

Schedule 2

The North East Mayoral Strategic Authority Adult Skills Programme (ASP)

Performance Management and Payments Rules

**For the 2026-27 Funding Year
(1 August 2026 to 31 July 2027)**

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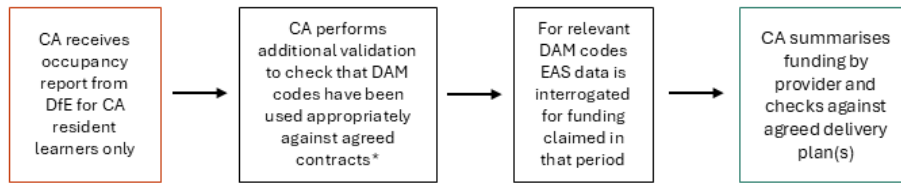
1. Introduction

- 1.1. This document outlines the performance management and payment framework for Procured Contract Providers and Grant-funded providers receiving Adult Skills Programme Funding (ASP), effective from 1st August 2026.
- 1.2. The North East MSA 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, ASP Funding Rules for 2026/2027, [ILR specification 2026/2027](#) , 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 MSA, providing clear progression pathways for residents into work, an apprenticeship or further learning.
- 2.2. The North East MSA 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 2026/2027 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 MSA reserves the right to increase/decrease the level of scrutiny or change its performance management arrangements.
- 2.5. 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.
- 2.6. 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. Data Validation



- 3.1. 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.
- 3.2. Your data will be analysed 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 Programme Funding is being used appropriately and in line with strategic priorities.
- 3.3. You must ensure you timely record all learner statuses in the ILR including breaks in learning, restarts and learner records past planned end date.

4. Performance Management

- 4.1. Performance reviews will provide a thorough and balanced assessment of your delivery and contractual obligations. Reviews will consider 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.
- 4.2. 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).
- 4.3. 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.
- 4.4. It is expected that, during the 2026/2027 academic year, formal performance management reviews will be held at least four times as detailed in the Performance Review Schedule. 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.
- 4.5. In addition to 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.

5. Integrated Settlement Trajectory-based Performance

- 5.1. The Mayoral Strategic Authority has set regional outcome and output targets for the period April 2026 to March 2029, informed by the 2024/25 DfE published baseline. While the regional targets must be achieved by the end of the 2028/29 academic year, providers are required to demonstrate year-on-year improvement against an agreed annual performance trajectory.
- 5.2. Annual trajectories represent the minimum expected level of progress towards the regional target and apply to each academic year of delivery. Performance will be monitored at R03, R06, R09, R12 and R14 using ILR data and supporting evidence.
- 5.3. The expectation is not that providers immediately achieve the end-state regional target, but that they actively and consistently move towards it. Failure to demonstrate sufficient progress against the agreed trajectory will be treated as a performance concern.
- 5.4. **Year 1 position (AY 2026/27):**
- 5.5. Year 1 (2026/27) will be treated as a transition year as providers embed new KPIs and delivery approaches. While no automatic funding reductions will be applied solely on the basis of not meeting the Year 1 trajectory, providers must:
 - Demonstrate clear and measurable progress against KPIs;
 - Evidence active performance management, including mitigation where delivery is off-profile;
 - Engage constructively in performance review meetings and provide accurate, timely data.
 - A provider that fails to demonstrate progress, does not engage, or cannot evidence credible action to improve performance may still be subject to enhanced monitoring or formal performance intervention.
- 5.6. **Year 2 escalation (AY 2027/28):**
- 5.7. In Year 2, providers are expected to be delivering in line with the agreed trajectory. Where performance falls materially below the trajectory at one or more review points, the MSA may require one or more of the following actions:
 - Submission of a formal Performance Improvement Plan (PIP) with clear milestones and timescales;
 - Increased frequency of performance review meetings;
 - Targeted support or delivery adjustments, agreed with the Relationship and Contract Manager;
 - In-year re-profiling or reallocation of funding where under-delivery persists.
 - Failure to implement or deliver against an agreed improvement plan will be treated as continued underperformance.

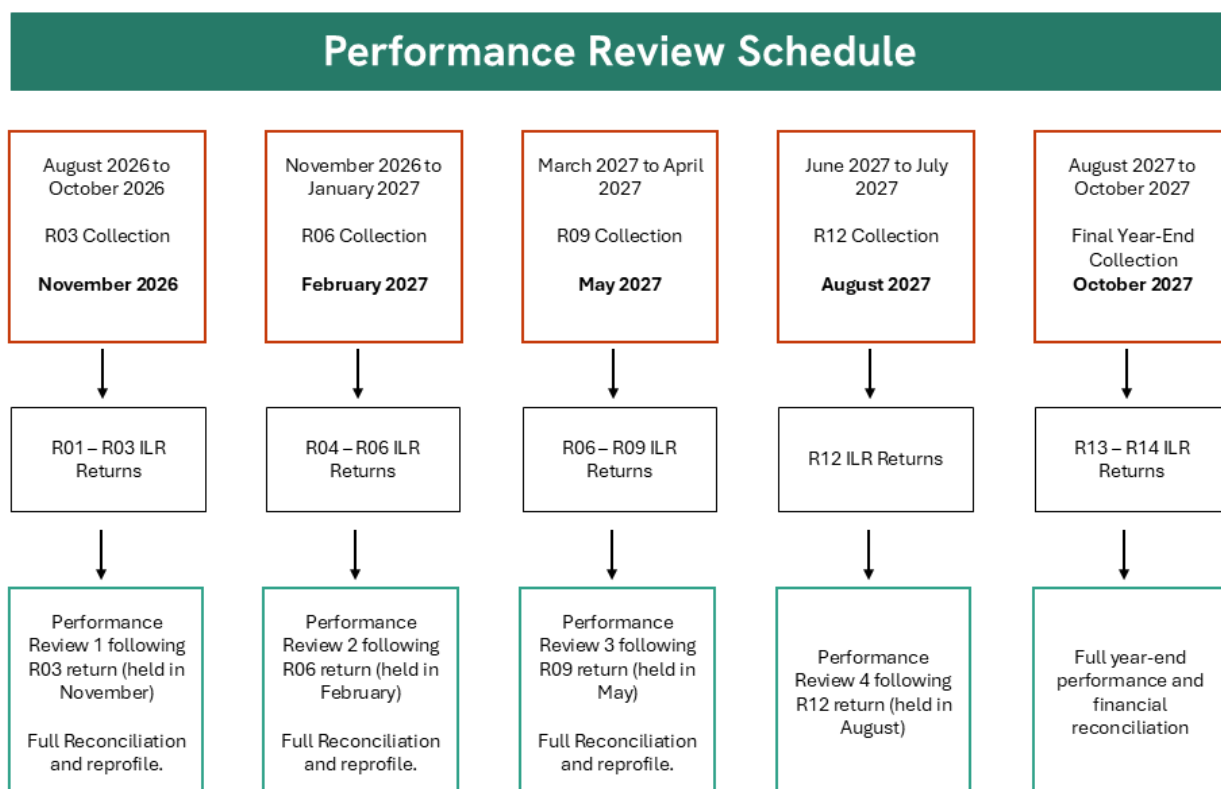
Year 3 escalation (AY 2028/29):

5.8. Year 3 is a critical delivery year for achieving the regional targets. Providers that are not on track to meet the agreed trajectory, or that continue to underperform following earlier interventions, may be subject to formal contractual action, including:

- Reduction or removal of future allocations;
- Contract variation to reduce scope or volume of delivery;
- Recovery of funding where performance is not evidenced;
- Consideration of contract termination or non-continuation in line with the Funding Agreement.
- Performance in Year 3 will be a key consideration in decisions relating to future funding and commissioning.

Sustained improvement over time is a **core contractual expectation**. Providers that do not demonstrate a clear upward trajectory across the contract period place future funding at risk.

6. Performance Review Schedule



7. Performance Reviews

- 7.1. 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 MSA that you are using the ASP appropriately.
- 7.2. To gain this assurance, your Relationship and Contract Manager along with Curriculum and Quality Officer will undertake regular performance reviews of all providers.
- 7.3. The North East MSA will select a sample of learner files to check randomly using a method chosen by the North East MSA. 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.
- 7.4. The North East MSA 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.
- 7.5. 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
 - Current progress update against IS outcomes
 - Forecast to the end of the funding year
 - Details of any existing or potential issues/risks.
- 7.6. 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, please ensure you use this as a live document and do not upload a new copy.
- 7.7. It is your responsibility to ensure the Performance Review template is fully completed with a high level of detail to ensure your RCM has been provided with all detail for your contract performance. Failure to provide sufficient detail will impact Performance Review which may result in intervention.
- 7.8. The North East MSA 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.

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

8. Review Points

Performance Review Point	Date	Tolerance of Profile	Outcome
R03	November	15%	Forecast to R06
R06	February	10%	Business case/reprofile/funding adjustment
R09	May	5%	Automatic funding adjustment
R12	August	0%	Forecast to R14

- 8.1. Actual earnings will be reviewed at the points in table: ASP provision, Earnings Adjustment Statements, Support, and other procured/allocated projects.
- 8.2. At R03 if delivery is below 85% of the profiled target, you must detail a comprehensive performance improvement plan to address any delivery shortfall to R06.
- 8.3. 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.
- 8.4. At R06 if delivery falls between 51% and 89%, you must submit a fully completed business case with high level detail demonstrating how you plan to address the shortfall. If accepted a full re-profile will be required and expected to be returned for the following within 10 working days. If we do not accept the business case, a funding adjustment will be applied, and a full re-profile will be required.
- 8.5. At R09, if delivery is below 95% of the profiled target, an automatic funding adjustment will be applied.
- 8.6. A full re-profile will only be permitted in mitigating circumstances arising from planned curriculum changes. Back-loaded profiles in the final quarter will not normally be accepted; due to the significant contract risk they present.
- 8.7. During the reviews we will look at detailed end of year forecasts based on current delivery.
- 8.8. The North East MSA 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.
- 8.9. Following each formal performance review, any funding adjustment applied to your allocation will remain fixed for the remainder of the academic year in which the review takes place. Where a funding adjustment has been made:
- The revised allocation will remain in place until the end of the academic year and will not be increased further in-year, regardless of any subsequent improvement in performance.
 - You will not be eligible for any additional or supplementary funding allocations during the same academic year.

The adjusted allocation will be used as the baseline when determining funding for the following academic year and may therefore directly influence future allocations.

- 8.10. 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.

9. Change Requests

- 9.1. All providers must submit a completed Change Request Template by email for any proposed changes to their existing delivery, for review by their Relationship and Contract Manager (RCM). Requests will not be considered without appropriate supporting evidence. The Change Request Template is available on your Teams channel
- 9.2. Where a change request is approved, providers must update their delivery profile to reflect the approved change and must record the change in the next ILR return. Failure to align the profile and ILR with the approved change may result in the change being treated as unauthorised.
- 9.3. Change requests must be submitted only where there is a genuine, evidenced change to delivery. They must not be used to manage, defer, or compensate for profile underperformance.

10. Payments

- 10.1. ASP Grant Agreements and Procured contracts are distinct and have separate payment arrangements. If you hold both, you cannot transfer funds between them.
- 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 monthly based on the agreed profile, with payments made in arrears. The first payment will be in September 2026.
- 10.5. If the provider is found to be underperforming based on any data return, the North East MSA 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 2026.
- 10.7. Payments will be made via BACS within 30 days of ILR return.

11. Reconciliation

- 11.1. Following each data return, earnings may retrospectively adjust due to changes or lags in the submitted data.
- 11.2. At R03, we will identify in-year changes to your earnings; however, no reconciliation payment will be made at this point, unless requested.
- 11.3. At R06, we will reconcile your actual earnings against the payments made to date, with any adjustments or monies owed paid in February. Grant-funded providers who do not wish to take part in this reconciliation and prefer to continue against their agreed profile must discuss this with their Relationship and Contract Manager (RCM). Where a provider is underperforming, reconciliation will be applied based on actual delivery.
- 11.4. At R09, we will reconcile your actual earnings against the payments made to date. Any ongoing adjustments or monies owed will be paid in May. Grant-funded providers who do not wish to take part in this reconciliation and prefer to continue against their agreed profile must discuss this with their Relationship and Contract Manager (RCM).
- 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/November.

Important: At any point during the year, the North East MSA may pause payments or work with you to revise your payment profile where it does not align with the delivery or data trends being observed.

12. Withdrawals

- 12.1. The North East MSA will routinely monitor the volume of learner withdrawals where funding has been claimed.
- 12.2. Where a provider's withdrawal rate exceeds **10%** this will be deemed a *high withdrawal percentage* and will trigger enhanced monitoring.
- 12.3. In such cases, the MSA will undertake a comprehensive review of the provider's withdrawal activity. This review will include, but not be limited to:
- an assessment of the quality and accuracy of the Information, Advice and Guidance (IAG) provided to learners.
 - analysis of the reasons for withdrawal; and
 - scrutiny of enrolment and induction practices to ensure compliance with funding rules.
- 12.4. Where high withdrawal rates are persistent, unexplained, or indicative of poor practice, the MSA reserves the right to recover all funding associated with the affected learners and apply any additional contractual remedies deemed appropriate

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 MSA 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 MSA 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 MSA, the North East MSA 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 MSA 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
 - OFSTED inspection below *Expected Standard*. Providers who do not meet this standard will be subject to enhanced monitoring, restrictions on future contracting, and/or withdrawal of funding at the discretion of the North East MSA. Please refer to [OFSTED](#) official guidance for clarification.
 - 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.
 - If formal intervention is required, the North East MSA 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.

- Failure to address the conditions to the satisfaction of the North East MSA will be considered a minor or serious breach of the Agreement. The North East MSA 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.

15.3. We expect the provider to make every effort to work with the North East MSA to resolve emerging issues in a timely and satisfactory manner before such measures become necessary.

15.4. 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.

15.5. The provider will remain in formal intervention until all conditions have been rectified and the North East MSA 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

17.1. 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:

17.2. 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.

- 17.3. Escalation to Senior Relationship & Contract Manager. If you are not satisfied with the outcome provided by your RCM, they will escalate the matter to the Senior Relationship and Contract Manager for further review and support.
- 17.4. Escalation to Skills Delivery Lead. Should the Senior RCM be unable to resolve your query, it will then be escalated to the Skills Delivery Lead, who will assess the issue in more detail.
- 17.5. 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.

18. Teams Channel

- 18.1. You will have a dedicated Microsoft Teams folder where you can access all important documents. Please ensure you update your Key Contacts form with assigned contacts to ensure correct IT access at the start of the contract year.
- 18.2. All documents in your Teams folder should be used as live documents; please ensure you do not take copies and re-upload.
- 18.3. Any proposed re-profiles to your delivery plan will need to be reviewed and approved by your RCM. Your RCM will send your delivery plan offline and once approved, RCM will upload master version to your Teams folder.