

# Expression of interest

# Title: Understanding the absolute and relative cost of different modes and levels of HE provision

**Project reference:** DFERPPU 2018017

**Deadline for expressions of interest:** 6pm, Monday 9th April 2018

## Summary

Expressions of interest are sought to understand the full economic costs of provision associated with key full-time and part-time undergraduate subjects, the main factors that determine these costs and the reasons for differences across subjects and institutions, as well as levels and modes of study.

## Background

This analysis will inform the *Post-18 education and funding review* announced by the Prime Minister on 19th February 2018.[[1]](#footnote-1)

This major review, across post-18 education and funding, is being conducted to ensure a joined-up system that works for everyone. As significant reforms move into implementation, this review will look at how we can ensure that the education system for those aged 18 years and over is accessible to all, is supported by a funding system that provides value for money and works for students and taxpayers, incentivises choice and competition across the sector, and encourages the development of the skills that we need as a country.

This analysis will support the review by informing our understanding on how tuition fees and (institutional) funding compare to the real costs of subject provision; what variation exists across the sector and subjects; and how this influences institution decisions around pricing, teaching quality and course mix. It is part of a wider programme of evidence gathering across post-18 education to inform the review.

## Research aims

The key questions to be considered as part of this project are:

1. What is the estimated average full economic cost incurred by a representative sample of HEFCE-funded higher education institutions (HEIs), broken down by subject groupings:

* Full and part-time first degree undergraduate subjects; and
* Full and part-time other undergraduate degree subjects (e.g. Foundation, HNCs and HNDs).

The study will need to consider the most appropriate measure of the overall full- and part-time student cost of provision that takes into account all of the relevant costs of provision.

It will also need to consider any significant changes in the cost of provision since the implementation of the 2012/13 reforms and the increase in fees up to the maximum cap of £9,250. We therefore look for a comparative analysis of the latest academic year costs data with the 2010/11 academic year.

1. What contribution do the following categories of cost make to the total average full economic cost of full- and part-time undergraduate subjects:

* Direct staff costs (split into academic and non-academic costs if possible);
* Wider academic departmental expenditure;
* Centrally allocated services and functions (i.e. central administrative staff, marketing, legal fees, etc)
* Estate (residential and non-residential);
* Margin for sustainability and investment (MSI) adjustment (or the Return for Financing & Investment (RFI) and infrastructure adjustment up to AY2015/16);
* Other (e.g. widening participation expenditure)

1. What factors drive the absolute average full economic cost of different full- and part-time undergraduate subjects and explain the differences between them and over time. These could include, but are not limited, to:

*Direct course costs:*

* Course duration;
* Course delivery (e.g. distance learning versus face-to-face);
* Class size (number of students);
* Personal characteristics of students (e.g. POLAR);
* Institution size (number of students);
* Specialisation of institution;
* Nature of teaching (e.g. specialised/ nuanced);
* Type of course (i.e. laboratory versus class-room based);
* Number of staff hours;
* Seniority/ experience/ expertise of staff;
* Students expectations regarding teaching/ course quality;

*Indirect course costs:*

* Intensity of use of central support services (e.g. library services);
* Wider department activity (e.g. research activity);
* Corporate management structure and governance;
* Business strategy and implementation (e.g. marketing);
* Capital investment (for residential and non-residential purposes);

1. What factors help explain variations between institutions in the average full economic cost per student of a particular subject , allowing for level and model of delivery? How might these factors change and what are the key drivers?
2. How the costs associated with different subjects, in the context of institutions’ business models and market pressures, influence institutional decision making (e.g. with respect to pricing, teaching quality and course mix) given current fee and funding arrangements.

## Methodology

**Approach**

A key requirement will be to develop and test the feasibility of a methodology for collecting, collating and analysing cost data at departmental and institutional level that is compatible with HEFCE/OfS’s[[2]](#footnote-2) Transparent Approach to Costing (TRAC), and specifically the TRAC(T) framework used to estimate the cost of teaching and its immediate support services. This is to enable quantitative and qualitative results obtained from this project to be compared with those from earlier studies carried out for HEFCE in this area. These include the 2014 study on the cost of postgraduate taught provision, and more recently, the 2017 study on the cost of pre-registration nursing, midwifery and allied health professions. More information on these reports, as well as the TRAC guidance can be found on the HEFCE website[[3]](#footnote-3).

While it is expected that the analysis will be routed in the costing methodology developed by HEFCE, the Department for Education is open to alternative ideas the contractor may have to modify or extend the TRAC methodology in order to achieve the research aims and objectives. It is expected that the methodology will be agreed with the Department for Education before the work commences.As noted above, the study will need to consider the most appropriate measure of the overall full- and part-time student cost of provision. The aforementioned studies have focused on subject-related costs of teaching a HEFCE-fundable student FTE, which do not cover all relevant costs. We therefore invite proposals for a broader definition of publicly funded costs of provision.

**Data collection and validation activities**

The contractor would be expected to develop and test a rigorous but proportionate method for collecting and validating the necessary information and cost data for a representative sample of subjects, covering key subject classifications (to be agreed, possibly using the TRAC(T) cost centres) from a representative sample of institutions (see “sampling of providers” below). While we are open to alternative approaches and look to the contractor to recommend what is feasible within the challenging timeframe, we envisage that the project would involve the following activities:

* The use of a data collection template with accompanying guidance for completing it, and support to ensure that participating providers submit the requested information in a standardised and consistent format and in a way which is appropriately evidence-based (to be developed with DfE, complementary to the existing TRAC(T) approach). HEIs that have carried out internal analyses comparable to those requested of the contractor may be able to provide details of their methodology as baseline examples.
* Appropriate quality assurance checks to ensure the correct and consistent treatment of costs within the TRAC methodology. This could include:
* The use of desk-top reviews of each submission to validate the data supplied by each participating provider and ensure it is consistent with other participants’ submissions as well as the data submitted by all providers on costs and student numbers in their HESA returns;
* Follow-up communications with participating providers in instances where data is incomplete or cases where outliers are identified to establish the particular reasons behind it.
* Workshops (or focus groups) with participating providers to discuss arising methodological and data issues and agree appropriate solutions. These may include:
* The most appropriate definition of ‘cost’ to use and how to calculate it;
* How we should define the different components of costs as described above
* The main factors which influence the cost of providing different types of course
* The cost drivers which should be used to disaggregate costs
* Validation and quality assurance methods for ensuring data is consistent and comparable

The Department for Education is in discussion with HEFCE/OfS to ensure the contractor is able to access – **on a strictly confidential basis and through an agreement direct with HEFCE/OfS** – individual provider TRAC(T) data. Identifiable provider data will not form part of the report to the Department for Education or in the published report, but should enable the contractor to provide more robust conclusions and descriptions of trends within the sector. Bidders should present their approach on the basis of this data being available, but also provide options for if this does not prove possible, with any consequences for timetable, cost and the project’s aims and objectives.

**Interviews with finance directors**

Following the desktop review, it is expected that the contractor will conduct a programme of semi-structured interviews with Finance Directors at some or potentially all of those providers taking part in the cost survey. We would be grateful for bidders’ views on how extensive this part of the research should be in order to achieve its aims. We see the purpose of these discussions being to provide a greater qualitative understanding of the cost data and how it influences provider decision making and over time.

We would anticipate them exploring the methods and cost drivers used to allocate the costs, including its strengths and weaknesses in the context of the research’s aims; how such data is used in institutions’ own strategic decision making – including subject mix offered; pricing strategy and the quality of teaching provision – recognising the interplay with both the institutions’ own business model and market pressures; and explore the factors behind the costs that in absolute or comparative terms are particularly high or low.

**Selection of subject categories**

In order to make the exercise manageable we aim to focus the work on an agreed range of subjects, not anticipated to be more that 20-25 subject areas, spanning all 45 TRAC(T) cost centres. The exact subject types will be agreed in consultation with the contractor.

**Understanding of cost drivers**

Following the data collection, the contractor would be expected to explore the direct and indirect costs associated with providing different subject types in more depth; in particular exploring the reasons for differences in cost that exist across institutions. It is expected the additional information and evidence gathered from the programme of semi-structured interviews with Finance Directors will complement the quantitative data collection and analysis.

**Sampling of providers**

The contractor should advise on the sampling strategy for HE providers for data collection and analysis. to ensure a representative sample reflecting factors such as:

* Type of institution (HEFCE-funded HEI, privately funded Alternative Provider)
* Size of institution (based on student numbers)
* Region
* TEF ranking
* TRAC (high-cost) grouping / subject mix
* Research intensity
* Specialist teaching institution

The contractor would be expected to engage pro-actively with sector stakeholder groups across HE to raise awareness of the costing study and encourage participation.

**Report write-up**

All analysis and discussion should be written up into the format of a [DfE Research Report](https://www.gov.uk/government/publications/research-reports-guide-and-template).

## Timing

This piece of research is designed to inform both the work of the Review Panel that will provide independent advice to Government on the 18+ Education and Funding Review and any consequent decisions made by Government. We are therefore looking for it to feed into key milestones for the review. In particular, we are looking for as much of the project’s aims to be realised through the delivery of an interim report in June/July, though final completion should by November. Bidders should make it clear what results they expect will be available in June/July and how this will support the work of the Review Panel at that stage in beginning to formulate its advice.

Expressions of Interest submitted: 9th April 2018

Invitations to tender submitted: 20th April 2018

Contract awarded/project start: 30th April 2018

Interim viability/ progress review and continuation checkpoint: 7th May 2018

Interim draft report due: June/July (TBC)

Full report due: November (TBC)

Finalised report due for publication: TBC

Contarct end: 30th November 2018

As well as these deliverables, contractors should expect to present findings to the Department for Education and the Independent Review Panel prior to the delivery of both the interim and full reports. A project manager will be place for the duration of the project, as well as a steering group that is expected to comprise representatives from DfE, the review team and the OfS.

## Assessment criteria

Expressions of interest will be assessed against the following criteria:

* Experience of research topics to be covered
* Experience of research and analytical methodologies to be used
* Experience of research with Higher Education Institutions and staff working in a financial capacity
* Capacity and capability to deliver the project in the timescales indicated

Expressions of interests submitted must be no more than 1000 words overall; this includes any website links. Anything longer will be disregarded.

| **Closing date for EOIs:** 6pm, Monday9thApril 2018  **Send your EOI form to:** nicky.agius@education.gov.uk |
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## How to submit an expression of interest

You must submit an expression of interest (EOI) in order to be considered to be invited to tender. To do so, please complete the NEW EOI Form which can be found under attachments. A submission of an EOI does not guarantee an invitation to tender and the Department does not routinely advise organisations that they have not been successful in being invited to tender. Feedback is however available on request.

All contracts are let on the basis of the [Department’s Terms and Conditions](https://www.gov.uk/government/publications/eoi-guide). You are encouraged to check these before submitting your expression of interest, as these form part of your contractual obligations.

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1. More information on the Review of Post-18 Education and Funding including the Terms of Reference can be found at: <https://www.gov.uk/government/publications/review-of-post-18-education-and-funding-terms-of-reference> [↑](#footnote-ref-1)
2. HEFCE stands for the Higher Education Funding Council for England. Under the Higher Education and Research Act 2017, as of 1st April 2018, HEFCE will be superseded by a new regulatory body, the Office for Students (OfS). [↑](#footnote-ref-2)
3. More information on TRAC guidance can be found at: <http://www.hefce.ac.uk/funding/finsustain/trac/>. The report on the cost of postgraduate taught provision can be found at:

   <http://www.hefce.ac.uk/media/hefce/content/pubs/indirreports/2014/A,review,of,the,cost,of,PGT,provision/pgtcostreview.pdf>. The corresponding report on the cost of pre-registration nursing, midwifery and allied health professional courses can be found at: <http://www.hefce.ac.uk/pubs/rereports/year/2017/preregcosts/> [↑](#footnote-ref-3)