

Reconciliation Update for Adult Skills Budget Providers for the Year Ending 2011/12

This note will be of interest to all providers funded by the Skills Funding Agency in receipt of an Adult Skills Budget (ASB) for the academic year ending 2011/12 (in particular those providers that are paid on profile and not reconciled in the contracting year).

Guidance Note 8 Rules

Following the publication of the Skills Funding Agency's [Guidance Note 8](#) we published the tolerances to be applied to those providers paid on profile against their delivery for the contracting year ending 2011/12.

The published tolerance is that 3 per cent would be applied to the pay on profile providers' outturn following submission of the final funding claim due in November 2012. The tolerance is calculated after the money allocated for the Job Outcome Incentive Pilot (JOIP) is removed (JOIP originally 2.5 per cent of the individual allocation).

For those providers that are paid on actual, their final submission in November 2012 (updated period 12 Individualised Learner Record return) would be the basis for their payment up to the individual provider's Maximum Contract Value (MCV).

Updated Reconciliation Policy for the Contract Year Ending 2011/12 – Pay on Profile Providers

Following analysis of the September year-end claim, and the updated period 12 claim, it is clear that the sector is continuing to work on aligning provision to meet the needs of learners and employers.

The Skills Funding Agency is keen to recognise those providers that have delivered within 10 per cent of their allocation and are able to set out that they are continuing with the critical work of making sure provision is aligned to meet the needs of local communities and employers.

In addition, providers that have delivered within the 3 per cent tolerance will receive an updated 2012/13 allocation. This will ensure that they are not only rewarded for their current performance, but that they can continue to meet the needs of local communities over the coming year.

Therefore the following decisions apply and supersede the rules previously published in [Guidance Note 8](#).

Reconciliation – Pay on Profile Providers

1. If a provider under-delivers (90 per cent or more) in **only one** of the two years (using 2010/11 and 2011/12 as the two years). The Agency will only claw back 50 per cent of the underperformance after the 3 per cent tolerance and JOIP. This will be on the basis that the provider presents and discusses with the Agency its plans to use the full allocation in 2012/13 to respond directly to learners and employers.
2. For those providers that have **underperformed consistently** (2010/11 **and** 2011/12), that is less than 90 per cent in both years, then we will recover 100 percent of the underperformance after the 3 per cent tolerance and JOIP.
3. We will reward over-delivery by paying for the delivery over 100 per cent of the allocation and ensure that this is reflected in an increased

2012/13 allocation. The Agency wishes to recognise this level of delivery to ensure that it is sustained into the 2012/13 contracting year.

Therefore the following applies for 2011/12:

- We will pay for any over-delivery (greater than 100 per cent).
- Providers that deliver from 97-100 per cent are **on target** and no impact.
- We will claw back 50 per cent (after the 3 per cent and JOIP) for those providers that deliver from 90-97 per cent in 2010/11 **or** 2011/12, as we regard this as **underperformed in one year**. This will be on the basis that the provider presents and discusses with the Agency its plans to use the full allocation in 2012/13 to respond directly to learners and employers.
- We will claw back 100 per cent of the under-delivery (after 3 per cent tolerance and JOIP) from providers who deliver less than 90 per cent in **both** 2010/11 **and** 2011/12, and we regard this as **consistent underperformance**.

Over-delivery and Revised 2012/13 Allocation for Providers Paid on Actual Delivery

4. We will pay for the over-delivery and ensure that the over-delivery is reflected in an increased 2012/13 allocation to ensure that this level of delivery is sustained into the 2012/13 academic year.

Next Steps

1. Following publication of the revised policy in Update on Wednesday, 3 October 2012, we will put in place the following actions:
 - For both pay on actual and pay on profile providers we will ensure that all over-delivery is paid. This will result in variations

for pay on actual providers to ensure that the MCV accommodates the increase.

- For pay on profile providers we will ensure the last profile payment reflects any over-delivery. The Agency will **not** issue the reconciliation statements in October as planned, as the statements produced from our systems will not reflect the updated policy. We will ensure final reconciliation statements produced in December reflect the updated policy.
- For those providers who have delivered from 90- 97 per cent, the Agency will only claw back 50 per cent (after the 3 per cent and JOIP), on the basis that the provider presents and discusses with the Agency its plans to use the full allocation in 2012/13 to respond directly to learners and employers.
- We will increase the allocations for the academic year 2012/13 for those providers who have delivered their allocation in 2011/12 (97 per cent or more for pay on profile providers, or those pay on actual providers who have delivered their MCV).
- We will issue the variations for the increased allocations for 2012/13 between 3 and 15 October 2012. For the pay on actual providers, it is crucial that you sign and return the contract promptly to facilitate the quarter 1 performance management process.
- Further to these increases, the Relationship Teams will also talk directly to those who have delivered their allocations, to see if there is further capacity to increase the individual 2012/13 allocation. We expect these conversations to take place during October 2012 and we will issue variations as a result of this secondary exercise in November 2012.
- For those pay on profile providers that have underperformed consistently, we will expect them to discuss their performance with their Relationship Team, to set out their actions to deliver their allocation in 2012/13. Failure to set out these actions will

result in the Agency reserving the right to re-base their 2012/13 allocation to the level that we are confident they will deliver.

- As part of the quarter 1 performance management process, we will consider how we deal with those pay on actual providers that have awarded growth in 2012/13, to ensure that we do not reduce the MCVs (we accept that you will not have been able to earn the increased allocation at that point).

We will apply the revised policy to the final claims and Individualised Learner Record returns automatically. If you are unclear about the impact on you please talk to your Relationship Team in the first instance.