



# AEB Provider Payment & Performance Management Framework

July 2019

## Contents

- 1 Introduction
- 2 Overview
- 3 Financial Due Diligence
- 4 Community Learning
- 5 Subcontracting and Consortia
- 6 Funding Rules and Monitoring
- 7 Payment Arrangements
- 8 Grant funded in-year performance management
- 9 Contract for services funding arrangements

# 1 Introduction

- 1.1 This document provides performance management guidance for Independent Training Providers (ITPs), and Grant-funded providers who will be in receipt of devolved WMCA Adult Education Budget (AEB) for the 2019/20 funding year.
- 1.2 Through devolution, the WMCA will seek to bring a sharper focus to delivery, meeting residents' needs through its performance management approach. We recognise that many current delivery behaviours have been born out of a set of national funding and policy rules. Through our approach to commissioning, we have sought to introduce a focus on place-based delivery that drives different provider behaviours, so we can, collectively, better meet local needs. s. Underpinning this place-based approach, the WMCA has already agreed a range of flexibilities and will use its full powers to deliver an adult offer that delivers positive outcomes for its residents.
- 1.3 The WMCA is committed to working with you and stakeholders to share risk and work collaboratively to bring about changes in provision. It is important to us that we develop relationships and new ways of working, and that we embed our organisational values in how we work with our providers. We believe that the new flexibilities provided to the WMCA through the devolution of the AEB have enabled us to attract providers who value partnership working, understand our focus on place and can deliver high quality provision to meet the needs of our residents.
- 1.4 The WMCA will work with its providers in-year to continue to identify ways of broadening access for our residents to engage in learning to meet our regional priorities through funding flexibilities.
- 1.5 This document sets out how you should submit data and how the WMCA will undertake its financial due diligence, make payments, performance manage, audit, and gain assurance from its providers. This document should be read alongside your Contract or Grant Agreement, the detailed WMCA funding and performance management rules, the ESFA ILR specification and provider manual for 2019/20, and any other relevant documents referred to in those documents.
- 1.6 This guidance will be updated to reflect any changes and will be reviewed before October 2020 at the latest. If you have this guidance in a saved, offline or hard copy format, you are advised to check on the WMCA website to ensure you are using the most up-to-date version of the publication.

## 2. Overview

- 2.1 It is really important to us that we establish local delivery networks and clear progression pathways for residents. Whilst WMCA will work with you to manage contract performance and compliance, we also expect our providers to work collaboratively with local authorities and other key stakeholders to deliver a more strategic and joined-up offer that better meets local needs.
- 2.2 We want our performance management approach to be risk based and but also capable of moving money around in year in response to performance and need. . Alongside the regular performance management points we want all our providers to identify when they are not meeting profile or when they are experiencing higher demand so we can look to re-distribute funding throughout the year.

2.3 We have two means of purchasing AEB:

- Grant-funded provision (underpinned by a delivery plan) for local authorities, FE colleges and the Workers Education Association (WEA).
- Procured provision (underpinned by a delivery plan) delivered through a Contract for all other providers.

2.4 The principles of how we want to work will be the same for both sets of providers – open, transparent and in partnership but there are technical and process differences in how we apply our performance management framework. This reflects the different regulatory framework and mirrors the approach the ESFA have taken previously. It doesn't mean we value any provider over another.

#### **Grant funded providers**

2.5 The WMCA has awarded Grant agreements initially lasting for one year (1 August 2019 to 31 July 2020) with an option to extend for a further two years with an annually agreed delivery plan. Where there is under-performance we reserve the right to rebase providers in subsequent years. Where providers have identified and worked with us to manage this under performance we will discuss the requirement for re-basing, where providers do not declare under performance then we may rebase allocations automatically.

2.6 We will pay providers operating under grant agreement, a standard profile in line with the ESFA national funding arrangements (set out at paragraph 10.2.) We will consult with FESPG and ACLA during the year on the appropriateness of this profile and will consider alternative arrangements should they be proposed.

2.7 We will hold performance management meetings three times per year which will focus on how you are progressing in achieving the activity set out in your Delivery Plan, and funding returns. At these points significant under-delivery may be re-deployed and payments re-profiled in discussion with you.

2.8 We will be open to discussions about growth in year but the budget is tight and there is no guarantee that we will be able to afford growth. Equally there is no guarantee that any over delivery will be funded. We have committed to retaining the 97% tolerance that the ESFA has applied in recent years but we cannot commit to the 103% over delivery guarantee.

#### **Contract for service providers**

2.9 The WMCA has awarded Contracts initially lasting for one year (1 August 2019 to 31 July 2020) with an option to extend for a further two years subject to an annually agreed delivery plan and contract volumes.

2.10 The WMCA retains the right, based on the risk profile of the organisation, to pay on actual delivery, paid monthly in arrears from the start of contract. The WMCA contract for services providers can also be paid on an agreed profile for the first quarter (August to October) and then on actual delivery going forward. Individual payment profiles will be developed for each provider in receipt of a Contract.

2.11 We will hold quarterly performance management meetings, which will focus on how you are progressing in achieving the activity set out in your Delivery Plan and funding returns, and funding returns. We will also monitor how you are delivering against your social value

metrics. At these points significant under-delivery may be re-deployed and payments re-profiled in discussion with you.

- 2.12 We will be open to discussions about growth in year but the budget is tight and there is no guarantee that we will be able to afford growth. Equally there is no guarantee that any over delivery will be funded.

### 3. Financial due diligence

#### Providers in receipt of a Contract

- 3.1 Following the decision to award you a Contract, following the recent procurement exercise, the WMCA undertook a financial due diligence review. This review is to inform the risk-based performance management arrangements which will operate with you in 2019/20. The WMCA reviewed the financial information you supplied as part of the procurement exercise. It analysed the following financial ratios; current ratio, solvency ratio, and cash flow (liquidity). In addition, two specific further ratios were applied, Capacity (contract value/turnover) and Net Worth (Total Assets less Total Liabilities). The WMCA does not intend to publish the results of its internal financial due diligence, it will have shared the outcome of the review with each provider prior to contract start date and will confirm the approach that will be taken in relation to payment and performance management for the 2019/20 funding year.
- 3.2 The risk-based performance management arrangements will draw upon several processes that happen within the WMCA. The financial review process is shown in the table below, this will be augmented by progress against delivery plan, contract compliance and audit and assurance.

Risk Rating	Financial review action
<b>Green</b>	Providers will be required to submit <b>management accounts quarterly</b> , in advance of a desk-based finance review. This information will be shared with your Contract Manager who will draw upon it in assessing your overall Contract performance. A formal finance review will take place during the year. You will be subject to four formal performance reviews each year and required to demonstrate the action you are taking to maintain this risk banding. Providers with this risk banding will be paid on profile for the first three months then paid on actuals with in-year reconciliation.
<b>Amber</b>	Providers will be required to submit <b>management accounts bi-monthly</b> , in advance of a desk-based finance review. This information will be shared with your Contract Manager who will draw upon it in assessing your overall Contract performance. A formal finance review will take place twice during the year, where the provider will be required to demonstrate the action it is taking to improve its financial position. Providers with this risk banding will be paid on profile for the first three months then paid on actuals with in-year reconciliation.
<b>Red</b>	Providers will be required to submit <b>monthly management accounts</b> , in advance of a desk-based finance review. This information will be shared with your Contract Manager who will draw upon it in assessing your contract performance. A formal finance review will take place <b>quarterly</b> where the provider will be required to demonstrate the action it is taking to improve its financial position. Providers with this risk banding will be paid on actuals one month in arrears with in-year reconciliation.

- 3.3 If the provider disagrees with the financial risk rating, you can provide additional information to support a review. This may include, but is not limited to, a robust forecast for the current financial year, a letter of assurance from the auditors to be paid for by the provider (not from AEB) and an annual review of financial internal controls systems and processes.

#### **Financial Intervention Regime for FE Colleges**

- 3.4 To be successful colleges need to be well managed and financially resilient. Over the last few years, the area review programme and the investment Government has made in restructuring has helped make many colleges more sustainable. However, ESFA at a national level know there is a risk that colleges may still get into financial difficulty. So, have published additional guidance in the College oversight, support and information linked here.
- 3.5 While the WMCA will be performance-managing its FE colleges in relation to delivery of AEB, the ESFA will continue to monitor FE colleges nationally. We will always look to supportive and preventative approaches to support colleges in difficulty.
- 3.6 If the ESFA and/or the WMCA has evidence of risk or underperformance or non-compliance with funding requirements, they will work together to intervene in proportion to the seriousness of the issues and the college's context and circumstances. The WMCA will be working with the ESFA territorial teams and would be part of any review team, whether that is early intervention or working with the FE Commissioner. This approach will reduce the need for any separate review to be undertaken. The ESFA and WMCA will be looking to ensure that any action taken:
- is in the interests of learners
  - protects public money
  - achieves resolution of financial or quality concerns at pace

#### **ESFA Oversight of Independent Training Providers (ITP)**

- 3.7 Independent training providers are a key part of the WMCA delivery base supporting our residents and employers. Although the ESFA's oversight model is not contractual, its contract management approach is similar to the WMCA and we will work together to take early action to address the potential risk of failure.

### **4. Community Learning**

- 4.1 If you are delivering Community Learning activity, then this must be in accordance with the detail included in your Grant/Contract. Providers should continue to use the 'non-formula funded' approach. ILR data must be recorded using the WMCA source of funding code 112 and the Funding Model Code 10.

### **5. Subcontracting and consortia**

- 5.1 As part of agreeing your delivery plan and in advance of Contract/Grant start date, you will have provided information on the use of subcontractors through a subcontractor declaration. Once in-year, any proposals to use new subcontractors need to be approved by the WMCA through a business case prior to any new starts with the subcontractor. We understand that business changes and that there may be cases where you want to take on a new delivery partners in year and we would expect to see a clear rationale for this

decision. We would want to understand particularly how this provision would enhance the offer to residents and see alignment to the WMCA Regional Skills Plan priorities.

- 5.2 The approach that needs to be taken in working with your subcontractors is set out in the WMCA performance and funding management rules and your Contract/Grant.

## **6. Funding Rules Monitoring**

### **Data submissions**

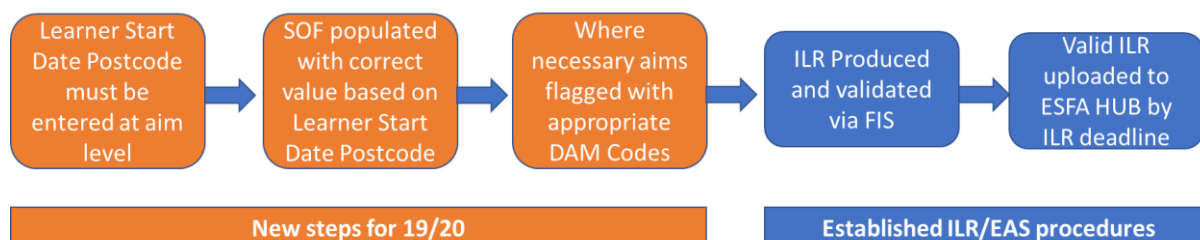
- 6.1 As a provider you must have the capacity and capability for accurate data and evidence collection, management and reporting, and must be able to comply with both the WMCA and the ESFA submission of data, including, but not limited to, the Individualised Learner Record (ILR) or Earnings Adjustment Statement (EAS) and any associated evidence, with prompt changes to learner data e.g. withdrawals from learning.
- 6.2 Providers must ensure that all documentation relating to the enrolment of WMCA residents and the record of learning activity is completed accurately. ILR data submitted for WMCA residents will continue to be sent to the ESFA through "The Hub". ILR files will be validated at the point of transmission against both definitions and validation rules. If any data fails the validation checks, then the learner record and all associated records for that learner will be rejected. Rejected records are not loaded into the national ILR database and so do not generate funding; these records are reported on the rule violation report. This will ensure that the data received by the WMCA is accurate and complete as the basis for payment.
- 6.3 As part of our assurance work, the WMCA will be monitoring the data you submit to the ESFA from the individualised learner record (ILR) and the earnings adjustment statement (EAS). The WMCA will carry out regular desktop reviews of how the national funding system and the WMCA funding rules are operating, allowing us to identify possible errors in the devolved AEB funding claimed for WMCA residents by providers, which might require further investigation.
- 6.4 To provide further assurance, the WMCA will use the services of the ESFA and/or other appointed suppliers to undertake field-based activity as part of our annual assurance programme of work, comprising funding compliance audits and targeted thematic funding assurance reviews.
- 6.5 In addition, WMCA will expect providers to regularly review their software systems and processes to check for data accuracy. For 2019/20 you will continue to be able to access the ESFA systems, these are: the funding information system (FIS); the Hub; Individual Learner Record Reports; and the provider data self-assessment toolkit (PDSAT).

### **Individual Learner Record (ILR)**

- 6.6 As a provider delivering provision to WMCA residents, you will be required to complete the Individual Learner record in the 2019/20 academic year. The ESFA will continue to hold ILR data in a single national data set. Providers must upload its ILR data via the ESFA, and cannot submit the data directly to the WMCA.
- 6.7 Providers should refer to the ILR Specification, validation rules and appendices 2019 to 2020 to assist them with uploading the data correctly and in the format required by the ESFA. The ESFA will validate this data in line with their validation rules prior to it being forwarded to the WMCA. If the details for the learner do not pass the ESFA validation, it will

not be received by the WMCA and will not generate funding. Further guidance can also be found in the ESFA Provider Support Manual 19/20.

- 6.8 There are two new fields which have been added to the ILR for the 2019/20 academic year to deal with devolved provision:
- A new Source of Funding code (SOF) - to enable providers to identify the funding agreement/Contract supporting WMCA residents, the code for the West Midlands is SOF 112.
  - A set of Devolved Area Monitoring (DAM) Codes – these are new learning aim monitoring fields. Each aim can be flagged with up to four DAM codes but in most instances one DAM code will be required. This information will be published to providers in receipt of AEB shortly.
- 6.9 The purpose of these codes is to identify learning aims that need to be monitored as part of new flexibility or to identify elements that are being funded via the EAS, e.g. learning aims associated with a Sector Based Work Academy will be identified by specific DAM codes. The detail of what you need to provide will be dependent upon the Lots you are delivering, and the detail will be included in schedule 2 of your Grant/Contract.
- 6.10 The funding for a learners within aspects of Lots 1 (e.g. SBWA) and Lots 3 will not be generated directly within the ILR but through the EAS report. If the provider is delivering Lot 1 or Lot 3, then the provider will be required to submit the learner data in the ILR, with an appropriate DAM code, as well as populating the funding claim in the EAS according to the funding generated by that individual learner which can't be claimed via the ILR. The WMCA will fund an individuals on Lot 1 or Lot 3 provided the details of learner and funding are on both the ILR and EAS respectively.
- 6.11 The diagram below sets out the additional steps you need to complete when preparing the ILR data for 2019/20.

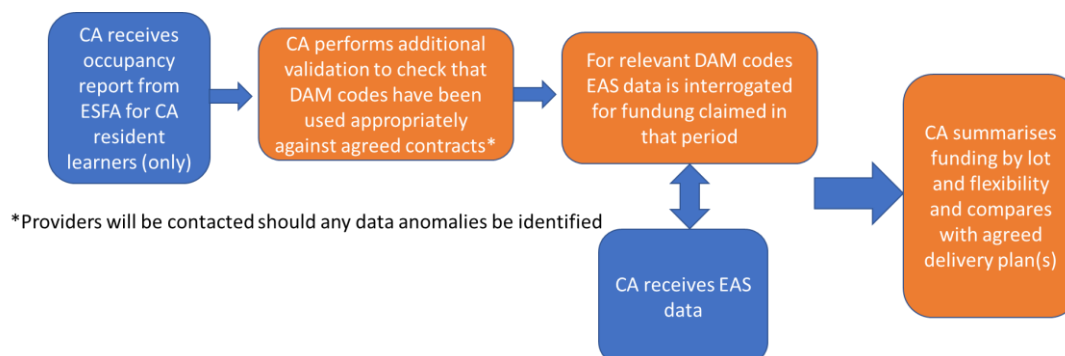


- 6.12 Learning start date postcode - This is an important field and should record the postcode of the resident whilst undertaking their programme of learning, establishing that the learner has a WMCA postcode.
- 6.13 Data recorded on the ILR return will continue to be used to calculate funding earned by providers and will enable the WMCA, as part of its performance management arrangements, to compare actual volumes and earnings against the delivery plan agreed as part of your Contract/Grant agreement. The data gathered through the ILR will enable the ESFA to generate occupancy reports for both providers and the WMCA. These will confirm



that the learning aim is valid, run the funding calculation and confirm the actual funding earned. It will also be used to monitor progress against payment profiles.

#### Data validation undertaken by the WMCA



- 6.14 ILR data must be sent to the ESFA by uploading a file in XML (extensible mark-up language) format to ESFA's secure online portal, 'the Hub', and this should be done on a regular basis. If you do not have an MI system capable of generating an XML file, then you should use the ESFA ILR Learner Entry Tool which will enable you to create an ILR file for upload to the Hub. ESFA and the WMCA recommend uploading the data as compressed files. The file must contain all Learner records, Learning Delivery records and Learner Destination and Progression records for all WMCA funded residents for the year to date.
- 6.15 As a provider, you must submit a single file containing all your learner, learning and destination records for all AEB funding for the year to date. Each file overwrites all previously submitted records by you. This means that you cannot split the data into separate files and transmit each file separately. You cannot send records for learners funded from different funding models in separate files, as these will overwrite one another.
- 6.16 Destination and Progression data cannot be sent in a separate file to Learner and Learning Delivery data: doing so would cause the Learner and Learning Delivery records to be deleted from the ILR database. Once you submit a file to the Hub it cannot be deleted, if the file contains incorrect data this can only be corrected by submitting another ILR file to

overwrite the incorrect one. The last file submitted by you will be the one loaded into the national database for that return.

### Earning Adjustment Statement (EAS)

- 6.17 The use of the EAS has been expanded for 2019/20. In addition to reporting Prince's Trust and excess learning support claims, you will also use this to claim WMCA funding flexibilities for elements of delivery that cannot be recorded in the ILR.

Examples of this include:

- Lot 1 - claims for the work experience element of a Sector Based Work Academy
- Lot 3 - claims for start, on-programme and outcome payments for learners engaged in innovative activity

- 6.18 A change in the EAS claims process will occur for WMCA devolved AEB funding in 2019/20. EAS claims must now be submitted by all providers monthly and the values claimed will be reconciled with the occupancy reports, ILR and your agreed delivery plan.

## 7. Payment Arrangements

- 7.1 The WMCA will run the BACS payments on the 15th working day of each month. You will need to ensure that you have cash flow available to accommodate these payment terms.
- 7.2 You will be provided, in advance of the start of the funding year, with a payment profile based on your agreed delivery plan, underpinned by your Grant/Contract. You will be advised in writing in advance of any in-year changes being made to the value of your Grant or Contract. WMCA reserve the right to cease payments, should you be in breach of your Contract/Grant.
- 7.3 The normal payment timeline is shown below. The exception will be month one (August 2019), where those providers, with whom it has been agreed by the WMCA, will receive the funding agreed on their payment profile for that month only.

Day of month	Action
Work day 4	Provider submits ILR to ESFA
Work day 5	ESFA runs validation checks
Work day 6	WMCA receives occupancy report
Work day 7	WMCA checks accuracy of return
Work day 15	WMCA Bacs run to providers

- 7.4 For all providers, funding agreement will span two financial years:
- August 2019 to March 2020: periods 1 to 8 of the 2019 to 2020 funding year
  - April 2020 to July 2020: periods 9 to 12 of the 2019 to 2020 funding year
- 7.5 As a Grant-funded provider, you will have submitted and agreed a delivery plan for the 2019/20 funding year. The plan includes estimates of volumes, mix of provision and spend across the full range of provision you expect to deliver and reconciles to the total value of your Grant allocation. The Grant can be used only to fund new starts for adult skills, non-

formula funded community learning (where applicable to you) and learner support. The delivery plan will underpin your performance management dialogue.

7.6 Providers operating under grant arrangements will be paid on profile. The payment profile for the funding year 1 August 2019 to 31 July 2020 is set out below:

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P11	P12
Monthly profile	14.44%	8.58%	8.67%	7.08%	5.69%	7.44%	5.39%	5.36%	12.69%	10.21%	8.70%	5.75%
Cumulative monthly profile	14.44%	23.02%	31.69%	38.77%	44.46%	51.90%	57.29%	62.65%	75.34%	85.55%	94.25%	100%

## 8. Grant funded in-year performance management

- 8.1 Whilst payment mechanisms might be different, the new risk-based performance management principles will apply to all AEB providers, including those funded by Grant.
- 8.2 There will be management points where we will review allocations in line with the funding claim submissions, which will set out your actual delivery to date and provide a forecast for the remainder of the year. The management points for grant using the most recent set of submitted data will be:
- November 2019 – reviewing 2018/19 outturn for WMCA residents and 2019/20 R04
  - Mid-year February 2020
  - The year-end June 2020 including forecast
  - Final October 2020 funding claim
- 8.3 The reviews may lead to an adjustment to the maximum contract value. We will work closely with both the Further Education Skills and Productivity Group (FESPG) and Adult Community Learning Alliance (ACLA) to re-allocate plan-led funding from underperforming plan-led providers, and seek to re-allocate to those who can provide a clear rationale to meeting regional skills priorities through growth cases.
- 8.4 Performance reviews will include quality, delivery, finance, compliance and your overall progress against your delivery plan. The expectation is that in the 2019/20 academic year, formal performance management reviews will take place three times a year. If the risk profile of the Grant provider changes in-year, then the WMCA reserves the right to change the performance management arrangements it has with you.

### Grant funded end year performance reconciliation

- 8.5 For Grant-funded providers, at the end of the 2019 to 2020 funding year, the WMCA will apply a 3% reconciliation tolerance. Where your overall delivery of your WMCA-devolved AEB is at least 97% of your Grant allocation, the WMCA will not make any year-end adjustment and you will not have to pay back any unspent funds.
- 8.6 The WMCA calculation of whether a provider has delivered 97% will include delivery confirmed through a review of their ILR and EAS information and their in-year overall performance. If you do not deliver 97% or above, we will confirm the value of funding you

must pay back as part of the performance review where we discuss your reconciliation statement

- 8.7 Through our in-year monitoring, we will continually test that plan-led providers are focused on meeting their allocation at 100% to inform future changes to the reconciliation tolerances.

## **9. Contract for services funding arrangements**

### **Contract funding principles**

- 9.1 ITPs who have secured a Contract with the WMCA will be subject to its risk-based performance management arrangements. The risk rating you attract will determine how you will be paid.
- 9.2 We will use your delivery plan, profiles and data submissions to performance manage your contract.

### **Paid on profile**

- 9.3 If the risk rating you receive is Green or Amber you will be paid on profile for the first three months of the funding year (August, September, October) then paid on actuals going forward. Your payment profile will be based on your delivery plan agreed as part of your contract. It will have been provided in enough detail that all the different elements of the delivery plan can be paid and performance managed.
- 9.4 Payments will be made as set out in the timeline in paragraph 9.3. At no stage will the cumulative payments made to a provider breach the maximum value of the contract. Any over-delivery will not be funded and variations to contract values will be formalised through a contract variation.

### **Paid on actuals**

- 9.5 If the risk rating you receive is Red, you will be paid on actual delivery, one month in arrears, for the 2019/20 funding year. Your payments will be based on your actual delivery and reconciled against your proposed delivery plan on a monthly basis. At no stage will the cumulative payments made to a provider, breach the maximum value of the contract. Any over-delivery will not be funded and variations to contract values will be formalised through a contract variation.
- 9.6 These arrangements will apply to all providers from November, when those previously paid on profile (Green and Amber risk rated) move to being paid on actuals.

### **Contract for services in-year performance management**

- 9.7 Performance reviews will include quality, delivery, finance, compliance and your overall progress against your delivery plan. The expectation is that in the 2019/20 academic year, formal performance management reviews will take place four times a year. If the risk profile of the Grant provider changes in-year, then the WMCA reserves the right to change the performance management arrangements it has with you.
- 9.8 At key performance management points, a provider's earnings against profile will be reviewed and analysed. The WMCA will reserve the right to re-profile, reconcile or cease payments

at any point during the funding agreement period, if the provider is identified as having funding performance outside of the following tolerances:

- R04 - 15% December
- R08 - 10% April
- R12 - 5% July
- R14 – 0% October

9.9 Any provider with identified funding under-performance at any of the performance management points must work with their designated WMCA compliance officer and submit a plan to the WMCA setting out how they intend to address under-delivery.

9.10 There will be no funding payment for over-delivery of the provider's Delivery Plan unless previously agreed with the WMCA and confirmed in writing.