

Schedule 2

The North East Combined Authority Adult Skills Fund (ASF)

Performance Management and Payments Rules

For the 2025-26 Funding Year
(1 August 2025 to 31 July 2026)

This document sets out the Performance Management and Payment Framework that will apply to all providers in receipt of funding related to:

- Lot 1: Devolved Adult Skills Fund including Tailored Learning
- Lot 2: Free Courses for Jobs (FCFJ) Level 3 Adult Offer

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1. Introduction

- 1.1. This document outlines the performance management and payment framework for Procured Contract Providers and Grant-funded providers receiving Lot 1 Adult Education Budget (ASF) funding and Lot 2 Free Courses for Jobs (FCFJ) funding, effective from 1st August 2025.
- 1.2. The North East CA will work with its providers in-year to continue to identify ways of broadening access for our residents to engage in training directly aligned wherever possible to our priorities in the Local Growth Plan and the New Deal For North East Workers.
- 1.3. This document should be read alongside providers call off contract or grant agreement, and Schedule 1: ASF Funding Rules for 2025/2026, [ILR specification 2025/2026](#) , and any other relevant sources referred to in those documents.

2. Overview

- 2.1. It is important to us that we establish place based local delivery networks, working collaboratively across the North East CA, providing clear progression pathways for residents into work, an apprenticeship or further learning.
- 2.2. The North East CA will work with providers to manage contract performance and compliance, we also expect our providers to work collaboratively with each other. Whether you are funded through grant or a call-off contract you should be focused on a more strategic and joined-up skills offer that better meets local employer and resident needs, especially for those residents who have complex needs in our most disadvantaged communities.
- 2.3. The Performance Management approach will be risk based and capable of moving money around in year in response to performance and need. Alongside the regular performance management reviews, we expect all our providers to identify when they are not meeting profiled delivery or when they are experiencing higher demand so we can consider whether it is appropriate to re-distribute funding in-year. Funding will not be transferred in year between Grant and Procured Contracts.
- 2.4. The expectation is that in the 2025/2026 academic year, formal performance management reviews will take place four times a year. If the risk profile of the provider changes in-year, then the North East CA reserves the right to increase/decrease the level of scrutiny or change its performance management arrangements.
- 2.5. ASF provision has been commissioned through two routes, both underpinned by a delivery plan: Grant-funded provision and Procured provision delivered through a framework and the award of call-off contracts.

- 2.6. The principles of how we work will be the same for all providers – open, transparent and in partnership underpinned by a delivery plan. There are some technical and process differences in how we apply our performance management and payment framework. This reflects the different regulatory frameworks providers operate under, but the robustness of the approach will be consistent.
- 2.7. All Providers must submit accurate and timely ILR and Earnings Adjustment Statement data monthly after R01, as specified in your Grant Agreement or Procured contract. This information must be submitted each calendar month and will be used to support our performance management and payment processes.

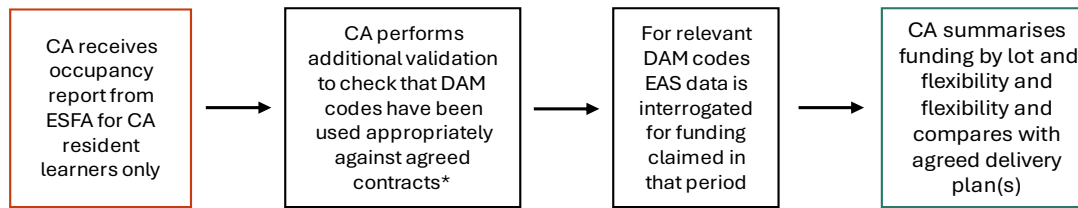
3. Grant funded providers

- 3.1. The North East CA has extended Grant agreements for one year only, effective from 1 August 2025 to 31 July 2026.
- 3.2. Formal performance management meetings will be held every quarter (as a minimum). These will focus on how providers are progressing in achieving the activity set out in the delivery plan and the timeliness and accuracy of the data returns. At these points, funding available due to under-delivery may be re-deployed and payments re-profiled following discussion with providers.
- 3.3. The North East CA will maintain a 0% tolerance level for Grant funded providers. Grant providers should plan on the understanding that they will not receive funding for any under or over delivery.

4. Procured contract providers

- 4.1. The North East CA has extended Procured Contracts for one year only, effective from 1 August 2025 to 31 July 2026.
- 4.2. Formal performance management meetings will be held every quarter (as a minimum). These will focus on how providers are progressing in achieving the activity set out in the delivery plan and the timeliness and accuracy of the data returns. At these points, funding available due to under-delivery may be re-deployed and payments re-profiled following discussion with providers.

5. Data validation

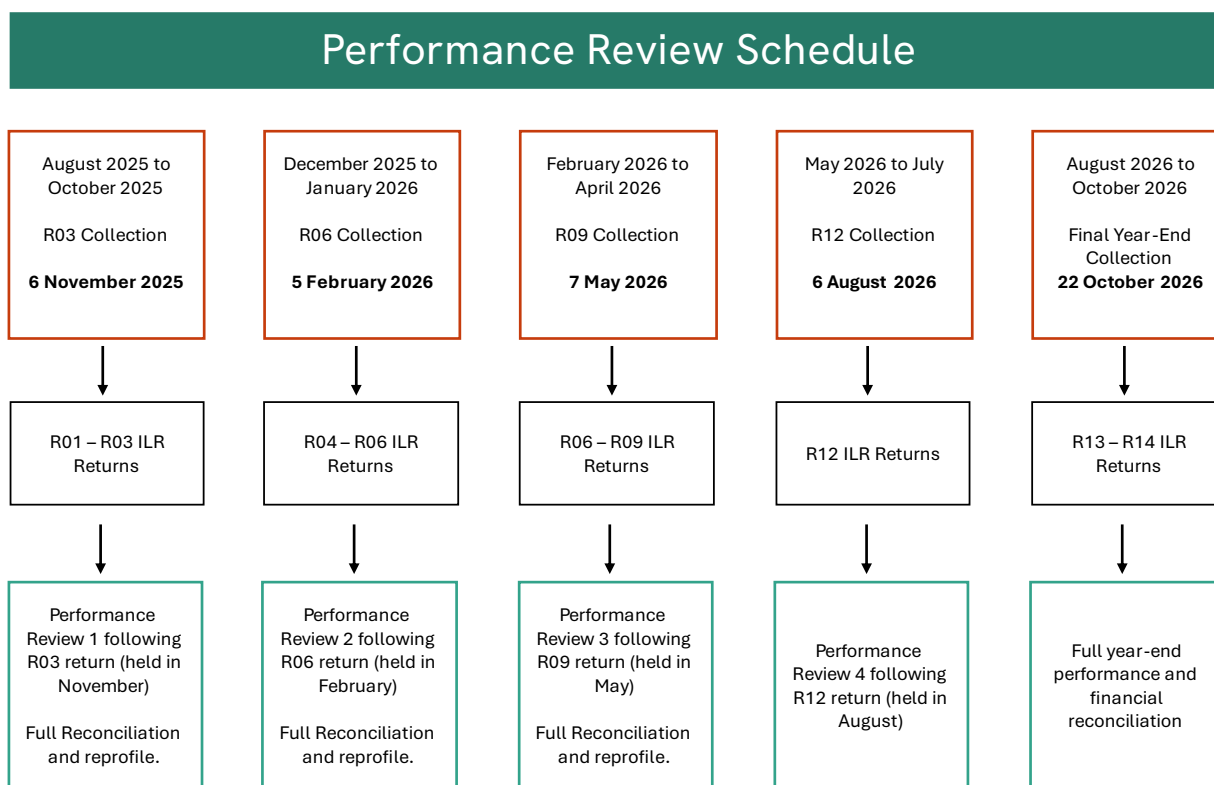


- 5.1. Upon receipt of the data following the return, your Relationship and Contract Manager will analyse all funding associated with your contract. This desktop analysis is part of the overall performance management cycle. If any anomalies appear or if your RCM has concerns, a meeting will be held to address them.
- 5.2. Your data will be analysed using SCORE to identify any anomalies, such as duplicate learners, simultaneous learning activities, and prior attainment. This process ensures the quality of delivery and verifies that the Adult Skills Fund is being used appropriately and in line with strategic priorities.

6. Performance management

- 6.1. Performance reviews will provide a thorough and balanced assessment of your delivery and contractual obligations. These reviews will take into account several key aspects, including the quality of the learning provision, the extent to which delivery targets are being met, and financial performance in relation to the funding allocated.
- 6.2. They will also assess compliance with the terms of your contract and the timeliness and accuracy of data submissions, particularly those made through the Individualised Learner Record (ILR). A central focus of each review will be your progress against the agreed Delivery Plan, ensuring that delivery remains aligned with expectations and that any issues are identified and addressed promptly.
- 6.3. It is expected that, during the 2025/2026 academic year, formal performance management reviews will be held at least four times. These reviews will be scheduled in accordance with the performance review timetable and will be informed by the Delivery Plan and ILR data submitted up to each review point.
- 6.4. In addition to these quarterly reviews, monthly desktop monitoring will be conducted to maintain regular oversight of performance and to identify any emerging concerns. Your Relationship and Contract Manager may also request additional meetings outside of the scheduled reviews, particularly where further clarification or support is required. This structured approach ensures that performance is monitored consistently and that timely interventions can be made where necessary.

7. Performance review schedule



8. Performance reviews

- 8.1. You must ensure throughout the period of the funding agreement you have all the necessary policies, systems, and processes in place to assure the North East CA that you are using the ASF appropriately. To gain this assurance, your Relationship and Contract Manager along with Skills Policy and Data Officers will undertake regular performance reviews of all providers.
- 8.2. The North East CA will select a sample of learner files to check randomly using a method chosen by the North East CA. The frequency and size of the samples may change throughout the funding agreement period. The results of any compliance checks will be shared with the provider and as part of our compliance monitoring, we will continue to monitor compliance with the funding rules. We will contact you where we identify you have submitted data that does not meet our funding rules and ILR requirements. We will require you to correct inaccurate ILR and EAS data or to adjust your final funding claim.
- 8.3. The North East CA aims to build strong strategic relationships with all its providers whether they are funded by Grant or a procured contract. We aim to have a shared vision that results in high quality, localised, flexible provision responding to the needs of businesses and residents, supporting greater productivity and economic growth. This requires proactive and collaborative performance management that supports us to understand and improve the impact and outcomes achieved for our residents.
- 8.4. Prior to a Performance Review you will need to complete a Performance Review Template, which sets out:

- Assessment of under / over performance in terms of expenditure / delivery
- Performance to date
- Forecast to the end of the funding year
- Details of any existing or potential issues/risks.

8.5. This template will provide qualitative information on your progress in terms of delivery, as well as financial and numerical data. Your RCM will send you instructions on how this information will be collected before the review meeting takes place. The template will be stored in your Teams folder.

8.6. The North East CA will use these templates alongside your ILR, EAS and any performance review data, to review the overall position of all Grant Agreements and Procured contracts. At these monitoring points, where providers have identified actual or potential underspend within their current allocation, providers will be given the opportunity to voluntarily reduce their allocation.

8.7. If at any point the North East CA has evidence that you will not deliver in full, we may reduce the funding to a level that is line with your actual in-year delivery.

9. Review points

9.1. Performance review points are set out in the table below. Please note the tolerance applied is against the delivery profile you have provided forming schedule 1 (and 2 where you are also delivering FCFJ provision).

9.2. Providers are required adhere to projected learner number profiles in conjunction with profiled spend.

Performance Review Point	Date	Tolerance % of Profile	Outcome
R03	October	15%	Option to reprofile
R06	January	10%	Business case/reprofile/funding adjustment
R09	April	5%	Automatic funding adjustment
R12	July	0%	Forecast to R14

9.3. Actual earnings will be reviewed at the points in table: ASF provision, FCFJ, Earnings Adjustment Statements, Support, and other procured/allocated projects.

9.4. At R03 if delivery is below 85% of the profiled target, you have the option to reprofile and continue to R06 without any funding adjustments.

9.5. At R06 if delivery is below 50% of the profiled target, an automatic funding adjustment will be applied, and a full re-profile will be required.

- 9.6. At R06 if delivery falls between 51% and 89%, you must submit a business case demonstrating how you plan to address the shortfall. If accepted a full re-profile will be required. If we do not accept the business case, a funding adjustment will be applied, and a full re-profile will be required.
- 9.7. At R09, if delivery is below 95% of the profiled target and an automatic funding adjustment will be applied.
- 9.8. During the reviews we will look at detailed end of year forecasts based on current delivery. The North East CA reserves the right to adjust in-year Grant Allocations or Procured contract values based on actual performance against their updated delivery plans and end year forecasts.
- 9.9. There will also be the opportunity for providers to agree a reduction to their in-year allocation or contract value.

Item	Calculation	Amount (£)
Profiled Delivery	-	100000
Actual Delivery (85%)	$100,000 \times 0.85$	85000
Minimum Threshold (90%)	$100,000 \times 0.90$	90000
Funding Reduction	$90,000 - 85,000$	5000

Example calculation of funding adjustment.

10. Payments

- 10.1. ASF Grant Agreements and Procured contracts are distinct and have separate payment arrangements. If you hold both, you cannot transfer funds between them. Additionally, you cannot transfer funds between ASF and any other funding streams you receive.
- 10.2. All providers will be required to submit a delivery plan before the start of the academic year. This plan must be approved by your Relationship and Contract Management team and align with the CA's priorities. If the plan does not meet these priorities, your RCM may request modifications.
- 10.3. An agreed payment profile based on the provider's delivery plan, underpinned by a Grant/Contract, will be established. This plan will then serve as the foundation for your performance reviews and adherence to the tolerances outlined below.
- 10.4. Grant Providers will be paid based on the agreed profile, with payments made in arrears. The first payment will be in September 2025. If the provider is found to be underperforming based on any data return, the North East CA reserves the right to suspend payments until performance reaches a satisfactory level.
- 10.5. Tailored Learning (Grant only) will be paid on the agreed profile, with payments made in arrears. The first payment will be in September 2025. If the provider is found to be underperforming based on any data return, the North East CA reserves the right to suspend payments until performance reaches a satisfactory level.

- 10.6. Procured contract providers will be paid based on actual earnings, with payments made in arrears. The first payment will be in September 2025.
- 10.7. Free Courses for Jobs (FCFJ) will be paid based on actual delivery for both Grant and Procured contracts, with payments made in arrears. The first payment will be in September 2025.
- 10.8. Payments will be made via BACS within 30 days of ILR return.
- 10.9. For all providers, Grant/Contract agreements will span two financial years:
- August 2025 to March 2026: periods 1 to 8 of the 2025 to 2026 funding year
 - April 2026 to July 2026: periods 9 to 12 of the 2025 to 2026 funding year

11. Reconciliation

- 11.1. Following each data return earnings could retrospectively adjust because of changes or lag depending on the submission.
- 11.2. At R03, we will reconcile your actual earnings against your actual payments, ensuring that any adjustments or monies owed will be paid to you in November.
- 11.3. At R06, we will reconcile your actual earnings against your actual payments, ensuring that any adjustments or monies owed will be paid to you in February.
- 11.4. At R09, we will reconcile your actual earnings against your actual payments, ensuring that any adjustments or monies owed will be paid to you in May.
- 11.5. At R14, we will reconcile your actual earnings against your actual payments, ensuring that any adjustments or monies owed will be paid to you in October.

12. Growth

- 12.1. Should any growth opportunities become available, your Relationship and Contract Manager will inform you. Please note that no additional payments for overperformance will be made, and any such efforts will be undertaken at your own risk.

13. Intervention

- 13.1. The main aim of any Performance Review is to ensure you comply with the requirements in your individual Procured Contracts or Grant Agreements. The North East CA will use the results of its performance review to confirm that you are meeting the terms of your Grant Agreement or Procured Contract. If you do not meet these requirements and obligations, the North East CA will take appropriate informal or formal action.

14. Informal intervention

- 14.1. The intervention should be proportional to the scale of the identified issue(s). This may include a time-limited action plan with appropriate actions, measures, and milestones, as well as increased monitoring and additional information to ensure effective and timely action.

- 14.2. If the informal intervention does not resolve the issue within the planned timescales to the satisfaction of the North East CA, the North East CA may extend the timescales or escalate the matter for formal intervention.

15. Formal intervention

- 15.1. Formal intervention will be considered if informal intervention has not successfully resolved the matter within a reasonable timeframe.
- 15.2. The North East CA may opt for formal intervention if the issue is deemed sufficiently significant. This could include, but is not limited to:
- A Financial Health assessment indicating the provider's financial health is inadequate
 - An Ofsted inspection rating the provider as 'causing concern' in any area of the report
 - A subsequent Ofsted monitoring visit judging the provider as making 'insufficient progress'.
 - Continual poor quality data returns or a measurable decline in performance management data.
 - A qualified opinion from a funding audit.
 - Evidence from a financial irregularity investigation supporting suspicion or allegations of fraud.
- 15.3. If formal intervention is required, the North East CA will set specific conditions that the provider must satisfy. The provider must submit a SMART action plan to their Relationship and Contract Manager in a timely manner, detailing activities to remedy or mitigate further consequences and secure rapid improvement. These conditions will become contractual obligations during a formal intervention meeting.
- 15.4. Failure to address the conditions to the satisfaction of the North East CA will be considered a minor or serious breach of the Agreement. The North East CA may respond in various ways, including:
- Extending the deadline for satisfying the condition, if there is clear evidence of progress and assurance that the issue will be fully resolved with additional time.
 - Reducing the provider's allocation (and therefore reprofiling).
 - Withdrawing any future allocation.
 - Withdrawing eligibility for growth funding.
 - Temporary or permanent suspension of recruitment and/or delivery, either across the whole agreement or in specific areas of concern.
 - Temporary or permanent suspension of payment, either across the whole Agreement or in specific areas of concern.
 - Commissioning a formal investigation of the provider.
 - Commissioning an audit of the provider.
 - Repayment of funding already paid to the provider, either across the whole Agreement or in specific areas of concern.
 - Referral to partner agencies, e.g., DfE, FE Commissioner, or Ofsted.

- Termination of the Agreement.

- 15.5. We expect the provider to make every effort to work with the North East CA to resolve emerging issues in a timely and satisfactory manner before such measures become necessary.
- 15.6. In cases of serious breaches, such as safeguarding issues, incidents of fraud, or financial irregularities, we reserve the right to terminate the Agreement without notice and with immediate effect.
- 15.7. The provider will remain in formal intervention until all conditions have been rectified and the North East CA is satisfied that all contractual arrangements can be achieved.

16. National intervention

- 16.1. Where the provider is also subject to intervention by the DfE through the national oversight arrangements, we will work with the DfE and FE Commissioner to ensure that action to improve performance is complementary.

17. Performance management escalation process

We are committed to resolving all queries in a timely and supportive manner. If you have a concern or question, please follow the steps below:

- 17.1. Initial Contact – Relationship and Contract Manager (RCM). Your first point of contact for any performance management queries will always be your Relationship and Contract Manager. They are here to support you and will aim to resolve your query promptly.
- 17.2. Escalation to Lead Relationship and Contract Manager (LRCM). If you are not satisfied with the outcome provided by your RCM, they will escalate the matter to the Lead Relationship and Contract Manager for further review and support.
- 17.3. Escalation to Principal Skills Manager (PSM). Should the Lead RCM be unable to resolve your query, it will then be escalated to the Principal Skills Manager, who will assess the issue in more detail.
- 17.4. Final Escalation – Senior Leadership Team (SLT). If a resolution still cannot be reached, the matter will be referred to our Senior Leadership Team for final consideration.