

# Funding recommendation approach consultation

Interim impact assessment – August 2020

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# Section 1 – Overview, context and scope

## INTRODUCTION

1.1 The Institute for Apprenticeships and Technical Education (the Institute) is consulting on a proposed new approach and model for generating funding bands. A funding band is the maximum level of government funding made available for an apprenticeship standard. The Institute generates a funding band and recommends it to the Secretary of State for Education for approval. This responsibility has been undertaken by the Institute since its inception in April 2017 and several improvements have been made to the process since that time. A new approach has been designed to replace the existing process.

1.2 The change relates wholly to the process and calculations used by the Institute in recommending the maximum levels of government funding for apprenticeship standards. There is no intention to change or consult on:

- the role of the Institute in providing recommendations to the Secretary of State for Education on the maximum level of government funding for new apprenticeship standards
- the concept of each apprenticeship standard being allocated a funding band
- the way in which apprenticeship funding is paid
- the costs eligible for funding under the [ESFA's published funding rules](#)
- any other policy or process undertaken by the Institute outside of its role in providing recommendations on funding bands for apprenticeship standards

1.3 The general and equality impact assessments set out in this document have been prepared to accompany and be read alongside the consultation document. This document both details the possible impact in financial terms and, specifically, with regard to protected characteristics. This impact assessment will be updated as the approach is developed.

## RATIONALE FOR CHANGE

1.4 Recommending funding bands is a key aspect of developing an apprenticeship. Feedback has consistently indicated that stakeholders are keen to understand more about the process used to arrive at funding band recommendations and for the inputs to be made more transparent.

1.5 Further details on the rationale for change and the principles for designing a new model are provided in full in the 'Key principles driving our reforms' section of the consultation document. The key aim of the proposed new approach is to increase the transparency of the model. Systematically reducing funding, or funding bands, is not a design principle of the proposed new approach.

## INTENDED OUTCOMES

1.6 The intention is to design and implement a new model for generating funding bands, which addresses the design principles listed in the 'Key principles driving our reforms' section of the consultation document.

## RATIONALE FOR CONSULTATION

1.7 Earlier in 2020, the Institute conducted a 12-week consultation on a core proposed model and two options for adding additional variation. This consultation closed on 19 May 2020 and received over 200 responses.

1.8 The Institute has used the feedback provided in the first consultation to refine its proposed approach. This refined model is now being published alongside a set of questions aimed at supporting the Institute to make the proposed approach as operationally effective as possible.

## STATUS OF PROPOSITION

1.9 The proposed model remains in development and will be refined to reflect feedback through the consultation and the outcomes of testing. It does, however, represent a model which received positive feedback through the first consultation, and builds on suggestions made to further address variation in cost between standards. As such, it should broadly be viewed as the approach the Institute intends to move to pilot and implement, subject to the outcome of this consultation. The second consultation document explains the full model, and input from respondents is focussed on ensuring that following refinement, the model meets our core design principles.

1.10 The Institute is clear that the following aspects of the project and high-level approach are included in this consultation for information and to add context. As such, their inclusion in the final model (and its development) are considered already agreed.

- the rationale for changing the Institute’s approach to recommending funding bands
- the design principles for the new model
- the use of the IFF research, where possible, as the basis for the generation of rates in the model
- the concept of a rates-based model<sup>1</sup>
- the rates-based model being structured around the five main cost categories

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<sup>1</sup> The EPA cost calculation remains quote-based in the first instance; however the expectation is that it will move to a rates-based calculation once the Institute has a greater understanding of the actual costs of delivering EPA.

## Section 2 – Interim general impact assessment

2.1 The proposed model has two distinct parts: a rates-based estimate to be provided to the trailblazer early in the standard development or review process (the “rates-based” element of the model); and, if that estimate is not accepted by the trailblazer, an opportunity to provide information on the costs of teaching, consumables and/or mandatory qualifications, where the trailblazer considers the costs for their standard are significantly different to those in the rates-based element of the model (the ‘variable’ element of the model). In the short-term and for both parts of the model, the estimated cost of EPA will be generated using a quote based on the assessment plan for the standard. It is the Institute’s intention to replace the use of EPA quotes with an rates-based model once further information has been gathered on the average cost of delivering EPA.

2.2 The analysis and impact assessment should be still be considered indicative at this stage. A better understanding of the general impact of the approach will be gained following piloting.

2.3 The Institute considers this impact assessment as a dynamic product. We anticipate that a final iteration will be produced to support stakeholder understanding of the refined model following consultation and piloting and before implementation.

### THE ‘RATES-BASED’ ELEMENT

2.4 The initial ‘rates-based’ element of the model retains much of the weighted model described in the first consultation. It has, however, been refined to reflect aspects of the feedback received during that consultation, most notably in the approach to formative assessment and mandatory qualifications.

2.5 The impact assessment has modelled the differences between funding band recommendations (the government’s maximum funding contribution) made using the current method, and those generated using the rates-based element of the proposed model. Included in the modelling are any current apprenticeship standards which have seen starts during the 18/19 academic year and which are still available for delivery – a total of 363 standards. It should be noted that this modelling is for illustrative purposes only. As set out in the consultation and para 2.8-2.10 below, existing funding bands will only be changed when a standard is reviewed or revised. The amount that an existing funding band can change will be capped to minimise disruption.

**TABLE 1 – FUNDING BANDS MEASURED BY STANDARDS**

	The 'rates-based' element
Standards where FB is same, or no more than £1,000 different - higher or lower - using the proposed model	85 (23%)
Standards where FB is same, or no more than £3000 different – higher or lower - using the proposed model	168 (46% <sup>2</sup> )

**TABLE 2 – FUNDING BANDS MEASURED BY APPRENTICESHIP STARTS IN FY 18/19**

	The 'rates-based' element
Starts on standards where FB is same, or no more than £1,000 different using the proposed model	110,481 (45%)
Starts on standards where FB is same, or no more than £3,000 different using the proposed model	163,810 (67%)

## THE 'VARIABLE' ELEMENT

2.6 The 'variable' element of the model, which requires trailblazers to provide defined inputs to the model, has been designed to allow for a more bespoke calculation where it is felt, by the trailblazer, that the funding band produced by the 'rates-based' element doesn't appropriately capture the typical eligible costs of delivery. The 'variable' element is similar to the trailblazer input model put forward in the first consultation but has been refined to reflect feedback in the consultation around other areas driving variation in cost.

2.7 The Institute has conducted some early testing of the 'variable' element with a small number of training providers but this testing is still in the early stages. The original trailblazer input model, when tested against 9 of the current stock of standards, saw the proposed model generate funding bands higher than, the same as or lower than existing bands in equal measure. It is expected that, as the 'variable' element of the model we are now consulting on is

<sup>2</sup> This figure includes the 23% of standards where change would be predicted to be less than £1000 or the funding band would stay the same.

a refined version of the trailblazer input model, the outcomes may be similar. However, as the variable element of the model has a greater number of inputs, confidence that the band will reflect individual costs could be higher. The impact will be covered in a final impact assessment should the decision be made to implement the proposed new approach.

## **REVISIONS AND REVIEWED STANDARDS**

2.8 The model set out in this consultation is proposed for both entirely new standards and for the revision of funding bands resulting from the reviewing of existing apprenticeship standards.

2.9 The Institute is aware that the majority of its work is likely to move from supporting the design and publication of entirely new apprenticeships, to the review and revision of existing standards over the medium term. Each of these existing standards already has a funding band assigned and the review and revision process could see the funding band move up, down or stay the same. The Institute is conscious that any changes to funding bands need to be handled in such a way as to manage any disruption for apprentices, employers, training providers and end point assessment organisations.

2.10 The Institute, therefore, intends to set a maximum level to which the funding band is able to fall or rise within a 12-month window. The exact details of these levels will be agreed once the approach has been fully tested but could be either a percentage of the previous funding band or a specific number of bands.

## Section 3 – Interim equalities impact assessment

3.1 It is important for the Institute to not only consider the impact of a change in the model used to recommend funding bands in a general context, but to also consider its impact on persons with protected characteristics. This requirement is described through the public sector equality duty, under Section 149(1) of the Equality Act 2010.

3.2 Specifically, the Institute has a duty to have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it

3.3 The relevant ‘protected characteristics’ for the purposes of the Public Sector Equality Duty are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race (including ethnicity)
- Religion or belief
- Sex
- Sexual orientation

3.4 Our consideration of the impact on apprentices with protected characteristics has been limited to the ‘rates-based’ element of the model, as data for the ‘variable’ element will be available at a later stage of our development process. We have reviewed the effect of the ‘rates-based’ element on funding levels on apprentices with the protected characteristics, noting that in our proposed model, trailblazers would have the opportunity to use the ‘variable’ element.

3.5 The ‘rates-based’ model appears to have a greater impact on higher level and longer duration apprenticeships, and as those apprenticeships have relatively higher proportions of male apprentices, the net effect would be a greater impact on male apprentices. For all protected characteristics tested, we found no statistically significant differences in the effect of the ‘rates-based’ model. We will continue to keep our consideration of the impact of apprentices with protected characteristics under review.

3.6 Once the Institute has fully tested the ‘variable’ element of the model, it will be in a better position to provide fuller analysis of the impact of the proposed model on protected characteristics. This will be provided in a further update to the impact assessment ahead of implementation.



## Section 4 – Next steps

4.1 Details of the activities through and after the consultation are provided at the 'Implementation plans and timings' section of the consultation document.

4.2 Subject to the outcome of the consultation, one of the key next steps will be the piloting of the new model. By piloting on new or fundamentally revised standards and a variation of the model on some standards due for revision, we will be able to update this impact assessment to include more analysis across all options being considered for the model. Once the outcomes of the pilot are known, it is anticipated that the final model and impact assessment will be published.



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