

LETTER TO COMMERCIAL AND CHARITABLE PROVIDERS RELATING TO IN-YEAR GROWTH AND RECONCILIATION IN 2013/14

Dear Colleague

I am writing to set out how we propose to manage the release of additional funds for growth in 2013/14. Our aim is to build confidence in the funding arrangements available to support increased participation and an improved offer to young people through study programmes including traineeships.

We wrote to you at the end of March setting out your allocation for 2013/14 and providing an explanatory note. Feedback from AELP indicated that many providers were unclear how Formula Protection Funding had been calculated and about the approach we had taken to the distribution of full and part-time students. In response to these concerns we wrote to you providing detailed technical explanations on these issues. If you want to discuss the application of these arrangements EFA staff in the Territorial Offices will be happy to do this if you contact them via [territorial email].

We have made provision for £20 million to support growth and it is our intention to release up to 80% of this amount (£16 million) at the October, February and June adjustments set out below, leaving £4 million plus any funds re-claimed for under-delivery at the year end, to support growth at the final reconciliation point in December 2014.

- In October we will review the R14 final data returns for 2012/13. We will then revise the 2013/14 allocation for those providers who did not deliver growth in their size of programmes (measured through the SLN ratio) between 2010/11 and 2011/12 but who have delivered growth in 2012/13 above the SLN ratio achieved in 2010/11. We will re-issue their allocation to move 50% of the learners in each band up to the next band, as was done in the March allocation for those providers who had achieved growth in 2011/12. This increased allocation will be paid from November 2013.
- In February we will review the R06 data returns. Where a provider has achieved **90%** or more of their whole-year allocation at that stage, based on the sum of student numbers and programme size, we will release funds to make an initial payment for in-year reconciliation. We will cap total growth payments at £12 million for October and February combined by, if necessary, paying any February growth at a marginal rate. As any affordability issues would be managed through the marginal rate, all providers meeting the 90% threshold will receive additional funds. Additional funds allocated at this stage will be paid from April 2014.

- The purpose of the February review is to provide timely additional funding for those providers very close to exceeding their full year contract value at that stage. This is why we are applying a high threshold of 90%.
- In June we will review R10 data returns. Where a provider has achieved **100%** or more of their whole-year allocation at that stage we will release funds to make a second payment for in-year reconciliation. We will cap total growth payments at £16 million for October, February and June combined by, if necessary, paying any June growth at a marginal rate. Additional funds allocated at this stage will be paid from July 2014.
- In December 2014 a final growth payment will be made based on R14 data. This will be based on final delivery, offset by any in-year payments already made, and may be paid at a marginal rate subject to affordability. All funds, that is those allocated in March and October 2013 plus those awarded as in-year growth during the year, will be subject to the normal end year reconciliation rules.
- Normal reconciliation for under-delivery in-year and at the year-end will also take place.
- We will cap payments for over-delivery, as in 2012/13, at the higher of £100,000 or 30% of a provider's final allocation (including any growth from March and October 2013), up to an overall maximum cap of £1m. This cap applies to growth payments made in-year in February, June or at the year-end.

This approach is an interim one for 2013/14 to smooth the transition to the new system. We will review the approach and confirm proposals for 2014/15 during the autumn.

If you have any queries about our approach to funding growth and over-delivery in 2013/14 please contact [territorial email].

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. C. Mucklow', with a horizontal line underneath it.

Peter Mucklow
National Director for Young People