



Department  
for Education

# **Teaching Excellence and Student Outcomes Framework (TEF)**

## **Updated cost estimates**

### **August 2019**

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## Summary

1. This paper provides our latest cost estimates associated with the Teaching Excellence and Student Outcomes Framework, including subject-level assessments. It has been developed to support the work of Dame Shirley Pearce and her independent review of the TEF. This reported to the Secretary of State for Education in August 2019.

2. The estimated, total discounted costs over the 10-year period 2019/20 to 2028/29 are shown in Table 1. Total costs are split into provider (application, familiarisation) and Office for Students (OfS) (administration and assessment) costs.

**Table 1: Discounted provider, OfS and total costs, central scenario (19/20 prices)**

TEF option	Cost Type	Low estimate	Midpoint	High estimate
PL 3 <sup>1</sup>	Provider	£30m	£50m	£70m
	OfS	£15m	£25m	£35m
	Total	£40m	£75m	£105m
PL 5	Provider	£15m	£40m	£70m
	OfS	£10m	£20m	£35m
	Total	£25m	£65m	£105m
SL 4	Provider	£55m	£75m	£95m
	OfS	£25m	£35m	£45m
	Total	£85m	£110m	£140m
SL 6	Provider	£40m	£70m	£95m
	OfS	£20m	£30m	£45m
	Total	£60m	£100m	£140m

3. Condition B6 of the OfS's Regulatory Framework states that all providers with 500 or more students must participate in the TEF<sup>2</sup>. This means that all eligible providers that do not have a TEF rating, or whose rating is due to expire, must apply for the TEF in the next application window.

4. This costing note is not a regulatory appraisal on Condition B6 like you would find in a regulatory impact assessment. Instead, it estimates the total costs associated with the TEF, rather than the minimum necessary costs of compliance.

5. Indeed, the estimates in Table 1 include assumptions on the number of small providers (fewer than 500 providers) that voluntarily register for the TEF and the number of

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<sup>1</sup> See Table 3 for a description of these acronyms.

<sup>2</sup> For more information on Condition B6 see page 94 of [https://www.officeforstudents.org.uk/media/1406/ofs2018\\_01.pdf](https://www.officeforstudents.org.uk/media/1406/ofs2018_01.pdf).

providers that voluntarily re-apply to the TEF before their award expires to try and improve their rating. Such behaviour is not required to comply with Condition B6.

6. Table 2 splits total discounted costs into mandatory costs (those incurred in order to comply with Condition B6) and voluntary costs (those incurred through voluntary behaviour – outlined in the previous paragraph).

**Table 2: Discounted mandatory and voluntary costs (19/20 prices)**

TEF option	Cost Type	Mandatory	Voluntary	Midpoint
PL 3 <sup>3</sup>	Provider	£15m	£35m	£50m
	OfS	£10m	£15m	£25m
	Total	£30m	£45m	£75m
PL 5	Provider	£10m	£30m	£40m
	OfS	£5m	£15m	£20m
	Total	£15m	£50m	£65m
SL 4	Provider	£35m	£40m	£75m
	OfS	£15m	£20m	£35m
	Total	£55m	£60m	£110m
SL 6	Provider	£25m	£45m	£70m
	OfS	£10m	£20m	£30m
	Total	£35m	£65m	£100m

## Introduction

7. The TEF has been subject to 2 costing exercises since it was first proposed in the *Higher Education: Success as a knowledge economy* White Paper, published in May 2016. At that time, the cost and benefits of this policy were estimated in an accompanying impact assessment (the “2016 IA”)<sup>4</sup>.

8. Following the publication of the White Paper, there were a series of developments and announcements which involved changes to the way in which the TEF worked. These changes were outlined and measured in Annex E of the July 2018 impact assessment: *Securing student success: Regulatory framework for higher education in England* (the “2018 IA”)<sup>5</sup>.

<sup>3</sup> See Table 3 for a description of these acronyms.

<sup>4</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/528005/bis-16-295-he-research-bill-detailed-impact-assessment.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/528005/bis-16-295-he-research-bill-detailed-impact-assessment.pdf)

<sup>5</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/727509/Regulatory\\_Framework\\_Final\\_Impact\\_Assessment.pdf/](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727509/Regulatory_Framework_Final_Impact_Assessment.pdf/)

9. The 2018 IA also measured the impact of Condition B6<sup>6</sup> of the OfS regulatory framework “TEF participation”, which made the TEF compulsory for all registered providers with more than 500 students on higher education courses<sup>7</sup>. It remains voluntary for other providers on the register.

10. For the purpose of the independent review, the Department for Education has updated the cost estimates of the TEF in these 2 earlier IAs<sup>8</sup>. It has provided separate estimates for (a) provider-level TEF - if it were to continue as it currently operates from 2019/20 onwards, and (b) subject-level TEF - if it were to be implemented under the 2018/19 pilot model from 2019/20 onwards.

11. As the duration of awards from 2019/20 has yet to be determined, this paper provides separate estimates for shorter and longer TEF award durations for both provider-level and subject-level TEF. As such, this note measures the costs of 4 different TEF models, which are outlined in Table 3 below.

**Table 3: 4 TEF models measured in this Annex**

	Description	Frequency	Award Duration	Acronym
<b>Provider-level TEF</b>	Assessment and ratings for each provider	Application window open every year	3 year	PL 3
			5 year	PL 5
<b>Subject-level TEF</b>	Assessment and ratings for each provider and each of its subjects	Application window open every other year commencing 19/20	4 year	SL 4
			6 year	SL 6

## Costing of the 4 different TEF options

12. The 10-year appraisal period used in this assessment is from the academic year 2019/20 to 2028/29.

13. The methodology and assumptions have been mostly carried over from the previous impact assessments, and where there have been changes these are detailed in the

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<sup>6</sup> Ibid page 31. Specifically, it measured the additional impact to providers for who the TEF became mandatory but were not already voluntarily participating in the TEF. The costs of voluntary TEF providers was captured in Annex E.

<sup>7</sup> For more information on Condition B6 see page 94 of [https://www.officeforstudents.org.uk/media/1406/ofs2018\\_01.pdf](https://www.officeforstudents.org.uk/media/1406/ofs2018_01.pdf).

<sup>8</sup> <https://www.gov.uk/government/publications/independent-review-of-tef-about-us>.

following sections. Figures in the analysis have also been updated to current prices using the GDP deflator<sup>9</sup>.

## Provider numbers and eligibility

14. Our provider forecasts have been updated from the 2018 IA. The number of providers expected to be eligible for the TEF has been updated to align with the OfS Registration Fees Impact Assessment, published in March 2019 (“2019 IA”)<sup>10</sup>, which used the latest data available at the time. These 2 estimates are compared in Table 4 below.

Forecasting provider numbers is difficult due to inherent uncertainties in the number of entries and exits. In particular, the process of registration with the OfS remains ongoing, meaning we cannot at this point update our forecast based on a complete set of initial registration data. As of 23 August 2019, the OfS has registered 385 Higher Education Providers for 2019/20 which is short of our 464 forecast.

15. The TEF is not mandatory for small providers (those with fewer than 500 students), as such we need to estimate the number of small providers in the future. The number of providers in 2019/20 with fewer than 500 students is estimated using published data provided by the OfS<sup>11</sup>. In future years, we assume that new providers that register with the OfS have 1,000 or fewer students. We also assume that these providers have similar size distributions as existing providers with 1000 or fewer full-time equivalent (FTE) students. Using evidence from the 2019 IA<sup>12</sup>, we estimate that 77% of new providers will be small and so not be required to participate in the TEF.

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<sup>9</sup> The GDP deflator is the broadest measure of domestic price movements and reflects movements of hundreds of separate deflators for the individual expenditure components of GDP. Data on the deflator including forecasts is sourced from the OBR (<https://obr.uk/forecasts-in-depth/the-economy-forecast/inflation/>).

<sup>10</sup> More details on the provider forecasts, and a description of the changes, can be found in Annex B of <https://www.gov.uk/government/publications/office-for-students-registration-fees-impact-assessment>.

<sup>11</sup> See Table 8 of <https://www.gov.uk/government/publications/office-for-students-registration-fees-impact-assessment>. Using this data, we assume 236 providers will have fewer than 500 students.

<sup>12</sup> See Table 5 of <https://www.gov.uk/government/publications/office-for-students-registration-fees-impact-assessment>. 77% of providers belong to FTE Bands A to F. Also, our assumption on the size of new providers are consistent with paragraph 36 of the impact assessment.

**Table 4: Forecast number of providers, comparing forecast used in 2018 IA to latest forecasts**

Year	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29
2018 IA Forecast	508	531	555	580	606	631	654	677	688	718
2019 IA Forecast	464	478	493	507	520	531	542	551	560	567

## Application Costs

16. For provider-level TEF we assumed the same application cost as in the 2016 IA of £18,000, which has been uplifted by inflation to £20,000.

17. For subject-level TEF, we have used new assumptions based on the subject-level TEF pilots. The OfS published an evaluation of its 2017/18 subject-level pilot. As part of this publication there is a Provider Cost Survey published as Annex D<sup>13</sup>.

18. As a result of the 2017/18 subject-level pilot, the OfS costed a “revised model” which entails a subject-level exercise where all populated subjects are assessed and rated. This revised model is being piloted as the single model for subject-level TEF in the 2018/19 subject-level pilot and was therefore selected to form the basis of subject-level application costs for the review.

19. Using the information published by the OfS in Annex D of the Provider Cost Survey, a per-provider application range of costs for subject-level TEF is created, which is assumed to not vary by provider size. In reality, evidence published by the OfS in the pilot cost survey indicates that costs do vary by provider size, but we do not have sufficient information to develop robust estimates that vary by size.

20. Application costs are estimated to range between £42,000 and £73,000 per application, with a central estimate of £57,000<sup>14</sup>, given the uncertainty around this figure we have conducted sensitivity analysis in the Annex. Indeed, the OfS have stated several reasons<sup>15</sup> why the costs they have reported in their survey are likely to underestimate the actual costs to providers when the TEF is rolled out.

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<sup>13</sup> OfS, Annex D: Provider Cost Survey, <https://www.officeforstudents.org.uk/publications/teaching-excellence-and-student-outcomes-framework-findings-from-the-first-subject-pilot-2017-18/>

<sup>14</sup> The figures are rounded to the nearest £1,000.

<sup>15</sup> See Paragraph 10 of OfS, Annex D: Provider Cost Survey for a list of reasons. These include omitted overhead costs, shortened timeframes etc.

21. The £57,000 is estimated by taking the central cost of the “revised model” (£2,822)<sup>16</sup> multiplied by the number of subjects per provider (15 = 3,453 subject submissions / 229 providers) plus the cost of analysing provider metrics (£1,632) and the cost of writing provider submission (£7,877) plus the cost of analysing subject-level metrics (£5,229).<sup>17</sup>

## Assessment cost and OfS administrative cost

22. Included in the estimates are costs incurred by the OfS relating to the administration of the TEF but also panel and assessment costs.

23. Administrative and assessment costs are estimated to be around £11,000 per application for provider-level TEF and £28,000 per application for subject-level TEF. These costs will vary due to the number of providers applying in a given year. The difference is due to the size and volume of an application expected due to the *structural* differences in TEF models.

24. Provider-level TEF costs are based on internal OfS 2018/19 budget estimates for the current exercise, whereas subject-level TEF costs are based on OfS forward budget estimates for the first application window, expected to commence in 2019/20.

## Familiarisation costs

25. Providers incur a cost when familiarising themselves with the TEF and understanding whether or not they need to apply. These costs are on a per provider basis, are consistent with previous IAs and have been adjusted for inflation.<sup>26</sup> The familiarisation costs are £2,000 for new applications, £1,000 for re-applications and £200 to check whether or not to re-apply.<sup>18</sup> We assume no difference in familiarisation costs across the different TEF options because understanding whether or not they need to apply should require the same amount of effort from providers.

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<sup>16</sup> The lower and upper estimates of £42,000 and £73,000 are calculated using the lower and upper bounds of the £2,822 central costs. These are £1,801 and £3,843 and can be found in paragraph 20 of OfS, Annex D: Provider Cost Survey.

<sup>17</sup> The figures used in this calculation are taken from Annex D of the OfS, Annex D: Provider Cost Survey. We use the “Sector One” population estimates only (i.e. all English providers with more than 500 students in their TEF Year Three contextual data”). Paragraph 20 includes the £2,822 mean cost per Model A submission. Footnote 12 outlines the 3,453 populated subjects in sector one. Paragraph 12 counts the 229 providers in sector one. Table 6 contains the remaining figures.

<sup>18</sup> See Annex E of the 2018 IA for more detail

<https://www.gov.uk/government/publications/higher-education-and-research-act-impact-assessments>



## Costing Methodology

27. The annual costs are estimated by multiplying the provider costs (application and familiarisation) and OfS costs (assessment and administrative) by the number of applications. The average total (provider + OfS) cost of a TEF application for an individual provider is £33,000 for provider-level and £87,000 for subject-level TEF<sup>19</sup>.

28. Application numbers depend on how many providers are registered with the OfS, how many have more than 500 students (i.e. mandatory TEF providers), and how frequently they choose to re-apply for the TEF (i.e. their re-application behaviour).

29. The central scenario assumes that:<sup>20</sup>

- Mandatory TEF providers apply to the TEF in their first year of registering with the OfS. This is in line with policy changes that all providers for whom the TEF is mandatory will need to (re-)apply to the TEF in 2019/20.
- Mandatory TEF providers re-apply according to the following behaviour: Bronze providers re-apply as often as possible; amongst Silver providers, 50% re-apply as often as possible and 50% re-apply only when necessary; and Gold providers re-apply only when necessary.
- The provider rating split is assumed to be as follows: 25% of providers are Gold, 50% are Silver and 25% Bronze. This assumption is continued over from previous impact assessments and broadly reflects the current breakdown.
- 50% of small providers (fewer than 500 students) participate and act the same as mandatory providers. There is an uncertainty around the number of small providers that will apply to the TEF, as it is not mandatory. As such, sensitivity analysis is performed in the Annex.

30. Predicting the re-application behaviour of providers is difficult. Our central assumptions model a scenario where 50% of providers re-apply for the TEF before their award expires. Analysis of data from years 2 and 3 of the TEF show that around 15% of providers exhibited such behaviour. However, looking more closely at this data revealed some strange behaviour, such as Gold rated providers applying when it was

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<sup>19</sup> Provider Level (£33,000) = Application Costs (£20,000) + OfS Costs (£11,000) + Familiarisation costs. Subject Level (£87,000) = Application costs (£57,000) + OfS Costs (£28,000) + Familiarisation costs.

<sup>20</sup> Assumptions b. and c. are consistent with the previous IAs.

unnecessary, potentially demonstrating that some were still familiarising themselves with the TEF.

31. Overall the TEF has not been established long enough to give a robust sense of how providers behave with re-application in a steady state. Thus, our central assumptions are designed to return an estimate that is a midpoint between the lower and upper estimates<sup>21</sup>. However, because there is a high level of uncertainty with re-application behaviour, sensitivity analysis is performed in the Annex.

32. Given our assumptions, Table 5 calculates the number of applications per year in the central scenario for the 4 different TEF models. For subject-level TEF, the application window is only open every other year. For provider-level TEF, it would be open annually.

**Table 5: Number of applications with the 4 different TEF models (central scenario)**

Year	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29
PL 3	346	182	187	363	200	203	375	214	216	382
PL 5	346	182	187	191	195	368	206	209	212	214
SL 4	346	0	191	0	371	0	216	0	386	0
SL 6	346	0	191	0	200	0	375	0	221	0

33. Tables 6, 7,8 and 9 present the central cost estimates by application window, rounded to the nearest million<sup>22</sup> by multiplying the provider costs (application and familiarisation) and OfS costs (assessment and administrative) by the number of applications. To note, these central estimates assume 50% of small providers apply to the TEF.

**Table 6: Provider-level (PL3) annual costs, undiscounted (19/20 prices)**

PL3	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29
Provider Costs	£8m	£4m	£4m	£8m	£4m	£4m	£8m	£4m	£4m	£8m
OfS Costs	£4m	£2m	£2m	£4m	£2m	£2m	£4m	£2m	£2m	£4m
Total Costs	£11m	£6m	£6m	£12m	£6m	£6m	£12m	£7m	£7m	£12m

<sup>21</sup> Are lower and upper estimates assume that providers apply only when necessary and as often as possible, respectively.

<sup>22</sup> Some numbers may not sum due to rounding.

**Table 7: Provider-level (PL5) annual costs, undiscounted (19/20 prices)**

PL5	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29
Provider Costs	£8m	£4m	£4m	£4m	£4m	£8m	£4m	£4m	£4m	£4m
OfS Costs	£4m	£2m	£2m	£2m	£2m	£4m	£2m	£2m	£2m	£2m
Total Costs	£11m	£6m	£6m	£6m	£6m	£12m	£7m	£7m	£7m	£7m

**Table 8: Subject-level (SL4) undiscounted costs per application window (19/20 prices)**

SL4	Period 1 (19/20 & 20/21)	Period 2 (21/22 & 22/23)	Period 3 (23/24 & 24/25)	Period 4 (25/26 & 26/27)	Period 5 (27/28 & 28/29)
Provider Costs	£20m	£11m	£21m	£12m	£22m
OfS Costs	£10m	£5m	£10m	£6m	£11m
Total Costs	£30m	£16m	£32m	£18m	£32m

**Table 9: Subject-level (SL6) undiscounted costs per application window (19/20 prices)**

SL6	Period 1 (19/20 & 20/21)	Period 2 (21/22 & 22/23)	Period 3 (23/24 & 24/25)	Period 4 (25/26 & 26/27)	Period 5 (27/28 & 28/29)
Provider Costs	£20m	£11m	£11m	£21m	£12m
OfS Costs	£10m	£5m	£5m	£10m	£6m
Total Costs	£30m	£16m	£17m	£32m	£18m

## Results

34. All costs below are summed in present terms and discounted in accordance with the rate recommended in the Green Book of 3.5%<sup>23</sup>. The appraisal period is the standard 10-years, from academic year 2019/20 to 2028/29.

35. Caution should be applied when comparing the total discounted costs across the different TEF schemes because the length of the appraisal period affects their relative costs. This is due to the difference in the duration periods of the awards and the application windows across the options, which means that costs spike at different frequencies.

36. Table 10 shows the low, central and high costs for each option, rounded to the nearest £5 million. Total costs are split into provider (application, familiarisation) and OfS (administration and assessment) costs. Low, central and high costs all assume 50% of small providers apply, we re-visit this assumption in the Annex when performing sensitivity analysis.

37. In the high scenario, providers apply as often as possible (highest number of applications possible). In the low scenario providers apply for the TEF as infrequently as possible (the lowest number of applications possible).

**Table 10: Discounted provider, OfS and total costs, central scenario (19/20 prices)**

TEF option	Cost Type	Low estimate	Midpoint	High estimate
PL 3 <sup>24</sup>	Provider	£30m	£50m	£70m
	OfS	£15m	£25m	£35m
	Total	£40m	£75m	£105m
PL 5	Provider	£15m	£40m	£70m
	OfS	£10m	£20m	£35m
	Total	£25m	£65m	£105m
SL 4	Provider	£55m	£75m	£95m
	OfS	£25m	£35m	£45m
	Total	£85m	£110m	£140m
SL 6	Provider	£40m	£70m	£95m
	OfS	£20m	£30m	£45m
	Total	£60m	£100m	£140m

<sup>23</sup> The Green Book: Appraisal and Evaluation in Central Government.

<https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

<sup>24</sup> See Table 3 for a description of these acronyms.

38. The above estimates assume that 50% of small providers (less than 500 providers) voluntarily register for the TEF and that 50% of providers voluntarily re-apply to the TEF before their award expires to try and improve their rating. Such behaviours are not required in order to comply with Condition B6.

39. As such, Table 11 splits total discounted costs into mandatory costs<sup>25</sup> (those incurred in order to comply with Condition B6) and voluntary costs (those incurred through our assumptions on voluntary behaviour – outlined in the previous paragraph).

**Table 11: Discounted mandatory and voluntary costs (19/20 prices)**

TEF option	Cost Type	Mandatory	Voluntary	Midpoint
PL 3 <sup>26</sup>	Provider	£15m	£35m	£50m
	OfS	£10m	£15m	£25m
	Total	£30m	£45m	£75m
PL 5	Provider	£10m	£30m	£40m
	OfS	£5m	£15m	£20m
	Total	£15m	£50m	£65m
SL 4	Provider	£35m	£40m	£75m
	OfS	£15m	£20m	£35m
	Total	£55m	£60m	£110m
SL 6	Provider	£25m	£45m	£70m
	OfS	£10m	£20m	£30m
	Total	£35m	£65m	£100m

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<sup>25</sup> Mandatory costs are calculated by removing the voluntary behaviour from the central estimates. That is, we assume costs if i) no small providers join the TEF ii) no providers re-apply before their award expires. Voluntary costs are the residual costs are the difference between mandatory costs and the midpoint of the central scenario.

<sup>26</sup> See Table 3 for a description of these acronyms.

## Comparisons with previous estimates

40. The estimated total cost of the TEF in the 2018 IA<sup>27</sup> over the 10-year period 2016/17 to 2025/26 was:

**Table 12: TEF costs estimated in the 2018 IA, undiscounted (2018 prices)**

2018 IA	2016/ 17	2017/ 18	2018/ 19	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26
Total Costs	£8m	£5m	£6m	£18m	£16m	£16m	£16m	£17m	£17m	£18m

41. These annual costs give a discounted total cost of £125m over the appraisal period (2018 prices, rounded to the nearest £5m). This is higher than our estimates in Table 10, and closest to SL4 with £110m (2019/20 prices).

42. Due to changes in the design of the TEF relating to application windows and award duration, the figures in Table 12 and are not directly comparable with Table 10. The main differences are:

- The first 3 years in the 2018 IA were provider-level TEF, switching to subject-level TEF in 19/20.
- Subject-level TEF in the 2018 IA had a 5-year duration with re-application either 3, 4 or 5 years after their last application.
- The estimated cost per application was £80,000<sup>28</sup> for subject-level TEF in the 2018 IA, compared to our updated estimate of £57,000.
- OfS (or assessment) costs are roughly the same, £25,000 per application in the 2018 IA for subject-level TEF compared to £28,000 in this note.
- In this note, all mandatory providers (re-)apply to the TEF in 2019/20. No such restrictions were modelled in the 2018 IA because it was not the policy intention at the time. This is why the costs in Table 12 look “smoother” than in Tables 6, 7, 8 and 9.

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<sup>27</sup> These annual costs were calculated by summing corresponding years in Table 8 with the revised numbers in Tables E6, E7 and E8 in the “2018 IA” - [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/727509/Regulatory\\_Framework\\_Final\\_Impact\\_Assessment.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727509/Regulatory_Framework_Final_Impact_Assessment.pdf).

<sup>28</sup> Page 31

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/727509/Regulatory\\_Framework\\_Final\\_Impact\\_Assessment.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727509/Regulatory_Framework_Final_Impact_Assessment.pdf)

- We assume the same re-application behaviour in both pieces of analysis, but the number of applications in the 2018 IA is different, due to different provider forecasts, duration periods, application windows and assumptions on the number of small providers that apply for the TEF.
- There were approximately 1,700 TEF applications over the 10 years in the 2018 IA compared to 1,500 and 1,300 for SL4 and SL6, respectively.

## Annex: Sensitivity Analysis

### Subject-level Costing Estimates

43. As the 2017/18 subject-level pilot evaluation provided a large range for per application cost we have conducted sensitivity testing specifically of the subject-level estimate<sup>29</sup>. We have not conducted the same sensitivity assessment for provider-level as the survey didn't apply to provider level. The high estimate was £73,000<sup>30</sup> for provider costs per application. This about 25% higher than the provider cost central estimate of £57,000.

44. Estimates in Table 13 are the same in Table 10, except we have modelled a £73,000 application cost to providers instead of the £57,000 central estimate. As expected, the totals using the high estimate are consistently higher than those using the central estimate.

**Table 13: Discounted subject-level TEF, high application cost (£73,000)**

Subject-level	Low estimate	Midpoint	High estimate
SL 4	£100m	£135m	£165m
SL 6	£70m	£120m	£165m

### Re-application behaviour

45. A key uncertainty in the costing model is the re-application behaviour of providers. Specifically forecasting the number of providers that will apply to the TEF before their award expires.

46. The central estimate assumes 50% of providers would re-apply for the TEF before their award expires, which essentially returns the midpoint of the low and high estimates. Historic data from TEF Year 2 & Year 3 shows around 15% of providers exhibited such behaviour previously. For various reasons, already described, we did not use this 15% as our central assumptions for future TEF options.

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<sup>29</sup> OfS Annex D Provider Cost Survey page 6, <https://www.officeforstudents.org.uk/publications/teaching-excellence-and-student-outcomes-framework-findings-from-the-first-subject-pilot-2017-18/>.

<sup>30</sup> The £73,000 is estimated by taking the high cost of the "revised model" (£3,843) multiplied by the number of subjects per provider (15 = 3,453 subject submissions / 229 providers) plus the cost of analysing provider metrics (£1,600) and the cost of writing provider submission (£7,900) plus the cost of analysing subject-level metrics (£5,900).



47. To show impact that re-application behaviour has to our estimates, we model the same scenarios presented in Tables X7 and X8, but now we assume 10% and 20% of providers re-apply before their award expires, instead of the central assumption of 50%. The difference in discounted total costs are as follows.

**Table 14: Discounted total costs by reapplication behaviour (% of providers that reapply before their award expires) (19/20 prices)**

Provider-level	Low estimate (0%)	10%	20%	Midpoint (50%)	High estimate (100%)
PL 3	£40m	£50m	£55m	£75m	£115m
PL 5	£30m	£40m	£50m	£65m	£115m
SL 4	£85m	£90m	£95m	£110m	£140m
SL 6	£60m	£65m	£75m	£100m	£140m

### Small providers

48. Our central estimate assumes that 50% of small providers apply for the TEF even though it is not mandatory for them to do so. This assumption is responsible for around 45% of total applications across the different schemes.

49. Table 15 shows the discounted central total cost, if either none or all small providers apply for the TEF. These figures are comparable to the midpoints in Table 10.

**Table 15: Discounted provider-level TEF central estimate, small providers**

Provider-level	Midpoint (0% Small Providers)	Midpoint (50% Small Providers)	Midpoint (100% Small providers)
PL 3	£50m	£75m	£110m
PL 5	£45m	£65m	£100m
SL 4	£70m	£110m	£155m
SL 6	£65m	£100m	£140m



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