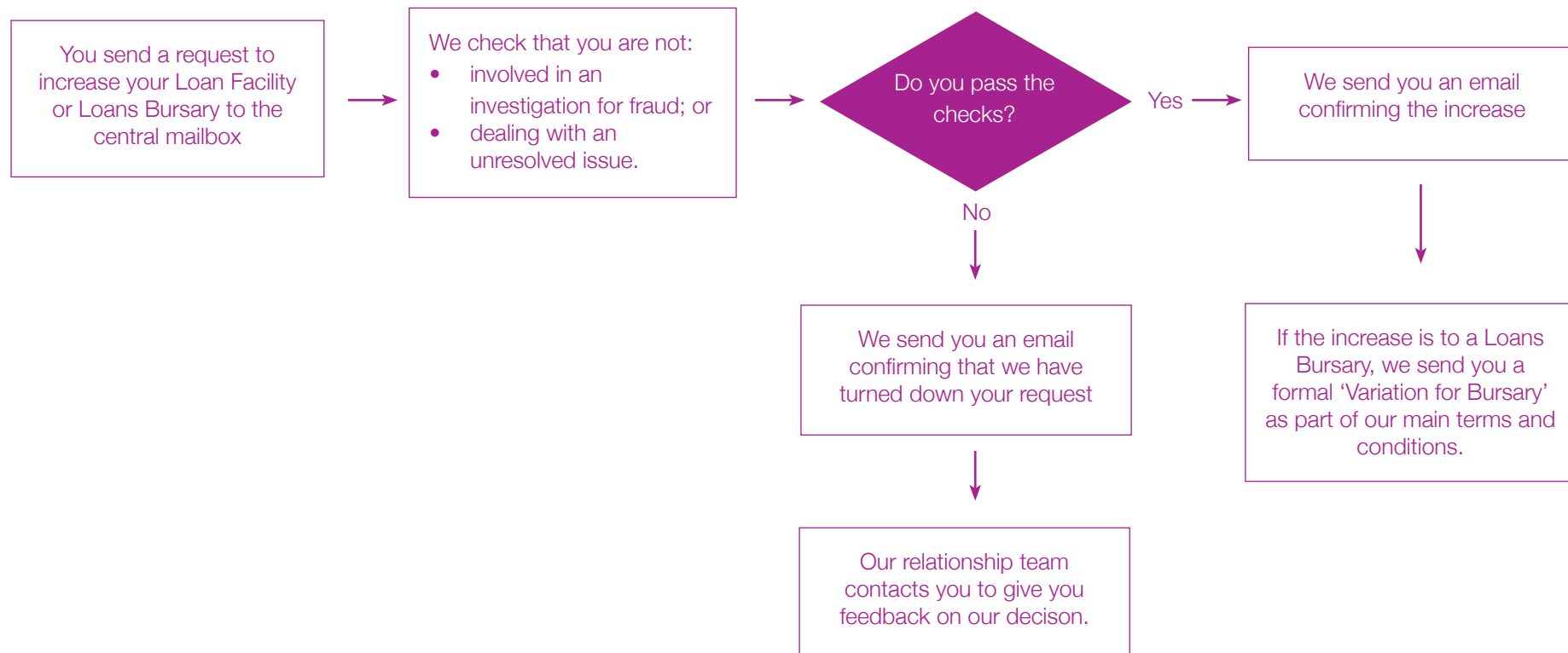


Diagram 1. Performance-management timetable

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

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