

Cost-benefit analysis of the Teaching Excellence Framework

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*As the Higher Education and Research Bill gets its second reading in the House of Commons, **Dorothy Bishop** revisits the costs and benefits of one of its primary components, the Teaching Excellence Framework. Based on the government's own analysis, the system is designed to separate winners and losers with potentially devastating effects for the losers. The outcome will depend crucially on two factors: the rate of inflation and the rate of increase in students. If either growth in student numbers or inflation is lower, then the difference between those who do and don't get good TEF ratings (and hence the apparent financial benefits of TEF) will decline.*



The government's new [Higher Education and Research Bill](#) gets its second reading this week. One complaint is that it has been rushed in without adequate scrutiny of some key components. I was interested, therefore, to discover, that a [Detailed Impact Assessment](#) was published in June, specifically to look at the costs and benefits of the various components of the Bill. What I found was quite shocking: we were being told that the financial benefits of the new [Teaching Excellence Framework](#) (TEF) vastly outweighed its costs – yet look in detail and this is all smoke and mirrors.

In particular, the report shows that while the costs of TEF to the higher education sector (confusingly described as 'business') are estimated at £20 million, the direct benefits will come to £1,146 million, giving a net benefit of £1,126 million (Table 1). How could the introduction of a new bureaucratic evaluation exercise be so remarkably beneficial? I read on with bated breath.

Table 1: Summary of annual direct impacts on business from measures in the Higher Education and Research Bill (equivalent annual net direct cost to business (£m))

	Direct Cost to business (£m)	Direct Benefit to business (£m)	Net Direct Cost to Business (EANDCB) (£m)	In Scope of Business Impact Target
Teaching Excellence Framework	20.0	1146.0	-1126.0	No
Office for Students	25.1	0	25.1	No
Entry to the Sector and Single Gateway	24.8	54.5	-29.6	Yes
Deregulation	0	0.1	-0.1	Yes
Information Sharing	0.6	0	0.6	Yes
Student Protection	0.9	0	0.9	Yes
Enter and Inspect	0	0	0	Yes
Alternative Finance	0	0	0	Yes
UK Research and Innovation	0	0	0	No

Image credit: [Detailed Impact Assessment: Higher Education and Research Bill \(BIS\)](#) – Open Government Licence v3.0

Well, sad to relate, it's voodoo analysis. This becomes clear if you press on to Table 12, which shows the crucial data from statistical modelling. Quite simply, the TEF generates money for institutions that get a good rating because it allows them to increase fees in line with inflation. Institutions that don't participate in the TEF, or those that fail to get a good enough rating, will not be able to exceed the current 9K per annum fee, and so in real terms their income will decline over time. As far as I can make out, they are not included in Table 1. Furthermore, the increases for the compliant, successful institutions are measured relative to how they would have done if they had not been allowed to raise fees.

So to sum up:

- You don't need the TEF to achieve this result. You could get the same outcome by just allowing all institutions to raise fees in line with inflation.
- As noted in the briefing to the Bill by the House of Commons: "the Bill is expected to result in a net financial benefit to higher education providers of around £1.1 billion a year. This is in very large part due to the higher fees that providers with successful TEF outcomes will be able to charge students." (p. 59)
- The system is designed for there to be winners and losers, and the losers will inevitably see their real income falling further and further behind the winners, unless inflation is zero.

The impact assessment does consider other options, including that of allowing fee increases in line with inflation

provided the institution has a satisfactory Quality Assurance rating. This is rejected on the grounds that: “whilst QA is a good starting point, reliance on QA alone and in the longer-term will not enable significant differentiation of teaching quality to help inform student decisions and encourage institutions to improve their teaching quality.” (p. 37). This makes clear that one consequence (and one suspects one purpose) of TEF is to facilitate the division into institutional sheep and goats, followed by starvation of the goats.

Another option, which was strongly recommended by many of those who responded to the consultation exercise on the Green Paper which preceded the bill, is to remove the link between TEF and fees. In other words, have some kind of teaching evaluation, where the motivation for taking part would be reputational rather than financial. This too is rejected as not sufficiently powerful an incentive: “the Research Excellence Framework allocates £1.5bn a year to institutions. To achieve parity of esteem and focus between teaching and research the TEF will need to have a similar level of financial implications.” However, this is rather disingenuous. There is no pot of money on offer. We live in a country where we are used to government supporting Higher Education; now, however, the only source of income to universities for teaching is via student fees, but raising fees is unpopular. The funding of universities will collapse unless they can either find alternative sources of income, or continue to raise fees in line with inflation, and TEF provides a cover story for doing that.

So we have a system designed to separate winners and losers, but the outcome will depend crucially on two factors: the rate of inflation and the rate of increase in students. The figures in the document have been modelled assuming that the number of students at English Higher Education Institutions will increase at a rate of around 2 per cent per annum (Table 12), and that annual inflation will be around 3 per cent. If either growth in numbers or inflation is lower, then the difference between those who do and don’t get good TEF ratings (and hence the apparent financial benefits of TEF) will decline.

Table 12: Higher Education Institutions (HEIs): Estimated additional student fee income as a result of financial benefits (Approved (fee cap) Institutions⁵⁷

£9,000 has been used for ‘do nothing’ modelling purposes, reflecting the current maximum fee cap.

Year	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
FT HEI Student Numbers (m)	1.00	1.02	1.04	1.06	1.07	1.09	1.11	1.13	1.16	1.18
Inflation (OBR RPIX)	2.5	2.8	3.0	3.1	3.1	3.0	3.0	2.9	2.9	2.8
Fees without TEF	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Fees a rating of Meets Expectations	-	9,252	9,530	9,677	9,827	9,975	10,124	10,271	10,420	10,566
Fees a rating of Excellent or above	-	-	9,530	9,825	10,130	10,433	10,746	11,058	11,379	11,697
Tuition Fee Income without TEF (£m)	8,955	9,180	9,360	9,495	9,585	9,787	9,994	10,205	10,420	10,640
Tuition Fee Income with TEF (£m)	-	9,435	9,911	10,326	10,724	11,246	11,795	12,360	12,952	13,561
Extra Income (£m)	-	255	551	831	1,139	1,459	1,801	2,155	2,532	2,921

Image credit: Detailed Impact Assessment: Higher Education and Research Bill (BIS) – Open Government Licence v3.0

What about the anticipated costs of the TEF? We are told: “Institutions collectively will experience average annual costs of £22m as a result of familiarising, signing up and applying to the Teaching Excellence Framework, once the TEF covers discipline level assessments. This is equivalent to an average of £53,000 per institution, significantly less than the Research Excellence Framework (REF) at £230,000 per institution per year.” (p. 8). One can only assume that those writing this report have little experience of how academic institutions operate. For instance, they

say that “Year One will not represent any additional administrative cost to institutions, as we will use the existing QA process.” I did a quick internet search and immediately found two universities who were advertising now for administrators to work on preparing for the TEF (on salaries of around £30-40K), as well as a consultancy agency that was touting for custom by noting the importance of being “TEF-ready”.

I have yet to get on to the section on costs and benefits of opening the market to ‘alternative providers’...

If you are concerned at the threats to Higher Education posed by the Bill, please write to your MP – there is a [website](#) here that makes it very easy to do so.

Further background reading

[Shaky foundations of the TEF](#)

[A lamentable performance by Jo Johnson](#)

[More misrepresentation in the Green Paper](#)

[The Green Paper’s level playing field risks becoming a morass](#)

[NSS and teaching excellence: wrong measure, wrongly analysed](#)

[The Higher Education and Research Bill: What’s changing?](#)

[CDBU’s response to the Green Paper](#)

[The Alternative White Paper](#)

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