

Changes to the apprenticeship funding band recommendation process - Second consultation summary and response document.

Section 1 - Executive Summary

This document sets out IfATE's response to the second consultation on proposed changes to the apprenticeship funding band recommendation process¹.

We would like to thank all those organisations and individuals who took the time to respond to the consultation and contributed their views. This second consultation process has helped us enormously in the further development of a funding model that better meets the needs of our customers and strengthens our approaches to quality decision-making.

The public consultation, which ran from 25th August until 6th October 2020, built on the previous consultation to improve the transparency, flexibility, and value for money of the existing process for recommending apprenticeship funding bands.

The response to this public consultation was paused to align with the Department for Education (DfE) review of the eligible and ineligible costs of apprenticeship training. For context, DfE decides which costs are eligible (the funding rules) and we use a model to make a recommendation, which incorporates only eligible costs. Our funding band recommendations go to officials within DfE, acting on behalf of the Secretary of State. DfE decides the final funding band, which may be different to the one we recommend.

The DfE's funding rules were outside of the scope of this consultation. We have worked closely with them to evaluate the full impact of their review on our pilot funding model and amend the design as necessary to ensure eligible costs are incorporated. Now that DfE has concluded their review of eligible costs and presented the outcomes, we believe it is the right time to publish our consultation summary and response document.

We have created a funding approach which is more transparent in process and outcomes. The approach also relies on verifiable independent evidence to ensure high quality. We have allowed more flexibility in the ways that costings evidence can be demonstrated to us. The approach also provides for a blend of fixed rates and trailblazer inputs. We are confident this approach

¹ [New funding model pilot / Institute for Apprenticeships and Technical Education](#)

will support the needs of individual apprenticeships while providing value for money and the ask of stakeholders.

This executive summary outlines the key themes raised by respondents, our response, and the detail on our next steps and implementation timescale.

For the purposes of this consultation response document, we will refer to the proposed new funding model as the proposed funding model (PFM).

The PFM is now the preferred route for apprenticeship funding submissions. By exception and prior agreement, we will allow trailblazers to make submissions via the current funding model (CFM). We intend to stop using the CFM in November 2022. From this point onwards, all submissions will be made via the PFM.

At the conclusion of the PFM pilot implementation, we will refer to the PFM as the apprenticeship funding model and the CFM will be referred to as the previous funding model. We intend that the pilot implementation will conclude in January 2023.

Key themes raised by respondents

- **Rates-based element of the proposed model**
Several responses to the consultation highlighted an expectation that trailblazers would use the variable element of the model in most circumstances. Taking this into consideration, we have redesigned the proposed model by removing the fully rates-based estimate to ensure variability of cost can be reflected in the model. Being able to submit more bespoke data on the specific delivery requirements of each apprenticeship, was something which many respondents thought was key in ensuring estimates best reflected costs.
- **Transparency and clarity**
In feedback received for the first consultation, respondents felt that our proposals were clearer and more transparent than the existing approach to recommending apprenticeship funding bands. Respondents still broadly agreed that the proposed model was clearer and more transparent than the existing model, but some made comments about the DfE funding rules and ineligible costs. For further clarity, we have published the PFM schematic alongside a technical annex which explains the basis of the model's rates. The pilot implementation plan sets out the pilot plans for the 12 months after the launch in January 2022. We also set out our plans to refresh the evidence base.
- **Funding band reductions**
Respondents expressed concern that the proposed model would result in funding band reductions. Through testing the model with volunteer organisations and launching the pilot, we are ensuring

that there continue to be further opportunities for stakeholders to understand how the model works. The new model will deliver accurate recommendations, which in some cases will be above existing funding bands and in others below. Our published plans set out how we intend to manage funding volatility during the pilot, responding to concerns about potential reductions to funding bands and notice periods for change. We intend on publishing an impact assessment alongside the final model for implementation.

- Training provider input
Respondents said it was important that trailblazers seek information from training providers when making a funding band recommendation to ensure that delivery methods and cost information are accurate. During the pilot, we intend on encouraging trailblazers to work alongside training providers in providing inputs and evidence to ensure quality apprenticeship delivery.
- Training group sizes
Respondents said that small group sizes are needed for niche occupations and to ensure quality delivery. The proposed model used a base assumption of group delivery being in groups of 12. Respondents noted that many apprenticeships required smaller group sizes, either for regulatory requirements or to ensure quality delivery.
- Ineligible costs
Although outside the scope of the consultation, concern about ineligible costs formed a large part of the feedback. Almost half of the consultation responses (44%) stated concerns with how they would cover costs which the DfE funding rules specify are ineligible.

We have used insights from the consultation responses and engagement activities to adapt the refined model in section 5. Changes include:

- removing the rates-based element of the model to reflect feedback to the consultation and evidence from impact testing. The new, hybrid model uses fixed rates where appropriate, but also allows trailblazers to provide information for areas which significantly vary in cost.
- reinforcing our commitment to ensuring market stability and value for money in the implementation of the model by introducing a stability mechanism.
- Combining elements of the rates-based and variable element of the proposed model to create a single streamlined system.
- setting a rate for the peripheral costs associated with a degree apprenticeship, which for the remainder of this document we refer to as summative assessment² costs.

² The registration, examination and certification aspects of the degree apprenticeship

- setting a rate for provider on-costs³
- including independent experts in our funding band recommendation process
- providing clear definitions, guidance, and templates for trailblazers to support the transition to a new model.
- implementing a new peer review process to support robust moderation of identified costs
- providing trailblazers with the opportunity to comment on their apprenticeship which will be submitted alongside the funding band recommendation to DfE
- supporting the Secretary of State (SoS) and their delegates in making their funding decision by collecting and providing additional contextual information.

The funding model is flexible and has been adapted to include changes following DfE's review of eligible costs. More information on the review of eligible costs is available on the Gov.UK website, alongside the latest apprenticeship funding rules.

Proposed implementation timescales

Full implementation of the pilot funding band model will only happen once we are confident that the design criteria have been met and that the new system is more transparent and delivers value for money. We envisage full implementation to happen following the conclusion of the current pilot.

We have made significant adjustments to the model in response to feedback, testing and consultation activities, and we expect this to be the model we implement, with potentially a few minor adaptations, if these are necessary to meet our design criteria. Furthermore, during the pilot, we may make some changes to the model due to learning, insight and in response to feedback. The model will be finalised at the conclusion of the implementation pilot.

³ As per DfE funding rules: [Apprenticeship funding rules - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/apprenticeship-funding-rules)

Section 2 - Introduction

Background

The public consultation ran for a period of 6 weeks from 25 August until 6 October 2020. We asked a set of questions to inform the design of a new approach to making funding band recommendations. This approach included two elements, an automated rates-based estimate provided early in the standard development process and a more bespoke, variable estimate using trailblazer inputs about the specific requirements of an individual apprenticeship. The consultation aimed to understand whether the proposed model was more transparent, clear, reflected typical costs, and also encouraged commentary on the operation of the model.

This followed a [public consultation](#) between 24 February and 18 May 2020. Both consultations received responses from employers, training providers, EPAOs (End Point Assessment Organisations) and others.

There were 180 responses to the second consultation, which compares with 253 responses received to the first consultation.

The second consultation was published alongside a narrated presentation and an interim impact assessment. We published an update on the consultation on 2 December 2020 on our website. This was accompanied by a blog post on the Government website. We published a further update on the consultation on 17 January 2022 on our website. This was accompanied by details of our pilot funding band model, including full details of our intended implementation pilot and trailblazer participation.

Many respondents and attendees at engagement activities used this consultation to comment that the proposed funding model does not take account of those costs, associated with the delivery of an apprenticeship, which are ineligible for Government funding. To be clear, this does not represent a change from the existing approach. Both the current funding model and the proposed funding model are based on eligible costs only, as outlined in the apprenticeship funding rules. The DfE's eligible costs policy is outside the scope of this consultation. However, due to the level of feedback received, DfE carried out a review of their eligible costs policy. The outcomes were published in September 2022 and changes will be incorporated into the proposed funding model.

As testing work and DfE's review would both inform refinements to the model, we needed to ensure that we had understood and considered the outcomes before publishing the PFM and our response to the consultation. We decided to postpone publication until DfE's review had been concluded. In the interim, we conducted a further round of testing. The outcomes from this testing are explained in section 4.

Evidence base

The (IfATE commissioned) research project “Costs of delivering apprenticeship standards” by IFF Research Ltd has informed our work on the PFM. Following the completion of the pilot, we will continue working to develop the plan to refresh this evidence base where necessary. Details of our work to refresh this evidence base can be found in section 6.

Engagement

During the second public consultation, we shared our proposals with over 1,000 stakeholders through online consultation events and wider engagement. These stakeholders and organisations included training providers and assessment organisations, and their networks, employers, and sector bodies. The public online events took place in September 2020. These interactive, digital events and workshops provided the opportunity for us to discuss our proposed model with participants and answer any questions. We are grateful to everyone who attended and took part in the discussions which have helped shape our thinking.

Section 3 - Consultation response

1. To what extent do you agree / disagree that the proposed model set out in the consultation document would reflect the range of costs across different apprenticeships?

You said

Many respondents agreed the description of a funding band gave them a good understanding of what a funding band represents. However, concerns were raised about what the public funding should cover, including that it should be extended to include additional delivery costs. This is outside the scope of this project and is the responsibility of the Department for Education (DfE), as laid out in their apprenticeship funding rules.

We did

The feedback on this question was passed to DfE who conducted a review into eligible costs for apprenticeships. To clarify, both the current funding model and the proposed funding model are based on eligible costs only, as outlined in the apprenticeship funding rules. The outcomes of DfE's review have been reflected within the PFM.

1.a. Which costs are not sufficiently reflected?

You said

This question provided respondents with the opportunity to outline costs which they felt should be further reflected in the model.

In response to this question, many respondents commented that the costs may need to be refined to reflect the actual costs of delivery.

“Does not reflect the true costs of delivery and assessment required to meet the contents of the Standard. It seems the funding available versus the cost of the whole apprenticeship doesn't add up.”

Many respondents commented that the rates assigned by the rates-based element of the model for teaching salary costs were not representative of actual costs and providing additional learner support. Many noted concerns about the potential impact on the quality of apprenticeships.

“The most effective training providers have added additional support round coaching/mentoring to support the development of professional skills and behaviours. And for many apprenticeship programmes, highly skilled and professionally qualified staff need to be recruited to deliver training in an effective way. Salaries would be higher than the estimates within the model.”

In addition, some respondents commented that learning delivery mode, cohort size, geography, and provider type have an impact on teaching costs.

Although outside the scope of the consultation, almost half of the consultation responses and many attendees at our engagement activities outlined concerns about how ineligible costs would be covered. This included feedback on the 9% eligible cost margin which was presented as part of the proposed model at consultation.

A substantial number of respondents also suggested that capital, overhead costs, and continued investment in facilities were not sufficiently reflected within the model.

“It doesn't allow for investment in new technology, quality assurance, coaching, or programme development which are all essential to keep learners engaged and developing within their apprenticeship.”

Several respondents to this question also raised concerns about the method which would be used to cost EPAs (End Point Assessment). Some felt that using quotes for EPA would be ‘too blunt’ to reflect the overall costs of delivering EPA. Others commented that the 18% figure for EPA which was proposed in the consultation may not be applicable depending on the assessment plan. Several comments regarding EPA offered support from the sector to develop greater accuracy in EPA costing.

We did

We recognise that many respondents to this question did not think that the proposed model set out in the consultation would reflect the range of costs across different apprenticeships.

We acted on the results for this question by ensuring that DfE were aware of feedback. The model presented in the consultation reflected cost categories which were deemed eligible at the time of publication and the funding band recommendations process will continue to be based on the eligible costs of delivery. DfE conducted their own review into eligible costs. The refined model in section 5 of this response considers and addresses some areas of feedback to this consultation.

We also took the decision to remove the fully rates-based element of the model for teaching costs. We have retained a number of fixed rates within the model but have combined that with a series of inputs trailblazers can make on a bespoke level. This allows trailblazers to input data to reflect varied delivery costs, including teaching salary costs. We remain committed to ensuring the delivery of high-quality apprenticeships while securing value for money of public funds.

We appreciate the work undertaken to date with the EPAO (End Point Assessment Organisation) sector to help us better understand the structure of

EPA cost. Our aim remains to have a consistent and transparent approach which utilises, where possible, independent evidence of the eligible costs of delivery. This work will continue, but on a slightly longer timeframe than the introduction of the overall model, primarily to allow us to source further data on the costs of delivery. In the meantime, the PFM retains the quote system for EPA costs as an interim measure. We would like to continue to work with the EPAO sector on the development of the new approach.

2. To what extent do you agree / disagree that the proposed model set out in this consultation document provides a transparent model for recommending funding bands?

You said

Responses to this question indicate that there may be further refinements we can make to further enhance transparency and clarity.

Although just over half of respondents disagreed with the question, when looking at their detailed comments to question 2a we found that a number of the comments agreed it was a transparent model but raised other concerns with the model, such as the exclusion of ineligible costs.

“It is certainly transparent, and more transparent than the current system. But transparency alone does not guarantee that the funding band outcome is viable.” (Response to question 2a)

We did

We have amended the model to better reflect the drivers of variations in cost which is a direct response to feedback from trailblazers regarding submitting more information to inform a funding band recommendation.

2.a. Which aspects need greater transparency?

You said

This question provided respondents with the opportunity to outline the aspects of the model which they felt needed greater transparency.

Several respondents to this question commented that in broad terms the model was transparent and reiterated concerns regarding the potential for reductions to funding bands.

“Although the suggested funding methodology appears more transparent than the previous arrangement, it does not give confidence as the outputs appear incongruent and unrealistic to actual costs in place.”

Some respondents suggested that any potential impact to a funding band could impact the quality of apprenticeship training and delivery.

"It needs to give far greater consideration to the prices agreed between employers and training providers under the current model. A reduction in funding will lead to providers reducing costs and thus a reduction in quality."

A substantial number of respondents to this question requested more details on how the model will be implemented. This included how notice periods would be used to ensure stability for the market. Some respondents also questioned the internal processes for making decisions on bands. This included whether individuals with experience in the sector would be involved, including training providers.

"The primary transparency concerns around the existing model are in fact related to timing: bands changing with little warning and on short notice..."

"It remains unclear how evidence checks will be conducted as part of the review process & exactly who will be involved in this process. More detail of person requirements would be useful. We'd hope that individuals included reflect both sector expertise & assessment delivery experience to ensure all aspects of assessment can be confidently accounted for, including financial awareness of cost implications associated with updated to & or published revised assessment plans which are significant."

Some respondents to this question also commented on the differences in delivery costs between providers and sectors.

"Class sizes are reflective of FE/HE provision and not reflective for how ITPs [Independent Training Providers] operate who deliver over 70% of apprenticeships."

"In the private sector, apprenticeship classes are smaller and often lose delegates (due to Company redundancy/resignations). Therefore, our costs to provide are higher and require a larger financial buffer to see a scheme through."

Other requests for further transparency in response to this question included feedback on the evidence-based data. This included feedback on how representative it was and how inflation would be applied. A small number of respondents also requested more transparency on the terminology used, for example, consumables.

We did

Notice periods is an issue that is outside of the first and second consultations for the proposed funding model. We have however introduced a mechanism which sets out notice periods for implementing changes to apprenticeships. We also set out on our website which apprenticeships are being revised. This ensures the sector has advanced warning of when changes happen.

We listened to feedback in the first consultation that transparency is important to the sector. Transparency and clarity are key design criteria and have a particular focus in the continued reiteration of the PFM's design. We understand that what we publish externally is key to success. Our website guidance sets out how evidence is applied and how funding bands are recommended. Our decision letters will clearly set out how we reached individual recommendations. We will share evidence with trailblazer groups and give them opportunity to respond.

We have reviewed every aspect of the model to consider its usefulness in the light of the need for greater transparency. As a result, we have, amongst other refinements, removed the rates-based estimate aspect of the model.

To clarify, the model is not about reducing fund bands. Funding band revisions are evidence-led, and the outcomes can be either an increase, decrease, or no change to the recommendation. However, to manage a risk of volatility we have introduced a stability mechanism. The stability mechanism ensures that where a funding revision takes place the potential for change is limited to an increase or reduction of no more than two funding bands. Programme spend is therefore protected from significant changes resulting from the implementation of the proposed funding model. Published exemption criteria ensures that, where it is right to do so, significant changes to funding bands can still happen. The impact of the stability mechanism will be evaluated throughout the pilot implementation. We have published further details of this stability mechanism and clearly defined exemption criteria alongside our published PFM guidance.

We organised further testing of the model without the rate-based element, with volunteer trailblazers and providers, in order to further understand the impact of the PFM. We are satisfied from this that the transparency of the PFM, together with the opportunity the Trailblazer has to provide evidence about certain typical costs, allows for a more accurate recommendation that supports quality delivery.

3. To what extent do you agree / disagree that the proposed model set out in the consultation document is clear?

You said

A third of the respondents that answered this question agreed that the proposed model set out in the consultation document is clear. We acknowledge that many respondents said that the model was not clear. It was evident from the detailed feedback to question 3a that, in some cases, concerns about reductions to funding bands, which is not an intention of this model, were driving this response.

Although just over half of respondents disagreed with this question, when looking at their detailed comments to question 3a we found that a number of

the comments agreed it was clear but raised other concerns with the model, such as the model not covering all costs involved in apprenticeship delivery.

We did

We were pleased to see that some trailblazers, employers, training providers and EPAOs agreed that the proposed model in the consultation document is clear. Just over half of respondents to this question disagreed, and through the response to question 3a we were keen to understand further feedback on this (see below).

3.a. Which aspects are unclear?

You said

Many respondents took the opportunity of this question to outline concerns about the perceived impact of reductions to funding bands. Many noted that reductions in funding would impact the quality of apprenticeships in the market.

“Whilst the information is clear, it is not accurate nor reflects what funding is required to deliver a quality and fit for purpose apprenticeship in our sector.”

“It is unclear which bits of the programme will be compromised in order to achieve the costings.”

“I am unclear on how the impact of this has been assessed and the model adjusted for those conclusions.”

A significant number of responses to this question noted that the cost estimate for providing quality apprenticeships was not clear in the model.

“It is unclear how quality of provision is accounted for in the model. The calculations appear to be based on lowest common denominator costs with no regard for the quality of provision or the likely outcomes for apprentices.”

A similar number of respondents to this question identified that the impact of the model needed to be clearer, particularly the impact on apprentices.

“...Outcome is likely to reduce the range of programmes being delivered; less direct support and larger class sizes leading to greater failure levels as in the past; reduces quality and support being given; new programmes won't be invested in. Lost soft skills required for employment.”

Several respondents to this question were unclear about the rates used within the model. Respondents identified rates which they felt were not representative of the actual costs of delivery. They were concerned that this would make apprenticeships unviable for providers by not covering the costs

of delivery. Some respondents also identified costs which are not eligible for funding, including additional costs for teaching and diagnostic assessment.

"There is a lack of clarity around the costings and clear evidence of how key fixed amounts have been calculated. The admin costs are low and monthly formative assessment is low- not considering trainer travel which is a cost that must be included. I think having a cost associated so low will make it harder for training providers to justify costs to employers when negotiations and make it harder for ITPs to have feasible programmes."

We did

Transparency and clarity are key design criteria, and we acknowledge that two thirds of respondents on this topic disagree that this is a clear model.

Under our pilot approach to PFM we will evaluate the quality of the outcomes and where necessary we will iterate the model.

We have ensured our PFM covers all eligible costs. The DfE eligible cost review covers many of the issues relating to clarity.

We have made sure the PFM is clearer. This includes:

4. removing the fully rates-based element of the model to simplify the design.
5. Implementing a stability mechanism with an underpinning goal of ensuring market stability in the move to the new model, to support training providers.
6. developing an impact assessment, including an equalities impact assessment.
7. Providing a technical annex, to explain the sources and application of fixed rates, to support our published guidance.
8. Piloting the model with trailblazers to make funding band recommendations via our proposed funding model throughout this pilot.
9. Working with DfE to ensure improved clarity on some eligible costs.

4.a. How can we best support trailblazers to provide inputs such as mode of training and consumable costs?

You said

This question provided respondents with the opportunity to outline how we can support trailblazers to provide inputs for the variable element of the model.

Many respondents to this question stated that training providers and EPAOs should play a role in supporting trailblazers. This included encouraging trailblazers to engage with a range of both training providers and employers within their sector. Many respondents raised concerns that the current model

would not adequately reflect the realities of training and supply if training providers and EPAOs were not involved.

Some respondents identified that training providers and EPAOs could also add value by supporting trailblazers to understand the eligible costs for delivery. Consumables was highlighted by some respondents as a category which they thought can be misinterpreted.

“We would suggest that trailblazers are either strongly encouraged (or mandated) to engage with a diverse and representative group of providers, or that an independent group of diverse and representative provider group be convened to support the input.”

A significant number of respondents to this question highlighted a possible role in the process for quotes and costings from training providers and EPAOs. Many indicated that requesting quotes and costings would be most suitable once the occupational standard and assessment plan were developed, and some noted the importance of an anonymised online mechanism for this.

“While it is recognised that using provider quotes is not intended moving forward, it is essential to obtain their input to genuinely understand the specific costs relating to training – modes, consumables and other costs – that will give apprentices the best opportunity to reach occupational competence...”

A substantial number of respondents to this question suggested providing templates, guidance documents and training for trailblazers. This included clear definitions of cost categories. Some also commented that trailblazers would need enough time to collate and analyse the data.

“Provide a clear template which allows flexibilities - not all providers will deliver the apprenticeship using the same mode of training.”

“The involvement of the trailblazer groups is welcomed and allowing groups to have a strong influence and discussion on the exact costs of the programme is a good step forward. Good support documents need to be provided to allow the trailblazer group to be as effective as they can be with clear, consistent guidance on how to challenge, how to collect data etc.”

It was also suggested that benchmarking and regular reviews of the average prices for apprenticeship could be additional ways to support trailblazers.

Many respondents to this question also provided a range of feedback about the model and its implementation. Some respondents highlighted costs which they felt were not reflected in the model, including the costs of virtual learning, capital/overheads and facilities, teaching salaries, administration costs, and different group sizes. Other respondents expressed concerns about not

covering the actual costs of delivery and the potential impact on the quality of apprenticeships, considering the impact of Covid-19.

We did

The Institute is employer led, and we remain committed to developing and costing apprenticeship standards as accurately as we are able. We understand the importance of training providers in delivering high-quality apprenticeships and that is why the independent evidence that informs the proposed approach relied on reports of actual costs incurred by training providers. We will continue to encourage employers to engage with training providers and end-point assessment organisations in developing apprenticeship standards; to this end we are investing in staff training to ensure Trailblazers receive all necessary support when exploring typical costs.

The model does not depend on costs or quotes from training providers. We are likely to retain the quote system for EPA costs as an interim measure and will continue to work with the EPAO sector on the development of the new approach.

We are committed to providing appropriate resources to support trailblazers to collect information to recommend a funding band. We continue to take on board feedback as part our PFM pilot implementation and will continue to provide suitable guidance to support trailblazers.

Benchmarking against similar standards is not part of this model. We are focused on understanding the actual cost of delivery for an apprenticeship using cost categories.

IfATE has recently refreshed its published guidance that describes how to seek a change to an apprenticeship, including funding bands. We are confident this ensures our staff are well placed to support the ongoing review of funding bands to ensure they remain appropriate

The additional feedback provided by respondents to this question regarded concerns about the costs covered, the potential impact on the market and quality of apprenticeships. This has been addressed in response to previous questions.

4.b. How best can we obtain salary data for teaching staff?

You said

This question provided respondents with the opportunity to suggest ideas on how we could obtain salary data for teaching staff.

Many respondents to this question identified training providers as a critical source of this information. They noted the importance of liaising with sector representative bodies in parallel. Some respondents noted the importance of asking a geographically disparate range of providers.

Respondents to this question also stated that teaching costs are driven by distinct factors. These include sector, organisation size and the location of training providers.

Many respondents to this question outlined the complex costs involved in providing high quality training. They expressed concerns that salaries alone would not reflect the actual cost of delivery. Many commented that the cost of excellent quality teaching goes beyond salaries and activities in the classroom. This included suggestions on cost inputs to address time for pastoral care, National Insurance and pension contributions. Other comments were made about the importance of considering different modes of pay, for example day rates for contractors, and the experience of different professionals.

Some respondents to this question suggested reviewing job advertisements and working with specialist recruitment agencies to support an understanding of teaching salaries. Respondents explained that it could help to address any skills shortages in some sectors.

Other suggestions provided by respondents to this question included using existing data sources, including DfE provider payroll data and through the Higher Education Statistics Agency (HESA). Further suggestions included asking providers on the Register of Approved Training Providers (RoATP) to submit data, using quotes, and improving the evidence base on rates.

We did

We welcome the ideas provided by respondents to this question and have explored how to best reflect these within the process. We will continue to encourage trailblazers to engage with training providers and assessment organisations whilst identifying typical costs. Additionally, trailblazer groups should be representative of the wider sector within which their occupation is found.

We recognise that in some circumstances it can take time to research typical costs such as consumables and salaries. Where a new apprenticeship is being developed, or an existing apprenticeship revised, we have brought forward the point at which we guide trailblazers to engage in funding work. We believe this should happen once knowledge, skills and behaviours are well developed, and no less than 8 weeks before the trailblazer plans to formally submit their apprenticeship and/or funding evidence for approval. We have trained our front-line staff to guide trailblazers in their research on typical costs.

The PFM pilot implementation provides trailblazer groups with our best estimate of typical training delivery salary costs. If the trailblazer group wishes to suggest an adjustment to this best estimate, then evidence can be submitted for considerations. Salary evidence sources we will consider when making a recommendation include many of those suggested by respondents. Full details of this process can be found within our published pilot implementation guidance.

4.c. When do you think that smaller group teaching sizes are necessary for teaching delivery?

You said

This question provided respondents with the opportunity to suggest scenarios in which smaller group teaching sizes are necessary for delivery.

Many respondents to this question stated that smaller group teaching sizes are required to ensure high quality learning which meets the requirements for achieving occupational competency. Respondents mentioned the impact smaller group sizes have on the progress of individual learners, including those with additional support needs.

A significant number of respondents to this question highlighted niche occupations as areas which require smaller group sizes. This was outlined both as occupations which have lower starts yet are still essential to society and industry, and those which require niche training to achieve occupational competency. Many commented that providing technical and practical knowledge sometimes required one on one learning, and for some professional's cohort sizes are mandated through regulatory bodies.

Many respondents to this question also suggested that smaller group sizes were needed when the availability of equipment and training resources was limited. High value equipment and the requirement for close supervision by skilled practitioners were some examples that were highlighted.

Linked to the availability of specialist equipment and resources, many respondents to this question also highlighted safety requirements. These were both when operating equipment and for customers or service users.

A significant number of respondents to this question also outlined that large and small group sizes are adapted on a case-by-case basis according to availability and the needs of a group. Some commented that economies of scale either are not possible for some providers or could negatively impact learners.

Other feedback to this question included the need to use smaller group sizes for geographic reasons. Some also commented on regulatory and/or business requirements for small cohorts, for instance when working with SMEs or in instances when topics for 'off the job' learning require one on one supervision.

A number of respondents stated that the term 'smaller group sizes' had a different meaning depending on the sector. Respondents also noted the potential impact of changes to funding bands on the apprenticeship sector, particularly considering Covid-19.

We did

We appreciate the information provided in response to this question on the scenarios in which smaller group sizes may be required for delivery at times and also in certain contexts. But, we also recognise that larger class sizes reduce the requirement for instructors, including where there is a shortage, and are less costly generally; group-based shared learning can also facilitate enhanced learning outcomes and they suit some learner's style of learning. We have considered how to best incorporate the feedback into the process in a balanced fashion, resulting in the ability for trailblazer groups to submit typical delivery information for up to 5 different group sizes, in addition to self-directed and one to one delivery. Additionally, we have introduced mechanisms to gather independent expert insight which we will share, to guide and support the trailblazer's own discovery of typically delivery data and evidence.

4.d. Do you have other suggestions for how we can review information provided by trailblazers in the variable element of the proposed model?

You said

This question provided respondents with the opportunity to provide ideas for how we can review class-size information provided by trailblazers. This is information submitted in what was being described in the consultation as the variable element of the model.

Key themes included asking those familiar with standards to be involved in reviewing information. Some commented that this should include training providers, employer providers, employers outside the trailblazer group and regulatory bodies where required, e.g., Ofsted.

A significant number of respondents to this question reinforced the importance of training provider input to the review of information from the variable element of the model. Many stated that this was important to ensure that apprenticeships were financially viable to deliver.

In contrast, a substantial number of respondents to this question commented that trailblazer groups should be trusted to provide accurate information for the variable element of the model.

Many respondents provided a diverse range of opinions for how the information from trailblazers could be reviewed. These included concerns that the variable element would not reflect the actual costs involved in the delivery

of an apprenticeship. Some respondents mentioned the rate for mandatory qualifications, ineligible costs and using quotes for EPAs as areas of concern.

The responses to this question included a variety of ideas. Some raised concerns about reductions in funding and whether the variable element of the model would reflect variations in cost for specific niche sectors. Some were also concerned about the rates from the IFF research, and whether the model could reflect the changing apprenticeship landscape considering Covid-19.

Others raised concerns about how variation in costs in different locations and sectors would be reflected. Some commented that relying on employers to top up levy costs could reduce apprenticeship uptake and lead to market instability.

Suggestions regarding the process used to check data included a 12-month review of standards, using quotes, and implementing an appeals process. Some respondents urged for transparency in the process of checking in the information submitted in the variable element, and clarifying the terminology used within the process.

We did

We are grateful for the comments and ideas submitted in response to this question. We have considered feedback on how we can review information provided by trailblazers in the variable element of the model and recognise the request for transparency in the process. We have now [published details of how we will support the identification of typical delivery evidence and data](#), and how we will verify the information submitted by trailblazer groups throughout the pilot implementation.

Other significant comments, key objections, and alternative proposals

This section outlines other themes that emerged through feedback to the consultation, including alternative proposals raised by respondents for consideration.

- several respondents to the consultation mentioned the increased costs of remote learning, including the cost of maintaining online platforms. They noted that this cost has increased in the current circumstances as a result of the COVID-19 pandemic.
- despite being outside of the scope of the consultation, some respondents challenged the concept of having a single funding band to cover the different training methods of different employers.
- some respondents felt that the model presented at consultation should have more of a focus on quality training delivery
- several respondents noted areas in which increased clarity on the process of the model and definitions would be helpful. This included clarifying whether quotes would be required.

Alternative proposals which were suggested by respondents to the consultation included the following:

- some suggested that we benchmark the current system against the new model and perform a gap analysis between both processes.
- a few respondents suggested that we revisit whether duration is still the main driver of cost in apprenticeships. Other suggested areas included specialism/expertise, geography, quality, size of employer, level, and credit-based systems in HEI.
- there was a suggestion of trailblazers creating a business case of the most relevant cost factors specific to their sector.
- we received offers of support for fieldwork with employers and providers working with the Institute on cross-sector analysis.
- some respondents suggested we include varied rates for formative assessment.
- there was a suggestion of trailblazers inviting several providers to pitch both online and in person to include their 'ways of working' and other quality markers.
- some suggested that there needed to be an extension to notice periods.
- one respondent suggested that employers should be permitted to spend the apprenticeship levy on other recognised training and development courses than apprenticeships.
- there was a suggestion for higher minimum quality requirements verified through Ofsted. This included separate funding streams so that providers can access funding to maintain quality.

We have considered all of the feedback, key objections and alternative suggestions provided in the consultation when forming the refined model (section 5) and implementation plans (section 6).

We have decided not to benchmark the pilot funding model (PFM) against the previous quotes-based system for recommending a funding band. The nature of apprenticeship revisions means that in many cases the occupational standard and assessment plan may have undergone significant change before a funding band recommendation is made. This means that any analysis being made would not be a like-for-like comparison that focusses exclusively on the impact of the proposed funding model.

What we have taken on board

Throughout the consultation and engagement activities, many respondents informed us they were concerned about reductions to funding bands and a negative impact on the market and the learning experience and quality for apprentices. As mentioned, the purpose of the proposed changes is not to reduce funding bands, or the quality of apprenticeships and we are absolutely clear on this commitment and being held to it by other elements of Government. We continue to commit to supporting market stability and ensure high quality apprenticeships are still accessible for learners. As referred to in this document, we have introduced a stability mechanism to reduce market

disruption during the pilot implementation. More information on this is outlined on our website in the [proposed funding model \(PFM\) guidance](#).

Many responses to the consultation highlighted an expectation that the variable element of the model would be used in most circumstances. We have reflected on this feedback by removing the fully rates-based element of the model. Being able to submit more bespoke data on teaching costs, was something which many respondents thought was key.

We have also taken on board suggestions to address the summative assessment costs of a degree apprenticeship which were raised during the consultation and stakeholder engagement through. We worked with the HEI sector on ensuring the new model captures the summative assessment costs for level 6 degree apprenticeships and level 7 degree apprenticeships and that rates were included in the PFM. The testing phase helped us to refine this aspect of the model and we will continue to review this aspect of the model during the pilot to ensure that we establish a robust approach to capturing summative assessment.

In response to feedback that people with experience in the profession should be involved in reviewing the inputs to the variable element of the model, we have included independent experts within our pilot implementation process. Further details can be found within the published PFM guidance.

Additionally, many respondents identified areas in which we could provide support for trailblazers and make it clearer for employers to understand. These included providing templates, guidance, clear definitions, and an online mechanism, with the aim to make it as simple and efficient for trailblazers as possible. We will look at all these suggestions.

Some respondents noted the importance of ensuring competition in the market by allowing training providers to provide information anonymously to support trailblazers. This feedback has been noted; however, we believe that as the trailblazer group is a representative body that reflects occupational expertise from a variety of organisations, they are best placed to collate and assess the cost-evidence as part of the funding band recommendation process. We would encourage trailblazers to work alongside training providers and other groups when collecting data.

Many respondents raised concerns about the number of training activities which are currently ineligible for apprenticeship funding. The DfE has undertaken their own review of eligible and ineligible costs. We have implemented the outcomes of this eligibility review into the proposed model following the conclusion of this review by DfE.

What falls outside the scope of the consultation?

We noted some concerns about regional cost variation, as mentioned in our first consultation. We are constrained by the requirement to recommend a single funding band for use by all apprenticeship cohorts and this remains the

approach taken forward for the pilot. The funding band maximum is not a funding rate and represents the maximum government contribution to the cost of apprentice training and assessment. It is expected that employers negotiate a price within that band to achieve value for money. Should a price be negotiated above the band then employers will need to meet that cost themselves. The apprenticeship funding rules provide policy on support measures that address the differing circumstances of learners, including in some cases the drawing down of additional funds to support learners. We will continue to make evidence-based recommendations based on our best estimate of the typical eligible costs, as detailed within the apprenticeship funding rules.

We also noted concerns about specific sectors which were identified by respondents as priority for the economic recovery of the UK following COVID-19. This included feedback on the role of apprenticeship funding in the wider landscape of technical education. We also consider sector priorities in other aspects of our work, for example in prioritising standards for revision and we have engaged with the Department for Education in this area and will continue to do so.

Many respondents raised concerns about the impact of the model on the quality of apprenticeships. We are committed to developing high-quality apprenticeship standards and recommending funding bands to support this. We work closely with other organisations involved in ensuring quality in training and assessment, such as OfS (Office for Students), Ofsted and Ofqual. This work will continue and remain a priority for IfATE.

Section 4 – Testing

Context

During the consultation and through engagement channels, we encouraged organisations to volunteer to test a simplified version of the proposed model. We undertook testing to improve our understanding of how the model works in practice, through gathering data to use in estimating funding bands. This has contributed to:

- improving our understanding of the potential impact of the new model (by comparing outcomes to current bands).
- gathering insight from participants to understand the data collection approach and what improvements could be made (for example whether 'formative assessment' holds up as a category).
- providing a 'proof of concept' as to whether the type of data required for the model can be gathered (thereby testing the assertion by most consultation respondents that they could supply such information); and
- gathering insight from participants as to whether the overall levels of funding generated seem appropriate, along with views on the individual cost categories.

We now have a stronger understanding of the impact of the proposed model on current levels of funding. We have gathered significant insight from participants about our approach to data collection and whether this level of detailed information can be gleaned from employers and training providers. We have gathered views from participants on estimates of costs for certain categories and received positive feedback from stakeholders that participated in the testing, about our approach to engaging in a transparent manner.

Key findings

- 1. The variable element of the model works.**
All participants were able to supply the required data, the vast majority doing this within a two-week window. This corroborates the view expressed by 61% of respondents to our first consultation that trailblazers would be able to supply the information needed for the variable element of the model.
- 2. Trailblazers may require support to supply the necessary information.**
Around half of data points supplied by trailblazers needed adjustment to address misunderstanding related to the information we required. This suggests that trailblazers may benefit from additional guidance and support in submitting the required information at the appropriate level of detail.
- 3. The model is broadly consistent with recommendations made via the Current Funding Model (CFM).**
For approximately 75% of standards tested, the model produces

realistic outcomes that are broadly in line with current funding bands. This is defined as a recommendation that would either result in the same funding band, or a funding increase or decrease of no more than £1000.

- 4. Further testing is required to see the impact of moderation.**
The outcomes of the testing indicated that the simplified version of the model is broadly performing in line with current levels of funding. A pilot implementation of the PFM would help us to better understand what difference a more sophisticated model has (for example, being able to include more than one group size).

Section 5 – Proposed process and model

Our proposed model makes use of several different rates and formulas.

The model is separated into 3 aspects of learning, assessment and administration.

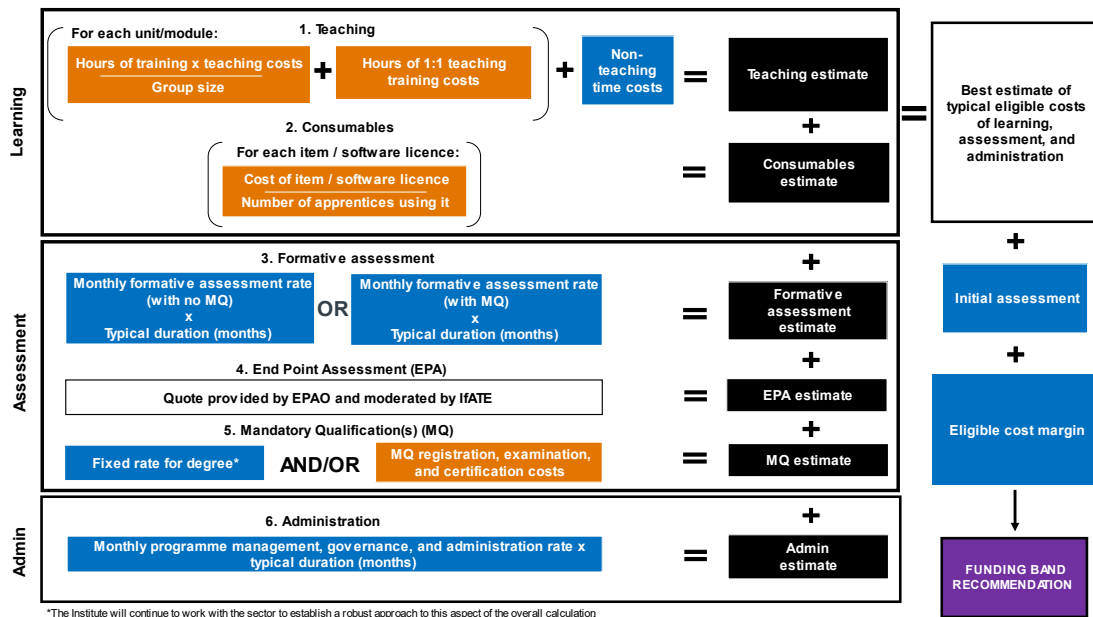
The learning aspect is separated into teaching and consumables costs. The teaching costs are calculated using the tutor salary and the number of hours in group delivery and the number of hours in 1:1 delivery. An uplift is then applied to account for non-contact teaching time. The cost of consumables is calculated using the individual cost of an item, e.g. software licence, and the number of apprentices using the item.

The assessment aspect is separated into formative assessment, end-assessment and mandatory qualifications. The figure used for the formative assessment rate in the model will depend on whether a mandatory qualification is included in the apprenticeship. If a mandatory qualification is included, then a higher rate is applied. The end-point assessment element relies on the submission of a quote provided by an end-point assessment organisation which is then moderated by the Institute. The mandatory qualification element relies on the submission of a quote provided by the trailblazer. The figure used for the degree rate in the model will depend on whether the apprenticeship is a level 6 or a level 7 degree. If a level 6 degree qualification is included, then a higher rate is applied.

The administration aspect is calculated using a fixed rate multiplied by the monthly duration of the apprenticeship.

These costs are combined to create the best estimate of typical eligible costs of learning, assessment and administration. An eligible cost margin is then applied before calculating the funding band recommendation.

Following DfE's recent update to the funding rules, initial assessment is now deemed an eligible cost. The proposed model takes account of this change using a fixed-rate to capture the typical costs associated with initial assessment.



These, and their origin, are set out in further detail within our published [proposed funding model \(PFM\) schematic](#). Further details about our process for making a funding band recommendation via the PFM can be found within our [proposed funding model \(PFM\) guidance](#).

Section 6 – Pilot Implementation

Structure of the pilot implementation

There are five steps to making a recommendation through the new funding model pilot.

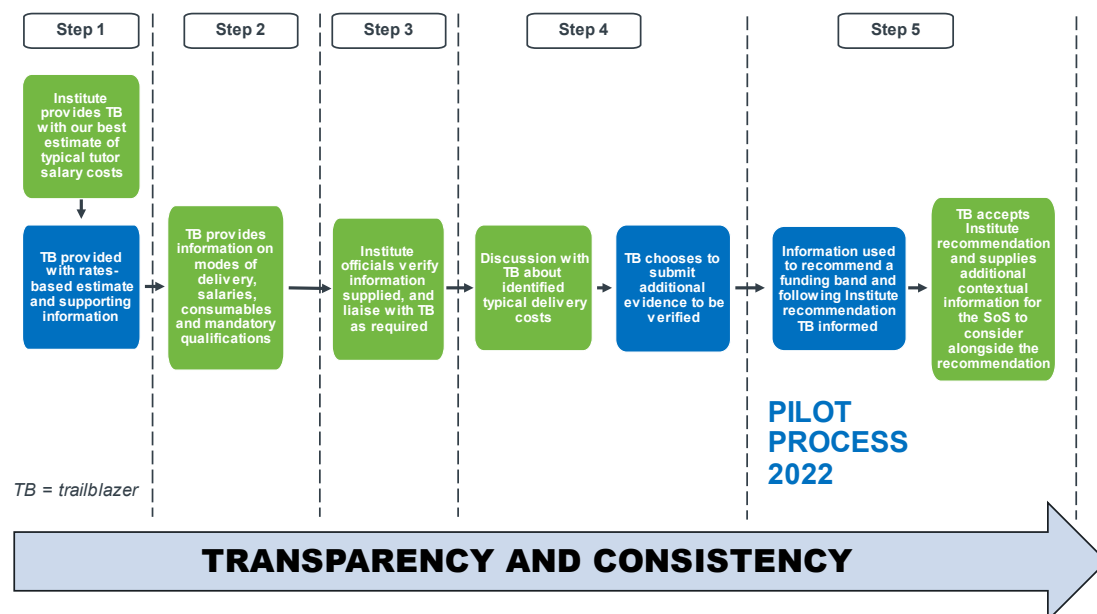
Step 1 involves IfATE providing the trailblazer with the best estimate of typical salary costs for the respective trainer.

Step 2 involves the trailblazer providing IfATE with information on mode of delivery, salary, consumables costs and mandatory qualifications.

Step 3 is the moderation stage when the funding manager will review the information supplied and liaise with the trailblazer as required.

Step 4 involves the funding manager providing the trailblazer with the identified typical costs. The trailblazer can then choose to submit further information if required.

Step 5 is where the funding band recommendation is made. The trailblazer is able to provide additional contextual information for Department for Education to consider alongside the recommendation.



Following the closure of the second consultation on 6 October 2020, the Institute conducted a further round of impact testing with volunteer organisations. Feedback received in response to both the second consultation and subsequent round of impact testing significantly helped the project team to further refine the approach, resolve outstanding operational challenges, and support the Institute's work to model its impact.

On 12 January 2022, we published detailed plans which set out the PFM pilot implementation process. The pilot will run for a planned period of 12 months and provides IfATE and the Department for Education (DfE) with a live testing environment to further understand the impact of the PFM.

Initially, trailblazer groups were invited to choose between submitting funding information through either the CFM or the PFM. Voluntary participation through the new process was agreed between the trailblazer group and IfATE. Trailblazer groups participating in the PFM received a funding band recommendation using the new funding model only.

The Institute ran both processes simultaneously during submission cycles 39, 40 and 41. Following successful pilot implementation of the PFM in these cycles we stopped using the CFM when recommending funding bands. By exception a recommendation using the CFM may be made where trailblazer work to gain three training provider quotes has already been completed and submission of the work package has been delayed for non-funding related reasons.

From submission cycle 44, we expect that the CFM will no longer be used when making funding band recommendations and that all funding band recommendations will be made using the PFM.

Throughout the pilot implementation, the Institute will work with trailblazer groups to verify cost inputs and test the mechanics of the model, in a way that was not possible during impact testing. Understanding gained during the pilot implementation may require us to make further adjustment to the PFM and the funding recommendation process. Should further iteration to the PFM and recommendation process be required we will consider the significance of these changes, and whether any further consultation is necessary.

Key features of the pilot implementation

1. Best estimate of typical training delivery salary costs

To support the identification of typical training delivery costs we will provide trailblazer groups with our best estimate of typical training delivery salary costs. This estimate will be made using our independent evidence base (IFF “Costs of delivering apprenticeship standards” report), Office for National Statistics salary data and data from gov.uk, and includes a provider ‘on-cost’ uplift to account for typical employer National Insurance and pension contributions.

Where trailblazers believe the best estimate of typical training delivery salary costs needs adjustment, they may submit additional eligible evidence for our consideration.

2. Stability mechanism

Whilst we have confidence in the PFM, the pilot implementation is live testing of our new funding model. In agreement with DfE, to manage volatility we will

use a stability mechanism to manage significant changes to revised funding bands.

To minimise disruption, the stability mechanism will limit the impact of reducing the funding band for existing standards that go through the new model. This will mean that as part of the pilot implementation funding bands can increase or reduce no more than two funding bands.

In some cases, it may not be appropriate to apply a stability mechanism. For this reason we have published criteria for exemption from the stability mechanism on our website.

3. Additional contextual information

To support the Secretary of State (or their delegate) in making a final funding band decision we have introduced a sector report. This report will include wider contextual information provided by IfATE, trailblazers, and the department. This information will be in the form of publicly available information about the occupation, sector, and Institute published funding band information, alongside optional information and opinion provided by trailblazers.

The value of the sector report in supporting the decisions made by Secretary of State (or their delegate) will be monitored and evaluated throughout the pilot implementation.

Early Insight

1. Participating trailblazer groups reported that they found the PFM and process much more transparent than the CFM. Particularly they have appreciated the support provided by Institute officials and the resources provided to support the discovery of typical delivery data and evidence. However, some participants have suggested improvements we should make to the trailblazer data collection form.
2. One participating group requested further clarifications to the published guidance, and an explanation of what eligible costs the PFMs fixed rates contribute towards
3. Some participants were unclear how they could submit details related to eligible national insurance and pension provider 'on-costs'

What we have taken onboard

We welcome feedback from participating trailblazer groups and stakeholders during testing and pilot implementation about the transparency of the proposed funding recommendation process.

We recognise that we could have been clearer in highlighting the eligible costs the fixed rates of the model contribute towards, and how we will consider evidence related to eligible provider 'on-costs' not already assigned to one of these fixed rates.

Trailblazer submission via the trailblazer data collection form will continue until full integration within the established Apprenticeship Builder software is available. We are aware of some limitations related to the use of this interim method and trailblazers are encouraged to contact their product manager for support and guidance, in the first instance.

Independent data

In November 2018, the Institute commissioned research agency IFF to conduct a piece of work in understanding the costs associated with delivering apprenticeship standard training and assessment. This research was completed in late 2019 and the report was published as a supporting document to the consultation. It has informed our work on the proposed funding model. We expect that, over time, these rates will be revised as we update our data, and we are currently exploring options for this. We anticipate work to review specific data will be completed after the 12 month pilot is completed. Any changes to the rates would be published with an appropriate notice period provided for any subsequent funding band recommendations made by IfATE. We plan to work with sector representative groups at the appropriate time in the development of the plans to refresh the data.

Section 7 – Conclusions

As outlined in this report, we have used insights from the consultation responses and engagement activities to adapt the refined model in section 5. Through impact testing, we have been helped by a vast number of people and organisations to refine our proposed new model, and we are grateful for the contributions from stakeholders.

The model has also been adapted to include cost categories which DfE has deemed eligible for funding, following their own consultation on eligible costs.

It remains a priority for the Institute that the PFM will provide for value for money, transparency, and flexibility. We will continue to work closely with DfE to understand and evaluate the impact of the PFM, whilst tracking progress towards meeting the priorities and success criteria of the model and pilot implementation.

The structure of the funding model remains the same since consultation (i.e., that costs are categorised across training, assessment, and administration). This includes the addition of cost categories which DfE has deemed eligible for funding, following their own consultation on eligible costs. However, further work on particular design elements will continue, to take on board feedback received.

Once all elements of the PFM have been tested, and following the conclusion of the pilot implementation, we will publish a comprehensive summary of outcomes alongside the final model schematic. We intend that the pilot implementation will conclude in January 2023 and that the final model will be in place from that point.