

# **Institute for Apprenticeships and Technical Education**

**Funding band  
recommendation  
improvement**  
Interim impact assessment

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# 1. Overview, context and scope

## Introduction

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

## Rationale for change

1.4 Recommending funding bands is a key aspect of developing an apprenticeship standard. The process undertaken to date has however, been challenging for stakeholders to engage with. Feedback has consistently indicated that stakeholders were keen to understand more about the process used to arrive at funding band recommendations and for the processes to be made more transparent.

1.5 Further details on the rationale for change and the principles for designing a new model are provided at the '*why we are making further changes*' section of the consultation document.

## 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 '*why we are making further changes*' section of the consultation document.

## Rationale for consultation

1.7 The intention of this consultation is to get the views of stakeholders on the model at its current stage of development to understand which of the 2 options set out in the

consultation they think would work best for them, and to better understand the practical impact of the model and how we can continue to refine it.

## What we are consulting on

1.8 The Institute is consulting at this point to obtain broad views on a proposed core model and get specific feedback on:

- the use of weighting factors and specifically the Sector Subject Area (SSA) Programme Cost Weightings (PCW) as an option to address variations in cost; and
- the viability of using defined, controlled trailblazer inputs as an option to address variations in costs

1.9 The information being sought will be in the form of 17 questions about specific aspects of the proposed model. Some questions use multiple-choice answers to allow for numeric analysis. There are also several opportunities for respondents to provide free text responses. Through this approach, the Institute expects to be able to obtain both a better understanding of respondents' views about the model, and specific ideas and comments about how it can be further refined.

1.10 The responses received through the consultation will be analysed and the findings summarised and published. The findings will also be used to help refine the proposed model ahead of a phase of piloting. More details are set out in the '*Timetable and next steps*' section of the consultation document.

## Status of proposition

1.11 The current proposition and model are still at a development stage; however some aspects are further developed than others. The consultation document explains the full model, but input from respondents is focussed on those elements for which greater refinement is still required.

1.12 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 core rate-based model<sup>1</sup>;
- the rate-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 rate-based calculation once the Institute has a greater understanding of the actual costs of delivering EPA.

## 2. Interim general impact assessment

2.1 The Institute has tested the proposed new model against the existing stock of published apprenticeship standards. There is no intention to reset current funding bands using the model in the short-term<sup>2</sup>, however it is important to understand how funding recommendations generated by the proposed model compare to those generated using the current method.

2.2 The testing has used the information we have available on the existing stock of standards and gives an early indication of expected differences between funding recommendations generated using the current method and those generated by different options for a new model. In considering the analysis, it is, however, worth noting that:

- the model we are consulting on is for use on wholly new or fundamentally changed apprenticeship standards rather than to review the existing stock of standards. Where a request for a standard to be reviewed or revised is submitted, we anticipate that a variation of the model would be used;
- not all information required for the new model is available for all existing standards. As such, assumptions have had to be used for several inputs to assess the effect of the model;
- the starts data used for assessing impact is historic, so the profile of starts (and as such the impact of the differences) on apprenticeships may vary in the future;
- to assess the impact of the differences effectively, we have focused on standards with apprentices enrolled in 18/19; and
- the option for adding additional variation to the model (trailblazer input) has not been fully tested as we do not have the required data at this stage. Where we have modelled this option, nine apprenticeship standards have been included in the testing group.

2.3 The points highlighted above mean that, for direct comparison purposes, the impact assessment has focussed on the impact of differences between funding band recommendations made using the current method, and those generated using the proposed core model and two options on the nine standards for which we have sufficient information. We have also undertaken further automated testing of the core model and option 1 (including the SSA PCW as weighting factors to the teaching cost category) and emerging findings are also provided.

2.4 The analysis and impact assessment should be considered indicative at this stage.

2.5 A better understanding of the general impact of the core model, and weighted option, will be gained following piloting. Equally, it is only after this phase that the impact of option 2 (trailblazer input) can be fully understood. The Institute considers this impact assessment as a dynamic product. We anticipate that a further iteration will be produced to support stakeholder understanding of the refined model following consultation and piloting.

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<sup>2</sup> all standards will eventually be reviewed and reassessed for funding through the Institute's regular review processes

## Standard specific testing

2.6 As set out in the consultation document, one option we want feedback on is whether through defined, controlled trailblazer inputs, the model could be made more reflective of variations in the actual costs of delivering apprenticeship standards. This option cannot, however, be fully tested in an automated way as the required information is not readily available for existing standards. As such, this analysis should be considered for early comparison purposes only at this stage.

2.7 It is also worth noting that this document has been prepared to describe the *effect impact* of changing to a new model rather than an assessment of *correctness*. We have, therefore, focussed our analysis and description on the extent to which the proposed model would generate results which were different from the current funding recommendation approach.

2.8 We have used trailblazer input already provided for nine standards as part of the current process to identify information relating to class sizes, hours of delivery, and proportions of 1:1 and different group delivery for those standards. Standards in the test group cover a range of routes and levels. In this testing:

- We applied rates derived from the *Commissioned research* to generate a teaching cost for each of these standards.
- Where trailblazers included material costs which were in excess of the relevant consumables band, we have treated this as an 'exception', and have adjusted the consumables cost accordingly.
- We have added an uplift of £300 where mandatory qualification(s) have been included.
- We have used the EPA quote submitted to set the EPA value.

2.9 For the testing of the core model and both options, we have used published information on the standards where possible. The results of this testing are shown below.

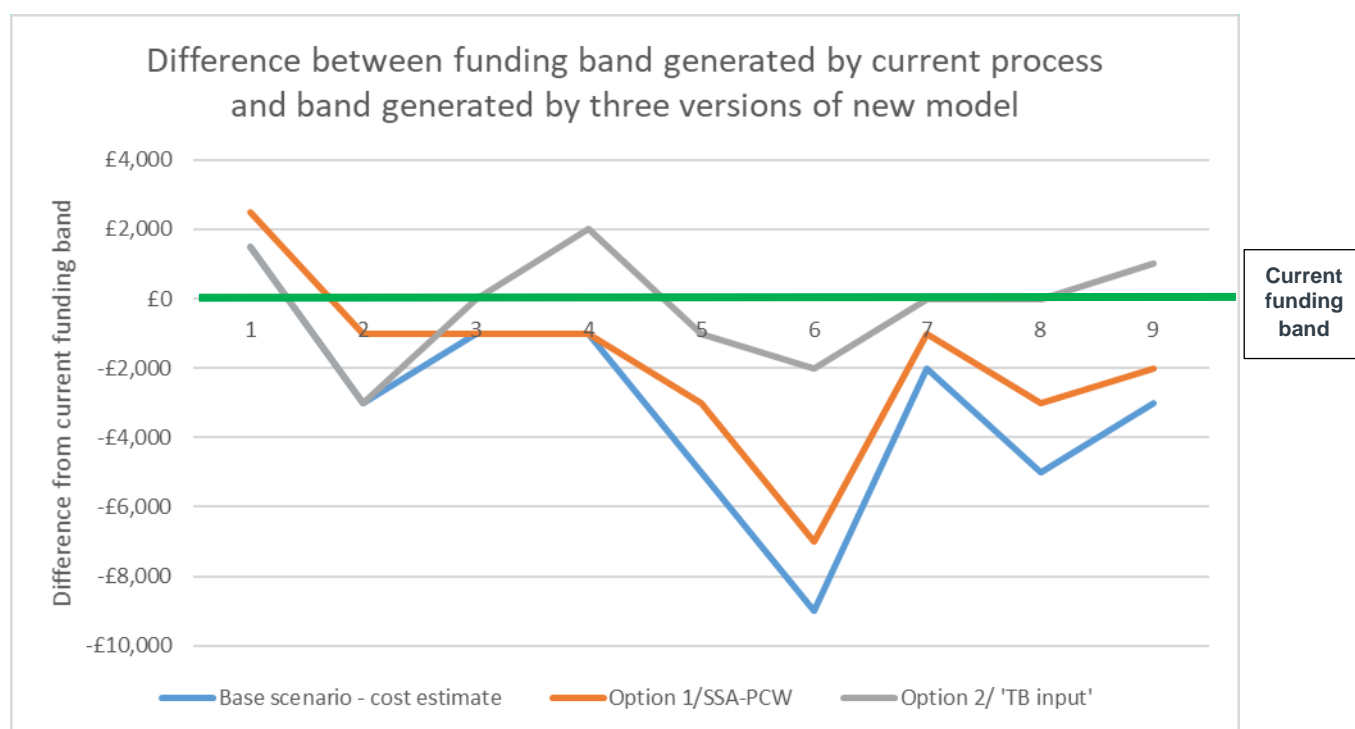
Standard	Duration (months)	Funding band			
		Core	SSA	TB Input	Current process
1	15	£5,000	£6,000	£5,000	£3,500
2	36	£11,000	£13,000	£11,000	£14,000
3	20	£6,000	£6,000	£7,000	£7,000
4	18	£5,000	£5,000	£8,000	£6,000
5	24	£6,000	£8,000	£10,000	£11,000
6	42	£12,000	£14,000	£19,000	£21,000
7	18	£5,000	£6,000	£7,000	£7,000
8	24	£6,000	£8,000	£11,000	£11,000
9	24	£7,000	£8,000	£11,000	£10,000

2.10 The testing found that:

- The core model generated funding bands that had the largest variation from the current funding bands.

- For seven of the nine funding bands tested, the SSA-PCW weighted model generated a funding band higher than the core model. The remaining two had the same band generated as the core model.
- Three standards had the same funding band generated using the TB Input model as the current published funding band for those standards (examples 3, 7 and 8).
- A further two standards had a funding band generated using the TB input model that was no more than one band different to the one generated using the current process (examples 5 and 9)
- In three of the nine standards tested, the TB input model generated funding bands which were higher than the current published funding band for those standards (examples 1, 4 and 9).

2.11 The following graph shows the difference between each of the three different models (Core, SSA PCW and TB input) and the current funding band (represented as 0 on the graph). It illustrates several of the points made in the above paragraph.



2.12 In summary, the TB input model resulted in funding outcomes that were more in line with the current process but did not universally result in bands that were higher than the Core or SSA models. Of course, it must be caveated that this was a small sample group, and the TB inputs did not go through any form of verification process regarding the group sizes or volumes of one to one delivery listed. The piloting phase will allow the Institute to test the relative impact of all three options on a greater number of standards.

### Automated testing – core model and SSA PCW option

2.13 The following tables model the funding bands which would be generated if either the Core Model or the Option 1 SSA PCW Model were applied<sup>3</sup> and compares these with current funding bands. The effect is measured in terms of the apprentices enrolled on

<sup>3</sup> The test group includes the 365 standards on which there have been apprenticeship starts in 18/19

those standards in funding year 2018/19 (to give a sense of the scale of effect) as well as the actual number of standards that would see different funding bands resulting from each Model. In all modelling, change can either be positive or negative.

**Table 1 – Funding bands measured by standards**

	<b>Core Model</b>	<b>Option 1 SSA PCW Model</b>
Standards where FB is same, or no more than £1,000 different using the proposed model	66 (18%)	85 (23%)
Standards where FB is same, or no more than £3000 different using the proposed model	146 (40%)	168 (46%)

**Table 2 – Funding bands measured by apprenticeship starts in FY 18/19**

	<b>Core Model</b>	<b>Option 1 SSA PCW Model</b>
Starts on standards where FB is same, or no more than £1,000 different using the proposed model	100,567 (41%)	110,481 (45%)
Starts on standards where FB is same, or no more than £3,000 different using the proposed model	161,662 (66%)	163,810 (67%)

### **Core and SSA PCW Models – relative impact**

2.14 As expected, the weighted option increases the funding band for the majority of existing funding bands tested. Of the 365 standards with enrolments in 2018/19, 137 (37%) would increase by up to £1000 and 228 (62%) would increase by up to £3000 when the SSA PCW was added as a weighting factor to the core model. 34 standards (10%) would increase by more than £3000 and 103 (28%) would stay the same.

### **Revisions and reviewed standards**

2.15 The model set out in this consultation is relevant for wholly new or fundamentally revised apprenticeship standards. The Institute is, however, very conscious that much of its work is likely to switch to the review and revision of existing, published standards.

2.16 We are also developing a parallel process for making funding recommendation process for standards subject to the Institute's revisions process [LINK].

2.17 The intention is to test such a model through the piloting phase alongside the refined model for new standards. As such, the impact of the model for reviewed standards will only be assessed after the piloting phase and published as part of the updated impact assessment.



### 3 Interim equalities impact assessment

3.1 It is important for the Institute to not only consider the impact of a change in 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
- Marriage and civil partnership
- Pregnancy and maternity
- Race (including ethnicity)
- Religion or belief
- Sex
- Sexual orientation

3.4 Similarly to the general impact of the proposed model described above, the status of the model means that the Institute is unable to fully assess the potential impact until after the consultation and piloting phases. A further iteration of the impact assessment will then be developed and published alongside the agreed final model. It is, however, worth noting that at this stage that we do not foresee any specific adverse impact from the proposals on any of those with protected characteristics for the purposes of the Public Sector Equality Duty.

## 4 Next steps

4.1 Details of the activities through and after the consultation are provided at the '*Next steps*' 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 conduct an impact assessment with greater accuracy and 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.