Skills Funding Agency:
Guidance Note 4

Chief Executive's Funding Guidance 2010/11

June 2010

SIMPLIFICATION FOR COLLEGES AND TRAINING ORGANISATIONS

Introduction

1. On 17th June, Minister John Hayes announced a range of freedoms and flexibilities that will be made available to colleges for the 2010/11 academic year (http://www.bis.gov.uk/news/topstories/2010/Jun/freedoms-for-colleges). On the same day, Secretary of State Vince Cable issued a funding letter to the Skills Funding Agency to set out the Coalition Government's ambitions and budget for the Agency in 2010-11 (http://www.bis.gov.uk/assets/biscore/corporate/docs/s/10-1013-sfa-funding-letter-2010-11.pdf.).

2. The Minister also signalled his intention to reinvest Train to Gain funding in Apprenticeships and Capital: guidance relating to capital was issued by the Agency on 22nd June and can be accessed here: http://propertyservices.skillsfundingagency.bis.gov.uk/capitalfunding/

3. This Guidance Note clarifies how the Skills Funding Agency will implement two of the freedoms and flexibilities (removal of the Summary Statement of Activity and flexibility between budgets) as part of the new agenda for colleges, training organisations and employers.

4. The freedoms and flexibilities announced by the Minister signal the start of a longer process to further simplify arrangements for the post-19 FE sector. This will include discussion with the sector over the summer on proposals to simplify the funding system. As part of this work, the Skills Funding Agency is also considering the introduction of a minimum contract level, across a range of programmes (further to proposals to introduce a level for Train to Gain) to rationalise the number of direct contracts it manages. The Agency is also working with the Association of Colleges, Association of Learning Providers and the Third Sector National Learning Alliance to bring greater clarity and efficiency to sub-contracting requirements.

5. Until the outcomes of the forthcoming Spending Review 2010 are clear, the Agency is unable to gauge the extent to which decisions about future funding will impact on the delivery of current provision. Any reductions to budgets may result in the need to decrease funding rates, possibly from the start of the financial year (April 2011), but the Agency will give as much notice as possible should this situation arise.

6. This Guidance Note covers the following areas:

Freedoms and flexibilities for colleges, training organisations and employers in 2010/11

- Single post-19 budgets
- Re-investment of Train to Gain funds in Apprenticeships

- Poor performing colleges and training organisations
- Removal of the Summary Statement of Activity (SSoA)
- Streamlined performance management arrangements
- Simplified contract documentation
- Qualifications and Credit Framework (QCF)

Freedoms and flexibilities for colleges, training organisations and employers

Single 19+ budgets for colleges[1]

7. From August 1st 2010, colleges will effectively have a single budget for the main components of their Adult Learner Responsive (ALR) and post-19 Employer Responsive (ER) provision. This means that funds will no longer be 'tied' to one particular funding stream and colleges will be able to respond quickly, for example, to large scale redundancy (through ER) as well as supporting local employers (through ALR). It will be important for colleges to show that they are accountable to their local communities. It should be noted that existing entitlements for 2010/11 remain and Skills for Life and vocational qualifications at Level 2 continue to be a key Government ambition.

8. Colleges will have a single budget for:

    a. **Adult Learner Responsive**
    b. **Post-19 Employer Responsive:** Train to Gain, 19-24 Apprenticeships, 25+ Apprenticeships

Single post-19 Employer Responsive budgets for training organisations and employers[2]

9. Training organisations and employers will receive a single budget for:

    a. **Post-19 Employer Responsive:** Train to Gain, 19-24 Apprenticeships, 25+ Apprenticeships

Exceptions

10. As certain funds are shared between the Department for Business, Innovation and Skills (BIS) and other Government departments, the following programmes are currently **exempt** from the single budget approach:

    a. **16-18 Apprenticeships**
    b. **Offender Learning and Skills Service** (OLASS)
    c. **Programmes for the Unemployed** (PfU): Response to Redundancy; Young Person's Guarantees, 6 Month Offer; Employability Skills Programme
    d. **European Social Funding** (ESF)
    e. **Adult Safeguarded Learning programmes:** Family Literacy, Language and Numeracy; Neighbourhood Learning in Deprived Communities; Wider Family Learning; Personal and Community Development Learning

[1] Any Local Authority, Specialist Designated Institution, Sixth Form College or Higher Education Institution with both Adult Learner Responsive and Employer Responsive funding, and funded through the Financial Memorandum or Conditions of Grant will be subject to the same freedoms and flexibilities as colleges.
[2] Any organisation or employer directly funded through a Contract for Services will be subject to the same freedoms and flexibilities as training organisations

f. **Formal First Step**
g. **Family Learning Impact Fund**

Re-investment of Train to Gain funds in Apprenticeships

11. The Government is keen that arrangements for re-investing £150m of Train to Gain funding into Apprenticeships are kept as simple as possible. Colleges and training organisations will be doing this on a voluntary basis, but the Agency will work alongside the sector to ensure that this happens as quickly and effectively as possible. The Agency will contact Train to Gain only training organisations to discuss how this re-prioritisation might affect them.

12. In line with this reinvestment of Train to Gain funding in Apprenticeships, no college, training organisation or employer should deliver more than their nominal cash allocation for Train to Gain during 2010/11. Colleges will have the flexibility to shift provision from Train to Gain to any of the other programmes within the single budget although the Agency has a clear expectation that Apprenticeships should be the first consideration. For 2010/11, in order to meet Government ambitions, training organisations and employers can only shift provision from Train to Gain into post-19 Apprenticeship delivery.

13. 16-18 Apprenticeships are not included within the single budget and the Department for Education's planning assumption for 16-18 Apprenticeships remains ambitious and stretching, with an unchanged planning assumption for 2010/11 that allows for significant growth over and above the current year's success.

Poor performing colleges and training organisations

14. Poor performing colleges and training organisations will be defined as those judged as a Grade 4 (inadequate) for Overall Effectiveness in their most recent Ofsted inspection (including those prior to the start of 2010/11 and during 2010/11). In these circumstances, the college or training organisation will be required to agree a post-inspection recovery plan with the Skills Funding Agency covering the quality of their provision and their curriculum offer. The Agency will also require the college or training organisation to demonstrate how they will ensure that funding is directed into high-quality provision for learners and employers.

Summary Statements of Activity (SSoA)

15. In light of these changes, Summary Statements of Activity (SSoAs) will no longer be issued to colleges, training organisations or employers as part of their funding agreement or contract. See paragraphs 32-35 for the information that will now be contained in agreement and contract documentation.

Single budget payment and performance management arrangements for colleges

16. The Skills Funding Agency is simplifying performance management and payment arrangements for colleges. From now on, colleges will no longer be subject to in-year performance management or in-year reconciliation. Rather, they will be expected to deliver their allocation in line with their assessment of community, stakeholder and employer needs, Government ambitions and funding guidance. This will include a continued emphasis on delivering high-quality provision and ensuring value for money.

17. Each college will be paid a single amount each month through a combined payment profile for their Adult Learner Responsive and Employer Responsive provision. The

decision to remove Summary Statements of Activity means that the Agency will replace individual cash profiling with profiles based on standard payment patterns. This combined cash profile will be a standard national profile, developed by the Skills Funding Agency in conjunction with the sector, and used for all colleges.

18. The Agency will balance the new freedoms for colleges against the need to ensure that underperformance is fully recovered to make the best use of public funds. In 2010/11, where a college falls short of its funding agreement (measured by the combined cash amount for ALR and ER), then funding will be recovered In November 2011 based on the Final Funding claim. In addition, the Agency may also adjust a college's 2011/12 allocation, if the under-delivery was not included in the college's mid year forecast of performance for the 2010/11 year and was not therefore reflected in the 2011/12 allocation. This will ensure that funding always follows the choices of learners and employers.

19. At the mid-year point (February), the Agency will invite each college to provide a forecast of expected performance at the year-end, against the overall cash profile. This will be used to inform the following year's allocation. The Agency will not reconcile funding as a result of this mid-year review. However, it will take account of any forecast cash under-delivery in agreeing allocations for the following academic year. BIS will be consulting on changes to the funding system which may impact on the allocations process for 2011/12.

20. There will be no in-year reconciliation or payments for over-delivery. In addition, tolerance arrangements applied in previous years will no longer apply in 2010/11. Future year's allocations will be based on adjusted in-year allocations. The Agency will publish further information on its proposed approach to profiling and performance management in the near future

21. If there are funds which are released to the sector during the year (for example, because of under-performance) the Agency may wish to discuss increases to a college's maximum contract value.

22. The reconciliation approach above simplifies the arrangements set out in LSC Funding Guidance 2009/10 Update – v4.3. In particular, the new arrangements end the requirement to average at least 100% of funding over the period 2008/09 to 2010/11. For 2009/10, the previously published tolerance arrangements will apply, where colleges which delivered less than 97% of the allocation will have a full recovery of funds applied at the Final Claim stage. In addition, as earlier guidance indicated where performance was below 100% in both 2008/09 and 2009/10, then the Skills Funding Agency will automatically rebase the 2010/11 funding allocation to reflect the actual level of delivery in 2009/10.

23. In 2010/11, the arrangements for ILR data collection for Adult Learner Responsive and Employer Responsive will remain unchanged. The Agency will continue to receive monthly ILR data for Employer Responsive provision and Funding Claims at the Mid-Year Estimate, End-Year Estimate and Final Claim stage for Adult Learner Responsive provision. In the interests of public accountability, the Agency will look to regularly publish this data, at individual and aggregate college level, to enable the sector to clearly demonstrate how it is delivering Government ambitions. As the Agency has previously indicated, this will require the timely return of data from all colleges.

24. It is important to note that the arrangements set out in paragraphs 16 to 24 apply to the scope of the single budget only. Those programmes outside the single budget will continue to be performance managed and reconciled as they have been in 2009/10.

Single post-19 Employer Responsive budget payment and performance management arrangements for training organisations and employers

25. The decision to remove Summary Statements of Activity means that the Agency will replace individual cash profiling with profiles based on standard payment patterns. The Agency will not try to predict these for individual providers, but will base profiles on past delivery and sector-average patterns of delivery. Profiles for Train to Gain only training organisations will be front-loaded for the beginning of the year, to minimise carry-in to 2011-12.

26. Training organisations and employers will continue to be paid on the basis of actual delivery for their Employer Responsive provision and the requirement for ILR monthly returns will remain. In the interests of public accountability, the Agency will look to regularly publish this data, at individual and aggregate training organisation level, to enable the sector to clearly demonstrate how it is delivering Government ambitions. As the Agency has previously indicated, this will require the timely return of data, from all training organisations.

27. Performance monitoring will take place quarterly rather than monthly. Adjustments to contracts will continue to be made where performance against cash profiles, for the period in question, is below an agreed tolerance level. In these circumstances, depending on the scale of under-delivery, the Agency will reclaim some or all of the value of the under-delivery to date, and may also make an adjustment to the future delivery profile. For this reason, it will be important for training organisations to adhere to the new standard for the timeliness of Employer Responsive data, as set out in previous Guidance Notes.

28. There will be no payments for over-delivery. However, If there are funds which are released to the sector during the year (for example, because of under-performance) the Agency may wish to discuss increases to a training organisation's or employer's maximum contract value.

29. Performance and contract decisions will be made on the basis of Employer Responsive activity overall rather than decisions being taken at individual programme level. The Agency will publish further information on its proposed approach to profiling, performance management and contract adjustments in the near future. In addition, BIS will be consulting on changes to the funding system which may impact on the allocations process for 2011/12.

30. Until the outcomes of the forthcoming Spending Review 2010 are clear, the Agency is unable to gauge the extent to which decisions about future funding will impact on the delivery of current provision. In order to manage this risk, the Agency will continue to divide Employer Responsive contracts for training organisations and employers into two parts, to reflect the financial and academic year split for 2010/11 (i.e. the 8 months from August to March and then the four months from April to July). This means that maximum contract values will be set for both those periods, in order that budgets can be managed effectively.

31. It is important to note that the arrangements set out in paragraphs 25 to 31 apply to the scope of the single budget only. Those programmes outside the single budget will continue to be performance managed and reconciled as they have been in 2009/10.

Simplified contract documentation

32. As set out in the Skills Investment Strategy for 2010-11, it is still the intention of the Skills Funding Agency to issue contracts by 30th June. The Agency will also clarify the contract clauses that have been changed from 2009/10 contracts.

33. The Financial Memorandum (for colleges) and the Conditions of Grant (for public sector providers) will set out:

    a. the total maximum contract value for 2010/11 for all the programmes within the single budget (a combined cash value)
    b. an indicative cash split by programme line to show how the combined value has been reached
    c. information relating to the programmes outside the single budget approach according to their specific arrangements, including volumes for 16-18 Apprenticeships

34. Contracts with training organisations and employers will set out:

    a. a maximum contract value for August 2010 to March 2011
    b. a maximum contract value for April 2011 to July 2011 (which will be subject to affordability)
    c. a total cash value for 19+ Employer Responsive provision
    d. an indicative cash split by programme line to show how the combined value has been reached
    e. information relating to the programmes outside the single budget approach according to their specific arrangements, including volumes for 16-18 Apprenticeships

35. Cash profiles for the single budget will be issued to colleges, training organisations and employers through a contract variation before the start of the academic year.

Qualifications and Credit Framework (QCF)

36. The Agency is now in the process of managing the transition from funding qualifications on the National Qualifications Framework (NQF) to funding qualifications on the QCF. This is being undertaken n a pragmatic and staged way leading up to the end of December 2010. The first stage of the transition is to cease funding for new starts from 31st July 2010 for those NQF qualifications where an appropriate QCF offer is accredited and confirmed for funding. Only where there is an appropriate QCF offer has the Agency taken the decision to no longer support NQF qualifications, otherwise the NQF qualification will continue to be funded and we will review the remaining qualifications in September. This is in line with earlier guidance and the updates that have been issued by the Agency.