

THE QUALITY ASSURANCE AGENCY FOR HIGHER EDUCATION

England & Wales · Charity number 1062746

Details

Other names QAA, QAA SCOTLAND

Status Registered

Legal form Charitable company

Company number [03344784](#)

Registered 1997-06-09

Register [View on the Charity Commission register](#)

Contact

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Activities

Objects: 1. PROMOTION AND MAINTENANCE OF QUALITY AND STANDARDS IN TERTIARY EDUCATION IN THE UK AND ELSEWHERE; 2. ENHANCEMENT OF TEACHING AND LEARNING, AND THE IDENTIFICATION AND PROMOTION OF INNOVATION AND GOOD PRACTICE IN TEACHING AND LEARNING; 3. PROVISION OF INFORMATION AND THE PUBLICATION OF REPORTS ON QUALITY AND STANDARDS IN TERTIARY EDUCATION IN THE UK AND ELSEWHERE; AND 4. PROVISION OF ADVICE TO GOVERNMENTS, AS REQUESTED, ON ACCESS COURSE RECOGNITION AND IN RELATION TO ALL OR ANY OF THE ABOVE OBJECTS.

Activities: A range of activities to secure HE standards & quality: reviews & audits of standards & quality in HE providers; published reports & intelligence arising from those reviews & audits; maintenance of the UK Quality Code, subject benchmarks and qualifications frameworks; advice on degree awarding powers & university title, Access to HE & support for HEIs in relation to international developments.

Classification

- **How:** Provides Services, Provides Advocacy/advice/information
- **What:** Education/training
- **Who:** Children/young People, The General Public/mankind

Geography

- **Area of benefit:** NATIONAL
- Northern Ireland
- Scotland
- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2025-07-31	£10,061,872	£10,636,620	£6,169,005	126
2024-07-31	£8,767,392	£5,821,643	£6,395,779	125
2023-07-31	£10,110,143	£9,470,208	£3,090,586	121
2022-07-31	£9,788,285	£11,706,199	£2,532,834	117
2021-07-31	£8,299,644	£8,282,505	£4,735,501	105
2020-07-31	£9,227,576	£8,149,061	£4,039,473	102

Trustees

Name	Role	Appointed
Alex Stanley		2024-07-01
Caroline Jane Carter		2023-12-13
Christian Brodie		2025-03-15
Dr Fazal Dad		2023-03-15
Dr Lucy Ann Jones		2024-10-23
JULIAN ALEXANDER FRASER		2023-03-15
Jimena Alamo		2024-10-23
Ladan Saghafi		2023-12-13
Peter Vermeulen		2023-03-15
Professor Mirjam Platinga		2024-09-05
Professor Moira Catherine Fischbacher-Smith		2025-06-15
Professor Nic Beech		2021-09-02
Professor Nichola Callow		1994-10-23
Professor Odette Hutchinson		2023-06-14
Professor Philip Andrew Deans		2023-03-15
Professor Rachid Hourizi		2022-03-09
Richard Hazim Khaldi		2024-01-24

THE QUALITY ASSURANCE AGENCY FOR HIGHER EDUCATION

England & Wales - Charity number 1062746

Accounts



The Quality Assurance Agency for Higher Education

Annual Report and Financial Statements

2024-2025

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Foreword from Christian Brodie, Chair of QAA Board

It has been my pleasure this year to return to the tertiary education sector as QAA's new Chair, taking over from Simon Gaskell after his six years of very distinguished service to the Agency.

Three things above all struck me about today's QAA as I joined its Board. First, it is a radically different Agency from that of, say, a decade ago: it is leaner, far more dynamic, and resolutely forward-facing. Second, the scope and variety of its work is remarkable, with distinct remits in each of the nations of the UK and with a carefully observed dividing line between its regulatory and quasi-regulatory functions on the one hand and its advisory and commercial work on the other. Third, on the global stage, QAA is an essential, and often the most visible, part of the UK higher education sector as seen from overseas - not only by governments and quality bodies but also, crucially, by universities and students.

QAA has completed an internal restructure with the serious purpose of ensuring that the Agency is ready to respond to the sector's needs not just now but in the decade ahead. This is no small undertaking given the continuing financial pressure across the UK tertiary sector, and given the scale of challenges and opportunities presented by rapidly developing AI technology: we are at a fascinating point where fundamental questions are repeatedly posed about the proper purpose, content and delivery mechanisms of education at all levels in a future economy and society that will look very different from today's. These are stimulating times, but not easy ones, when the sector needs the expertise of an independent and impartial quality body more than ever.

Vicki's foreword surveys the spread of QAA's work in more detail; for my part, I am already pleased to be reacquainting myself with colleagues across the sector and look forward very much to playing my part in helping to steer QAA in the years ahead.

Foreword from Vicki Stott, QAA Chief Executive

It is with immense pride that I introduce the Quality Assurance Agency for Higher Education's Annual Report for 2024-25. This year has been one of transformation, resilience and impact. In a landscape where financial pressures continue to challenge the tertiary education sector across the UK, QAA has remained steadfast in its mission to safeguard and enhance quality, both at home and abroad. Our work has not only responded to the needs of our members but has also shaped the future of tertiary education through innovation, collaboration and influence.

This has been the first year of our delivery of the Nursing and Midwifery Council (NMC) contract, a very significant undertaking for the Agency. The team has risen to the scale and complexity of the work, delivering high-quality assurance outputs that have enabled regulatory decision-making and begun the process of delivering real improvements to the learning experience of nursing and midwifery students UK-wide. We are working collaboratively with the NMC to deliver further enhancements over the coming years of the contract, utilising our expertise to support the NMC in addressing their strategic challenges.

This academic year also marked the first steps of the new Tertiary Quality Enhancement Review (TQER) method in Scotland, a cornerstone of the Scottish Funding Council's vision for a unified tertiary sector. At the time of writing, the first university and college have undergone their reviews, and have offered us positive feedback about their experience. The launch of Scotland's Tertiary Enhancement Programme (STEP) Supporting Diverse Learner Journeys has fostered collaboration across the tertiary sector, with strong engagement from colleges and universities alike.

This year also we conducted an organisational restructure - One QAA - to invest in the future of the Agency and our capability to deliver for the sector and its students. Designed to resource and enhance our responsiveness to sector needs, the restructure has integrated our domestic and international delivery, bolstered our regulatory team capacity, and enhanced our marketing and engagement functions. I am excited to see QAA teams maximise the opportunity that this new structure and renewed focus gives them to deliver high impact and valued work for our stakeholders in the UK and across the globe and I am, as ever, profoundly grateful to my colleagues for their commitment and resilience through the change process. We look forward to being more responsive and agile in meeting the needs of the sectors we serve, as they address the considerable challenges they are facing.

Internationally, QAA's influence continues to grow. We renewed memorandums of understanding with key agencies in Thailand, Malaysia, Kazakhstan, Mauritius and Ukraine, strengthening our global partnerships and expanding our reach. Our participation in major international forums - from the International Network for Quality Assurance Agencies in Higher Education (INQAAHE) conference in Tokyo to the Education World Forum in London - has built further on QAA's position as a thought leader in transnational education (TNE) and quality assurance. Our international accreditation work continues to thrive, with 26 institutions engaged in the International Quality Review process - up from 16 last year. The UAE and wider Middle East remains a region of great importance to QAA and to UK higher education, and we are seeing growing interest from West Africa, Southeast Asia and Central Asia.

The delivery of seven projects commissioned by the Department for Business and Trade, examining barriers and opportunities for TNE across multiple regions, has consolidated our profile as a trusted adviser to government, which will be increasingly important as the new International Education Strategy is published.

QAA's policy influence has been particularly impactful this year at a time when the new Westminster Government have embarked on their higher education reform agenda. Our expertise has been recognised by the Department for Education (DfE), with QAA contributing to policy development on franchising, lifelong learning and higher education reform more widely. Our work on credit transfer has been reflected in recent DfE announcements on the lifelong learning entitlement, and our sector roundtables on partnership provision have positioned QAA as a leading voice in this space.

In the devolved nations, we have deepened our engagement with governments and stakeholders. In Wales, our collaboration with Estyn and Medr has advanced the development of a cohesive quality framework. In Northern Ireland, we have supported the sector through workshops, conferences and the implementation of the new UK Quality Code. Our representation on Bologna Process working groups, facilitated through both the Scottish and UK governments, ensures that the UK's voice continues to be heard in international policy forums, including in relation to remaining aligned with European standards.

Throughout this year, we have remained focused on delivering value to our members. Despite financial constraints in the sector, our membership numbers have held strong, and engagement with our networks and events has often been exceptional. From the PVC Strategy Summit to the Student Engagement Festival, QAA has provided platforms for dialogue, learning and innovation.

As we look ahead, we do so with confidence and ambition. The foundations laid this year - through strategic partnerships, policy influence and organisational transformation - position QAA to continue leading the UK sector in quality assurance and enhancement, and to continue to advocate for and support UK higher education on the global stage, as a world-leading quality agency. I am deeply proud of what we have achieved together and grateful to colleagues, members and partners for their support in everything we do.

Strategic report

QAA works across the whole of the UK. Each country has a distinct and separate set of quality arrangements, so QAA works with regulators, funding agencies, higher education institutions, students and other stakeholders across the UK to deliver tailored approaches.

Purpose of QAA

QAA is a world-leading quality agency with unmatched experience of providing impartial regulatory and collaborative quality assurance and enhancement. Our purpose is to ensure that students and learners experience the highest possible quality of education. To achieve this, we support universities and colleges in working with students and learners, governments, funders and regulatory bodies to evidence and enhance the excellent quality and high standards of the education they provide.

We work towards a greater public understanding - domestically and internationally - of how excellent quality is demonstrated in UK higher education, and how autonomous providers both assure its delivery and address weaknesses.

Our work safeguards the value of qualifications for students and learners, and protects and promotes the reputation of higher education. It falls into four categories: standards, assurance and enhancement, international, and leadership.

What we do

Standards

Standards are a core pillar of QAA's work. QAA develops, and is the custodian of, a suite of UK-wide sector reference points that act as standards for quality across tertiary education.

Following the publication in 2024 of the new UK Quality Code, this year has seen the launch of the first three pieces of Quality Code Advice and Guidance for Sector-Agreed Principles 1, 2 and 8: Taking a strategic approach to managing quality and standards; Engaging students as partners; and Operating partnerships with other organisations respectively. The Advice and Guidance is structured under the Sector-Agreed Principles of the UK Quality Code and is designed to support new and existing providers in meeting its mandatory requirements. It has been developed in partnership with the higher education sector, with colleagues from across providers, mission groups, funder/regulators and sector bodies and networks all contributing to the Advice and Guidance, making it a truly sector-owned endeavour that will ensure its currency, applicability and longevity.

"Being involved in developing the advice and guidance has been a great opportunity to further my understanding and engagement with the new Quality Code. To really think about how it can be used to support our assurance and enhancement work locally and how our approach might evolve and develop over time. It has also been a fantastic opportunity to connect with colleagues across the UK, to hear different perspectives, and learn about different approaches and practices, to stretch my own thinking and support my development." (Mark Charters, Head of Learning and Teaching, Glasgow School of Art)

Advice and Guidance on the remaining nine Sector-Agreed Principles will be published during 2025-26.

We also published a further eight refreshed Subject Benchmark Statements to support academic communities with course design and review. Subject Benchmark Statements are

sector-owned and developed by academics, coordinated by QAA. During 2025-26, we will review a further six Subject Benchmark Statements.

Access to HE Diploma

QAA has published the new iteration of the Recognition Scheme for the Access to Higher Education (AHE) Diploma. We have been responsible for the regulation of this qualification since 1997, and the Recognition Scheme underpins the terms of this regulatory activity. The new version of the scheme introduces significant changes to the way in which QAA regulates the qualification from September 2025.

The Access to HE Diploma is a Level 3 post-16 qualification focused on providing adult learners who wish to enter higher education the opportunity to gain the necessary qualifications in the subject areas they wish to follow. The publication of the new edition of the Recognition Scheme follows an extensive period of public consultation, which took place last year.

QAA licenses Access Validating Agencies (AVAs) to develop, validate and award the AHE qualification, and to work with providers that deliver AHE Diploma courses. QAA places regulatory requirements on AVAs through its Licensing Conditions and related monitoring arrangements. It also sets out particular requirements through the Diploma Specification and the associated Grading Scheme. For some subject areas, it sets requirements for the content of diplomas through Subject Descriptors. These are the regulatory elements that constitute the Recognition Scheme.

Changes to the Recognition Scheme have been designed to ensure the AHE Diploma's ongoing relevance and to support its continuing development as a key instrument for the promotion of widening participation in higher education.

"This new principles-based framework offers a balanced and proportionate approach to regulation, which is intended to foster opportunities for innovation, enhancement and growth in this valuable area," says Claire Swales, Access to HE Diploma Officer at QAA.

International Access to HE Diploma

In June 2025, we opened a consultation on the proposed regulation and licensing of a potential new international version of the diploma following a public consultation on the broad principles of an International Access to Higher Education Diploma (IAHED) in 2024. This second consultation invited further feedback from all stakeholders, in particular those with operational insight, to shape the specific details of the proposed IAHED and its regulation - the Access Validating Agencies (AVAs) that award the diploma, Access to HE providers, and policymakers and practitioners with an international remit, for instance. The proposed IAHED would be delivered outside of the UK. It would provide students internationally with the opportunity to enter higher education irrespective of whether the student aimed to enter UK higher education (delivered overseas through a transnational arrangement, or in the UK) or higher education in another country.

The consultation outlines proposed requirements of AVAs in order for them to receive a license to validate the international diploma. Proposals also covered the required English language proficiency level and permitted delivery modes of the diploma. The consultation proposed that AVAs would initially be subject to a two-year pilot period during which licences will be issued on a country-by-country basis. Thereafter, an AVA could become eligible for a five-year full international licence.

Assurance and enhancement

QAA's assurance and enhancement represent integral parts of the Agency's operations. Across all nations of the UK and internationally, our programme of work has been tailored to deliver significant impact and ensure we continue to deliver excellence, independence and trust in quality assurance and enhancement.

Scotland

This year has seen some significant changes within our approach to assurance and enhancement. In Scotland, we operated the first two reviews under the new Tertiary Quality Enhancement Review method in line with the Scottish Funding Council's new Tertiary Quality Enhancement Framework. This was a significant milestone as it meant for the first time QAA was operating a consistent review method across an entire tertiary sector, including all of Scotland's colleges and universities.

Additionally, working with partners including the College Development Network and sparqs (student partnerships in quality Scotland), we undertook an exciting series of Discovery Days where provider representatives from across Scotland were encouraged to come together to co-develop project proposals for Scotland's Tertiary Enhancement Programme (STEP). STEP is the national enhancement programme for the Scottish tertiary sector. It is designed to enable Scotland's colleges and universities to work together to improve and enhance learning, teaching, the student experience, and staff development across tertiary provision. The Discovery Day project proposals were developed into full funding requests, many of which will be taken forward in the next year.

Wales

In Wales, we have engaged with the new regulator, Medr, in their first year of operation. We have engaged positively with Medr's Quality Committee, and have been working closely with Estyn, the education and training inspectorate in Wales. We have commenced a joint project with Estyn (funded by Medr) looking at institution processes for self-evaluation, with a view to producing some common expectations and guidance across the tertiary landscape. Additionally, we have supported a range of other quality enhancement and continuous improvement activities in Wales on topics such as micro-credentials, academic integrity and degree apprenticeships. We intend to engage further with Medr during the development of the Quality Framework (part of their overarching regulatory arrangements) to determine how we can best support them, and the sector in Wales, going forward as the new arrangements bed in.

From an assurance perspective in Wales, we delivered two successful reviews under the Quality Enhancement Review method following consultation and engagement with the sector in the previous year.

Northern Ireland

In Northern Ireland, we continue to communicate effectively with officials in the Department for the Economy over potential future arrangements for quality assurance and enhancement. In April 2025, we held our annual enhancement conference in Belfast for Northern Irish providers. We brought together representatives from across the UK nations for this conference to share practice and experience, something we are uniquely placed to do as the UK's independent quality body.

England

In England, we also completed the first Elective Quality Review. This new review method, designed for providers registered with the Office for Students (OfS), assesses providers against the European Standards and Guidelines and results in a published report that can be useful for internal and external stakeholders to understand how effectively a provider is managing the quality of its provision and to demonstrate its commitment to the value of external quality assurance.

Nursing and Midwifery Council (NMC)

Across the UK, we delivered quality assurance reviews for nursing and midwifery education on behalf of the Nursing and Midwifery Council (NMC) in our contracted role as the new Quality Assurance Service Provider. We have worked closely with the NMC and institutions over the first year of this contract to introduce the new approach and have conducted a significant number of reviews, exceeding initial expectations on the volume of activity required, in order to enable the NMC to make robust and timely regulatory decisions on compliance with their Standards for Nursing and Midwifery Education. As we enter the second year of the contract, we are working with the NMC on developing the approach in light of experience and expanding the work into other types of quality assurance activity.

UK and international membership of QAA

Our membership programme, which operates across all nations of the UK and for international member institutions, continued to develop this year. We funded 18 projects under our Collaborative Enhancement Projects programme, particularly focusing on projects which deliver tangible outputs that are useful across the higher education sector. The programme was once again significantly oversubscribed, and therefore we have started to look at how we might amend our approach in the next year to ensure that the projects are as wide-ranging and impactful as possible.

We have continued to offer online and in-person conferences and a series of themed network events to bring together practitioners, as well as continuing to add topical materials, publications and tools to our Membership Resources website. We have also reflected carefully on member feedback over the past year and have begun to put in place significant changes that will see a revamped membership programme from 2025-26. We have invested in our Membership Delivery team, bringing in experts with experience of working in multiple higher and further education settings across the nations. QAA Membership remains highly responsive to the challenges facing the sector, and we strongly believe that participating with membership activities and resources delivers value for money for providers in helping build good practice and efficiency into their local context.

Educational Oversight Review

Across the UK, we launched our new Educational Oversight Review (EOR). This replaced four previous methods for higher education providers that require assessment to receive a licence to recruit international students, yet fall outside of their respective country's quality assurance regimes. It was imperative to introduce a more streamlined and simplified review mechanism for these institutions for 2024-25, as the review cycle meant many providers were due their full review in this year. The updated method was able to assess against the 2024 edition of the UK Quality Code, helping ensure it remains contemporary for many years to come.

International reviews

Internationally, we continue to conduct external quality assurance reviews against internationally recognised standards through our International Quality Review (IQR) and International Programme Accreditation (IPA) reviews. These independent peer reviews lead to accreditation by QAA and many higher education institutions and programmes in countries across Europe, Asia and the Middle East have benefitted from them in the last year. In addition, we have conducted reviews of several institutions in West Africa under our IQR and IPA (ACE Impact) review methods. These form part of the Africa Higher Education Centers of Excellence (ACE) World Bank project, which is aimed at capacity building in higher education institutions in the region and enables institutions to receive formal accreditation from QAA.

Capacity building

Finally, we continued to develop and deliver services to support institutions in England and internationally that seek our expert advice and guidance in capacity building and developing internal quality assurance and enhancement mechanisms. This includes support for institutions in England planning to apply for OfS registration or degree-awarding powers. The range of training activities and analytical reports provided to providers through this service has broadened over the year to reflect the emerging needs of providers in England and those of providers in other countries. This activity also includes work with international organisations, quality assurance agencies and governments, predominantly in Asia and the Middle East, to provide advice and guidance on in-country regulatory systems and quality assurance frameworks, particularly with regards to the development of transnational education and training. We continue to receive highly positive feedback from those using these services on the value and benefits to their specific context.

International

Quality Evaluation and Enhancement of Transnational Education (QE-TNE) Scheme

The QE-TNE Scheme, commissioned by Universities UK and GuildHE, completed the fourth year of its five-year cycle with country-specific activity in Malaysia, India and Oman. Engagement in this activity grew over the last year with all universities in Scotland becoming members of the scheme. Resources generated through this project continue to be shared with this exclusive network to inform the growth, sustainability, quality and enhancement of UK transnational education. Work has begun on designing a new successor scheme to commence after the existing scheme comes to an end in July 2026.

International accreditation services

QAA's global accreditation services are a key element of our positioning as a world-leading quality agency, supporting higher education providers across global markets to deliver a positive student experience. Thirty-three providers from around the globe have now achieved QAA global accreditation with an additional 14 providers at different stages of the International Quality Review (IQR) process. Four providers have been successfully reaccredited after the original five-year accreditation expired. The top market for successful IQR accreditation is the UAE and the Arabian Gulf in general, although there are accredited institutions in the Asia Pacific, Central Asia, Europe, Africa and wider Middle East regions. At the programme level, in 2024-25, QAA accredited its first MBA programme for the University

College of Bahrain in addition to three English programmes at the Gulf University for Science and Technology in Kuwait.

International research, training and advisory services

The reputation of the UK higher education sector is vital to its success. QAA's international work, and the positive relationships we have with a huge range of international stakeholders, supports and promotes this reputation. This in turn allows UK higher education providers to build meaningful and equitable partnerships across the globe, and ensures that the UK continues to be viewed as a partner of choice.

We work as a trusted adviser to governments, funders and regulatory bodies around the world, providing expertise on quality assurance and internationalisation strategies. In 2024-25, we delivered seven projects for the Department for Business and Trade focused on the removal of market access barriers to increase UK international education exports across Kazakhstan, Uzbekistan, Qatar, Saudi Arabia, China and Hong Kong, Vietnam, and India. We have secured market access funding for 2025-26 to continue the work in Kazakhstan and Uzbekistan, and for a new project focused on South Asia (Nepal, Bangladesh and Sri Lanka). The India project will also continue into 2025-26 due to geopolitical challenges.

We will also continue delivery of system-wide national projects funded by the British Council in Vietnam and Uzbekistan and new projects in Sri Lanka and Kazakhstan. Many of these projects reflect a need for assuring the quality of transnational education and international partnerships as well as internal quality assurance systems. We expect all these projects to continue into 2025-26.

This work directly benefits the UK higher education sector by creating enabling regulatory and policy environments for TNE and building capacity in quality assurance. These initiatives strengthen the UK's position as a global leader in education, and ensure that UK institutions are better positioned to establish and grow high-quality international partnerships.

We delivered another successful International Quality Assurance Programme (IQAP) in London this summer, with 41 attendees from 20 international higher education sectors. Delegates had the opportunity to visit Richmond American University and the University of London to talk with senior quality teams as part of the week-long activities. IQAP provided an opportunity to discuss future collaboration at a national or institutional level with delegates indicating interest in international accreditation, membership and advisory services. We are looking forward to hosting another IQAP in 2026.

Leadership

Domestic engagement

QAA's public affairs engagement has continued to position QAA expertise at the heart of government policymaking across the UK. In England, our leadership work has centred around delivering insight to government on sector approaches to partnership provision and credit transfer for lifelong learning policy development. Our analysis and insights provide a valuable evidence base for policymakers.

As part of the higher education reform process in England, QAA delivered a workshop to the Department for Education on the topic of 'raising teaching standards'. This workshop was impactful as it directly informed the forthcoming white paper, ensuring that our expertise contributes to the development of high-quality education standards.

Looking ahead

We expect the financial pressures that are evident in the sector in all four nations of the UK to continue; in that challenging domestic context, we are keener than ever to listen to the needs of our members and the wider sector, and to ensure that our services address their challenges in ways that provide the maximum value. Many providers will no doubt continue to reduce their cost base, including through painful headcount reductions; we do anticipate some moves towards institutional consolidation; at the extreme end there may even be institutional closures. But for every provider, new technologies present an opportunity to innovate in teaching and learning. QAA is embracing new technology too, and our restructure in 2024-25 will be followed next year and beyond by further work to transform the Agency's underpinning processes and technology.

In Scotland, we look forward to building on this year's successful start to Scotland's Tertiary Enhancement Programme and the first of the Tertiary Quality Enhancement Reviews, and we are keen to use the insights from Scotland's leading role in bringing the tertiary sector together to benefit policymakers and providers across the UK.

In Wales, we will continue to advise Medr as it develops its approach to quality further, and will continue to work in partnership with Estyn. In Northern Ireland, we continue to hope for a return to active quality assurance through a new review method.

Our international work continues to support the UK sector, and next year we plan to launch the next iteration of our enhancement scheme for UK transnational education.

Financial review

The financial statements have been prepared in accordance with the requirements of the Charities SORP. Resources expended on charitable activities are shown split between the aims of our 2024-27 strategy. The analysis of expenditure' note (note 6) splits these categories down further and includes an allocation of support costs across the aims.

Results

QAA's 2024-25 activities were funded primarily through membership from higher education

providers, contracts with the higher education funding bodies, contracts with regulatory bodies, international review activity and charges for oversight and review of alternative providers of higher education. Additional income was generated through investment income.

QAA's net expenditure for the year ended 31 July 2025, before recognising investment gains, was £574,748 (2024: net income £2,934,172). After recognising gains on investments of £348,327 (2024: gains of £372,466), the net movement in funds for the year was a decrease of £226,421 (2024: increase £3,306,638). The accumulated funds at 31 July 2025 are £6,169,005 (2024: £6,395,426).

Income

Total income as shown in the Statement of Financial Activities (SOFA) increased by £1,293,373 (14.8%) to £10,061,872 between 2023-24 and 2024-25. Income from charitable activities shows an increase of £1,318,902 (15.5%).

The increase in income between 2024 and 2025 was mainly as a result of a new three-year contract with the Nursing and Midwifery Council (£1,764,531) and an increase in Educational Oversight income. This was offset by a decrease in international income of £189,030 and decreases in UK membership income of £189,201 and UK sales of £90,988 where a more challenging economic environment exists.

Income from investments has decreased by £24,401 (8.7%) to £255,709 (2024: £280,111). The investment income is interest from cash deposits, together with dividends and interest from fixed asset investments. Investment returns are discussed in the Treasury management section below.

Expenditure

Total charitable expenditure, after restructure costs of £739,596 in 2024-25 and the pension provision release in 2023-24 of £2,680,761, increased by £4,802,293 (82.3%) to £10,636,620 as shown in the SOFA between 2023-24 and 2024-25.

Expenditure on charitable activities, before restructure costs and pension provision movements, increased by £1,374,476 (16.2%) to £9,876,880 (2024: £8,502,404). The increase in expenditure reflected the movements in income. The new Nursing and Midwifery Council contract and Educational Oversight costs increased expenditure by £1,502,433. This increase was partially offset by membership; international and UK sales activity decreases of £522,137. There was an increase of £394,180 in leadership and business support functions.

A breakdown of charitable expenditure between the strategic aims is shown in note 5 on page 38.

An analysis of charitable expenditure between direct costs and support costs is provided in the 'total charitable expenditure' note (note 6, page 39).

Balance sheet

Total funds on QAA's balance sheet are £6,169,005 (2024: £6,395,426). The net book value of tangible and intangible fixed assets held by the charity decreased by £38,164, as depreciation exceeded capital expenditure. The net book value of fixed asset investments has increased by £530,494 to £7,118,251.

Net current assets have decreased by £726,287 mainly as a result of the restructuring costs reducing the level of cash held. The increase in debtors reflects the accrued income from Nursing and Midwifery Council that was invoiced post-year end. This increase has been offset by an increase in deferred income as membership renewal was launched a month earlier.

Reserves policy

QAA's Reserves policy establishes a target range of free reserves, taking into account: the financial impact of risk; the volatility of current and future income streams; the action required in the event of income reduction; and the impact of future commitments. The resultant target range of free reserves, following the annual review, is set at £1.2-£2.3 million. The level of available free reserves of £5.7 million is above this range. The Board is considering plans to reduce the level of free reserves.

As part of the trustees' responsibilities regarding the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios has been considered. The assumptions modelled are based on the estimated potential impact of known changes in the sector and regulations, along with our proposed responses over the course of the next 18 months.

On the basis of this review, these financial statements have been prepared on a going concern basis, which the trustees consider to be appropriate based on the results for the year ending 31 July 2025, and forecasts and cash flow projections prepared for the period to 31 July 2027. The cash flow projections indicate that the charity will be able to meet its liabilities as they fall due and will be able to operate within the facilities currently available. The trustees consider that there are no material uncertainties over the charitable company's financial viability.

QAA holds reserves for three main reasons:

- to secure its long-term position
- to deliver the medium-term objectives in the QAA strategy, by ensuring that reserve levels provide a cushion against medium-term business risks and take full account of the costs of medium-term objectives
- to ensure that it can carry out the programme of work detailed in the next year's annual plan - for example, through meeting approved shortfalls in short-term activities that are not fully funded.

A designated Innovation and Development Fund is set aside 'for innovation in products and services for the long-term benefit of UK higher education'. The opening balance on the fund was £198,821. Whilst the restructure took place, nil was expended during the year.

The Business Transformation Fund had further transfers in of £500,000 and £200,000 during the year (agreed by Board at their meetings in October 2025 and December 2025).

At 31 July 2025, QAA's free reserves as defined by the Charities SORP were £5,743,549 (2024: £5,892,029).

Treasury management

The main principles underpinning QAA's treasury management policy are to ensure that:

- QAA has adequate cash and working capital to enable it, at all times, to have sufficient funds available to achieve its business objectives
- QAA investments are secure - this is achieved by ensuring that its authorised investments reflect a risk-averse and prudent attitude towards the organisations with which funds may be deposited, and limits its investment activities to those approved
- QAA achieves the maximum return on its investments, taking into account the other key principles
- QAA minimises the risk of fraud or error in its treasury management activities - this is achieved by designing suitable systems, procedures and contingency management arrangements in order to minimise the risk of fraud or error.

During 2024-25, the investment approach agreed by the trustees continued to be followed, with available funds being notionally split into three tranches and managed as follows:

- **short-term working capital** - held by QAA's bankers, HSBC Bank plc, and managed internally
- **medium-term cash funds** - invested with HSBC Bank plc and Lloyds Bank plc and managed internally in accordance with our cash flow plan to meet short-term working capital requirements
- **longer-term reserves** - over £7 million has been placed with Rathbones Investment Management Limited (Rathbones) for discretionary investment in listed shares and gilts.

Funds placed with Rathbones are invested in a charity-specific fund which is subject to ethical investment constraints. During the year, these constraints were extended to exclude investments in fossil fuels.

Investment income in the year is attributable to interest receivable of £53,397 from short-term working capital balances, together with interest and dividends of £202,312 received from fixed-asset investments.

The market value of the investments is £7.1 million (2024: £6.6 million). The net unrealised gain in the market value of funds held at 31 July 2025 was £345,327 (2024: loss £12,129). The surplus of interest and dividend receipts after paying management charges, together with net gains or losses realised, continues to be reinvested.

This approach is being closely monitored and managed to ensure that the principles of the treasury management policy are being met.

Directors' report

Structure, governance and management

QAA is a private company limited by guarantee, and a registered charity in England, Wales and Scotland. Our four company members were, as of 31 July 2025:

- GuildHE Limited
- Universities Scotland
- Universities UK
- Universities Wales.

In the event of winding up, the liability of our company members is limited to an amount not exceeding £1 per member.

We were established under a Memorandum of Association and are governed under our Articles of Association, which set out our constitution and objects.

Our objects are:

- the promotion and maintenance of quality and standards in tertiary education in the UK and elsewhere;
- the enhancement of teaching and learning, and the identification and promotion of innovation and good practice in teaching and learning;
- the provision of information and the publication of reports on quality and standards in tertiary education in the UK and elsewhere;
- the provision of advice to governments, as requested, on access course recognition and in relation to all or any of the above objects.

Governance

As part of QAA's ongoing commitment to good governance and leadership, the Board members completed a Board skills audit. One-to-one annual conversations continued to be held between the Chair and individual Board members.

During the year, the Board has also reviewed and, where appropriate, approved:

- QAA's risk appetite and tolerance levels
- Annual Plan
- Annual Budget
- Access to HE Recognition Scheme

Various policies and procedures, including:

- Consolidated Appeals Procedure
- Process for consideration of observations for NMC reports and complaints
- Safeguarding Policy
- QAA Scheme of Delegated Authority
- Treasury Management Policy

Recruitment and appointment to the Board

Our Board directors are also our trustees for the purposes of charity law. The Articles of Association were amended to allow the Board to co-opt up to three further members to ensure it has the full complement of skills and experience necessary to reflect the complex and diverse nature of tertiary education in the UK and internationally. The Articles now allow for up to 20 trustees to be appointed to the Board as follows.

- Serving a three-year term, then eligible for a second three-year term:
 - three members nominated jointly by three funding bodies for UK higher education (Department for Education (Northern Ireland), The Commission for Tertiary Education and Research (Medr), and the Scottish Funding Council), and appointed by the Board;

- four members nominated jointly by the UK higher education representative bodies (GuildHE, Universities Scotland, Universities UK and Universities Wales), and appointed by the Board;
 - one member nominated by the representative body for colleges in the UK, and appointed by the Board;
 - six independent members appointed by the Board;
 - one independent member appointed by the Board who, at the time of appointment, is engaged wholly or mainly in the governance or management of an alternative provider of higher education;
 - up to three further members co-opted by the Board who can provide knowledge and understanding of such other areas as the Board may consider desirable.
- Serving a one-year term, then eligible for a second one-year term:
 - one independent member appointed by the Board who, at the time of appointment, is a registered undergraduate or postgraduate student, an elected student officer of a student union, or an elected student officer of a student representative body;
 - one member nominated by the National Union of Students and appointed by the Board.

Our Board membership represents the diversity of UK higher education, including students, with a rich mix of skills and experience. Our six independent Board members have, in line with the requirements of our Articles, experience in industrial, commercial or financial matters, or professional practice. We advertise publicly to recruit our independent members, following an assessment of the skills we need on our Board. Our Nomination and Remuneration Committee advises the Board to ensure our selection and recruitment process is transparent and fair.

All Board members are non-executive directors. They give their time voluntarily and do not receive any remuneration or benefits from the charity. Expenses claimed by Board members during 2024-25 are covered in note 10 of our financial statements.

Board responsibilities

Our Board's principal responsibilities include:

- approving our mission and strategic vision, strategic plans, annual plans and budgets, and key performance indicators
- ensuring the establishment and monitoring of systems of control and accountability
- ensuring processes are in place to monitor and evaluate our performance and effectiveness
- appointing the Chief Executive and putting in place suitable arrangements for monitoring their performance
- acting as our principal financial and business authority
- ensuring we keep proper books of accounts
- approving our annual report and financial statements
- overall responsibility for our assets, property and estate.

The Board has delegated responsibility for the day-to-day management of the charity to our Chief Executive, in accordance with a scheme of delegation. In discharging these responsibilities, the Chief Executive is advised and supported by the Executive team and wider Senior Leadership team.

Board member induction

Newly appointed Board members are provided with the following documents, and sign a declaration to confirm that they have reviewed and understood them:

- Charity Commission publications: *The Essential Trustee* and the *Charity Governance Code*
- Office of the Scottish Charity Regulator publication: *Guidance and Good Practice for Charity Trustees*
- QAA publication: *QAA Code of Good Practice in Governance* (including guidance on ethical conduct, statutory duties and responsibilities, and good governance).

All new Board members have an individual induction programme of meetings with the Chair and senior staff. This introduces them to QAA, our governance, operations and strategic plans. Our Director of Corporate Affairs (Company Secretary) and Assistant Company Secretary are available to support Board members in discharging their statutory duties, providing advice and guidance as required.

Board member activities

A typical year for one of our Board members is likely to include:

- attendance at four Board meetings (one day per meeting)
- a strategic away-day
- attendance at the QAA annual conference
- attendance at committee meetings and working groups convened for specific purposes (as required).

At least two Board meetings per year are usually held in person; others may be held online. Committee meetings are usually held online.

In addition, our Board members may be invited to become involved in a particular area of the Agency's work, by providing advice and support to QAA staff, which, in turn, enhances Board understanding and scrutiny.

During the year 2024-25, the average Board meeting attendance was 89% (90% in 2023-24). Individual Board member attendance was as follows:

Name	Attendance for 2024-25 (out of four meetings)
John Sawkins	4 (out of 4)
Nic Beech	3 (out of 4)
Oliver Turnbull	0 (out of 0)
Simon Gaskell (Chair)	3 (out of 3)
Sue Rigby	1 (out of 1)
Rachid Hourizi	4 (out of 4)
Karl Leydecker	4 (out of 4)

Xenia Levantis	0 (out of 1)
Peter Vermeulen	4 (out of 4)
Fazal Dad	4 (out of 4)
Alex Fraser	4 (out of 4)
Phil Deans	3 (out of 4)
Odette Hutchinson	2 (out of 4)
Richard Khaldi	3 (out of 4)
Dani Saghafi	4 (out of 4)
Caroline Carter	3 (out of 4)
Alex Stanley	3 (out of 4)
Lucy Jones	2 (out of 3)
Mirjam Plantinga	4 (out of 4)
Moiria Fischbacher-Smith	0 (out of 0)
Nichola Callow	2 (out of 3)
Christian Brodie (Chair)	1 (out of 1)
Jimena Alamo	3 (out of 3)

Specified quorum, as detailed in our Articles of Association, was reached at all meetings.

Board committees

There were seven Board committees in operation during 2024-25, plus the Consultative Board, which brings together senior stakeholders from the tertiary sector. All committees have individual terms of reference and Board attendance at committees is reported at Nomination and Remuneration Committee.

Corporate matters:

- Audit and Risk Committee
- Nomination and Remuneration Committee

Advisory:

- QAA Wales Strategic Advisory Committee
- QAA Scotland Strategic Advisory Committee
- Student Strategic Advisory Committee
- Consultative Board
- NEW in 2025-26: Nursing and Midwifery Council Contract Advisory Committee

Operations:

- Access Regulation and Licensing Committee
- Advisory Committee on Degree Awarding Powers

QAA Board of Directors

From 1 August 2024 to 31 July 2025, the following served as directors and trustees on the QAA Board:

Independent members

Simon Gaskell	Former President and Principal, Queen Mary University of

(Chair)	London (appointed March 2019, served to March 2025)
Christian Brodie	Chair of United Learning, former Chair of Student Loans Company and other bodies (appointed March 2025)
(Chair)	
Rachid Hourizi	Director, Institute of Coding, University of Bath (appointed March 2022)
Peter Vermeulen (Honorary Treasurer)	Chief Financial Officer, University of Bristol (appointed March 2023)
Ladan Saghafi	Associate Professor of Practice, Brunel University London (appointed December 2023)
Caroline Carter	Non-practising Solicitor, Director and Trustee (appointed December 2023)
Richard Khaldi	Chambers Director, Maitland Chambers (appointed January 2024)
Independent member: alternative provider	
Alex Fraser	Chief Executive, The London Institute of Banking & Finance (appointed June 2023)
Independent member: student	
Sophia Xenia Levantis	PhD Student, University of Bristol (appointed October 2022, served to October 2024)
Jimena Alamo	SU President, University of Bath (appointed October 2024)
Nominated jointly by GuildHE Limited, Universities Scotland, Universities UK and Universities Wales	
Karl Leydecker	Senior Vice-Principal, University of Aberdeen (appointed June 2022)
Sue Rigby	Vice-Chancellor, Bath Spa University (appointed October 2019, served to October 2024)
Nic Beech	Vice-Chancellor, Salford University (appointed September 2021)
Nichola Callow	Pro Vice-Chancellor (Education and Student Experience), Bangor University (appointed October 2024)
Lucy Jones	Vice-Principal Academic Development, Anglia Ruskin University (appointed October 2024)
Nominated jointly by the Department for Education (Northern Ireland), the Commission for Tertiary Education and Research and the Scottish Funding Council	
John Sawkins	Deputy Principal (Education and Student Life), Professor of Economics, Heriot-Watt University (appointed October 2019, served to June 2025)
Moirra Fischbacher-Smith	Vice-Principal for Learning and Teaching, University of Glasgow (appointed June 2025)
Oliver Turnbull	Pro Vice-Chancellor (Teaching and Learning), Professor of Neuropsychology, Bangor University (appointed September 2019, served to September 2024)
Odette Hutchinson	Pro Vice-Chancellor, Ulster University (appointed June 2023)
Mirjam Plantinga	Pro Vice-Chancellor, University of Wales Trinity Saint David (appointed September 2024)
Nominated by the Association of Colleges	

Fazal Dad	Principal & Chief Executive, Blackburn College (appointed March 2023)

Nominated by the National Union of Students

Alexander Stanley	Vice-President (Higher Education), NUS (appointed July 2024)

Co-opted member

Phil Deans	University President, Richmond, The American International University in London (appointed March 2023)

Organisational structure

Our Executive team in 2024-25 was:

- Vicki Stott, Chief Executive
- Caroline Blackburn, Chief Operating and Finance Officer
- Alastair Delaney, Executive Director of Operations (until September 2024)
- Tom Yates, Executive Director of Corporate Affairs
- Nick Bayley, Executive Director of Business Development and Engagement (from February 2025)
- Rob Stroud, Executive Director of Quality Assurance and Enhancement (from October 2024)

The Executive team was supported by the wider Senior Leadership team.

Pay and remuneration

Our Nomination and Remuneration Committee advises the Board on the performance of the Chief Executive and Executive team, appropriate remuneration, and severance payments. In advising on setting the pay of the Chief Executive and Executive team, the Committee takes into account the skills and experience required for each of the roles, and the remuneration in sectors from which suitable candidates for such posts would be found. Remuneration for different jobs is validated objectively, using the public sector as a comparator. This includes looking at salary survey data for comparable roles from a number of sectors, including charities, higher education and organisations within the local area. Salary increases for all colleagues are negotiated between Executive, Human Resources, and the Public and Commercial Services Union (PCS).

Corporate social responsibility and sustainability

QAA is committed to working in an ethically and socially responsible manner across all areas of our business. Our work safeguards standards and improves the quality of UK higher education, wherever it is delivered around the world. Our business approach considers the impact of our work on the environment, our staff, suppliers, local communities, the higher education sector, and wider society. In 2024, we committed to a 2040 Net Zero target. Consequently, in May 2025, we measured our carbon emissions to create a baseline measurement and quantify the size of the required reductions to achieve this. Our most recent CSR policy (running from 2023) sets out our aims and the activities in which we engage to support them and how QAA supports the United Nations Sustainable

Development Goals:

- To uphold an ethical, transparent business culture and approach to our work
- To reduce our negative impact on the environment
- To contribute to the development of our communities
- To respect our colleagues and encourage their development.

Our performance and impact is monitored by our Sustainability and Corporate Social Responsibility Committee, which reports to the Senior Leadership team and the Board's Audit and Risk Committee.

Data protection

There were no reportable incidents involving personal data during 2024-25.

Fundraising activities

The charity had no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

Equity, diversity and inclusion statement

We are committed to promoting equity, diversity and inclusion (EDI) in all aspects of our work. We recognise the value that diverse perspectives bring and the importance of inclusive practice in delivering high-quality outcomes across UK higher education.

Equity is a core principle in our approach to quality assurance and enhancement. We believe it is fundamental to a high-quality educational experience and central to the expectations that students should rightly have of UK higher education providers.

EDI is a shared responsibility across the Agency, with strategic oversight from our Executive team, supported by Human Resources and Organisational Development. We regularly review our internal policies and practices to ensure they reflect our values and foster an inclusive culture.

To support continuous improvement, we carry out a biannual Agency-wide EDI survey open to all colleagues and reviewers. The data helps us better understand the diversity of our workforce and identify areas where further action is needed.

We remain committed to making meaningful progress on EDI and embedding it in how we work, lead and deliver our responsibilities.

Delivering public benefit

We have a duty, under the Charities Act 2011, to report on the public benefit that we deliver. Our trustees have regard to the Charity Commission's guidance on public benefit - a summary of which is issued to our Board members on appointment - and are satisfied that, through our work to support the UK tertiary education sector, including helping to provide access to higher education for many students and working more generally in the interests of students, our public benefit requirements have been met.

Welsh Language Compliance Notice

QAA continues to strengthen its commitment to the Welsh language, as set out in the

compliance notice with which QAA has a duty to comply. QAA continues to produce annual reports for the Welsh Language Commissioner that note how we comply, as well as steps to take to further compliance. The report is considered by QAA's cross-organisational Welsh Language Working Group and approved by the Audit and Risk Committee.

European Standards and Guidelines

Compliance with the ESG is fundamental for QAA, not only to enable all of QAA's work in Scotland, Wales, Northern Ireland and internationally, but also to the philosophy of collaborative, peer-led quality assurance that underpins QAA's core purpose.

The European Association for Quality Assurance in Higher Education (ENQA) review in March 2023 found QAA to be compliant with the ESG. QAA is implementing its action plan in respect of recommendations and suggestions for further improvement arising from the review and submitted its follow-up report on actions taken to ENQA in June 2025.

Relationships with related parties

QAA's subsidiary - QAA Enterprises Limited, a private company limited by shares - is governed by its own Articles of Association, which set out its constitution. The subsidiary has been dissolved after this reporting year.

All QAA Board members completed a declaration of interest on appointment and any conflicts specific to a Board meeting are recorded and minuted in the meeting.

Principal risks and uncertainties

Our Board is ultimately responsible for our approach to risk management, which is set out in our risk management policy. We record strategic risks in our strategic risk register, and operational risks are managed through operational risk registers, which may include registers dedicated to specific projects or activities.

The strategic risk register is reviewed by our Audit and Risk Committee at each of its meetings, and by the Board at each of its meetings.

The risks considered significant at the inherent (pre-mitigation) stage during 2024-25 included risks to the Agency's revenue as a consequence of ongoing financial pressures in the sector and risks involved in navigating the varied and evolving stakeholder landscape in the various nations of the UK. Mitigations for these risks included the organisational restructure that took place in 2024-25 to give the Agency a more responsive operating model with stronger business development and engagement capabilities. Cyber-security remained a significant operational risk even at the residual (post-mitigation) stage, despite comprehensive mitigations including annual ISO27001 audit, periodic penetration testing and the continued use of multi-factor authentication technology across the Agency.

The Board is satisfied that risks and uncertainties are being appropriately monitored and managed.

Reference and administrative details

Registered name	The Quality Assurance Agency for Higher Education
Other names used by the company	QAA, QAA Scotland, QAA Cymru
Company registration number	03344784 (England and Wales)

Charity registration numbers	1062746 (England and Wales) SC037786 (Scotland)
Registered and principal office	Southgate House, Southgate Street, Gloucester GL1 1UB
Operational addresses	Southgate House, Southgate Street, Gloucester GL1 1UB
Company Secretary	Tom Yates, Director of Corporate Affairs
Senior management (with delegated authority)	Vicki Stott, Chief Executive
Bankers	HSBC Bank plc, The Cross, Gloucester GL1 2AP and Lloyds Bank plc, 10 Gresham Street, London EC2V 7AE
Investment managers	Rathbones Investment Management Limited, 1 Curzon Street, London W1J 5FB Barclays Private Bank (Barclays Bank PLC), 40-42 Queen Square, Bristol BS1 4QP
Solicitors	Shakespeare Martineau, No 1 Colmore Square, Birmingham B4 6AA
Independent auditor	Crowe U.K. LLP, 4 th Floor, St James House, St James Square, Cheltenham GL50 3PR

Responsibilities of the trustees and directors

The trustees (who are also directors of The Quality Assurance Agency for Higher Education for the purposes of company law) are responsible for preparing the Trustees' Annual Report, including the Strategic Report and Directors' Report, and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the trustees to prepare financial statements for each financial year. Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity, and of the incoming resources and application of resources, including the income and expenditure, for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company. The trustees should be assured

that the financial statements comply with: the Companies Act 2006; the Charities and Trustee Investment (Scotland) Act 2005; the Charities Accounts (Scotland) Regulations 2006 (as amended); and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Information to auditor

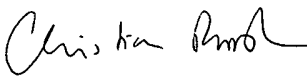
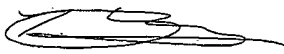
In the case of each of the persons who are directors of the company at the date when this report was approved:

- in so far as each of the directors of the company at the date of approval of this report is aware, there is no relevant audit information (information needed by the company's auditor in connection with preparing the audit report) of which the company's auditor is unaware
- each director has taken all the steps that they should have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

A resolution to reappoint Crowe U.K. LLP as auditor to the company was agreed at our Annual General Meeting in December 2025.

The Strategic Report, Directors' Report and financial statements were approved by the Board on 10 December 2025 and were signed on its behalf by:

Christian Brodie Chair of the Board of Directors 	Tom Yates Company Secretary 

Independent Auditor's Report to the Members and the Trustees of The Quality Assurance Agency for Higher Education

Opinion

We have audited the financial statements of The Quality Assurance Agency for Higher Education ('the charitable company') for the year ended 31 July 2025, which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2025 and of its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005 and Regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the charitable company, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other

information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 23 and 24, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations, are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charitable company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, including financial reporting legislation, the Charity SORP (FRS 102) and tax regulations. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be necessary to the charitable company's ability to operate or to avoid a material penalty. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any. The laws and regulations we considered in this context for the UK operations were the General Data Protection Regulation, and employment legislation.

We also considered the opportunities and incentives that may exist within the charitable company for fraud. We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of contract income, and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, designing and performing audit procedures over the timing of contract income, reviewing regulatory correspondence with the Charity Commission and Scottish Charity Regulator, reviewing accounting estimates for biases, and reading minutes of meetings of those charged with governance.

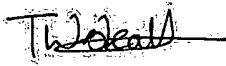
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would be to identify it.

In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's

trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Tara Westcott
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
St James House
St James Square
Cheltenham
GL50 3PR
Date: 12 December 2025

Statement of financial activities for the year ended 31 July 2025

	Notes	2025 £ Unrestricted funds	2024 £ Unrestricted funds
Income from:			
Charitable activities	4	9,806,163	8,487,261
Other trading activities		-	1,128
Investments	3	255,709	280,110
Total income		10,061,872	8,768,499
Expenditure on:			
Investment management costs		20,144	12,682
Raising funds		20,144	12,682
Charitable activities	5,6	10,616,476	5,821,645
Total expenditure		10,636,620	5,834,327
Net gains on investments		348,327	372,466
Net (expenditure)/income and net movement in funds for the year	7	(226,421)	3,306,638
Reconciliation of funds			
Total funds brought forward		6,395,426	3,088,788
Total funds carried forward	19	6,169,005	6,395,426

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The notes on pages 33 to 53 form part of these financial statements.

Balance sheet as at 31 July 2025

(Company number: 03344784)

	Notes	2025 £	2024 £
Fixed assets:			
Intangible fixed assets	11	62,706	97,759
Tangible assets	12	47,525	50,636
Investments	13	7,118,251	6,587,758
Total fixed assets		7,228,482	6,736,153
Current assets:			
Debtors	14	1,724,909	1,203,101
Cash at bank and in hand		2,684,315	3,711,835
Total current assets		4,409,224	4,914,936
Liabilities:			
Creditors - amounts falling due within one year	15	(5,316,775)	(5,096,200)
Net current assets		(907,551)	(181,264)
Total assets less current liabilities		6,320,931	6,554,889
Provision for liabilities	17	(151,926)	(159,463)
Pension provision liability	18	-	-
Total net assets		6,169,005	6,395,426
The funds of the group and charity:			
Designated funds	19	315,225	354,821
General funds	19	5,853,780	6,040,605
Total funds as at 31 July		6,169,005	6,395,426

The notes on pages 33 to 53 form part of these financial statements.

The financial statements were approved and authorised by the Board on 10 December 2025 and were signed on its behalf by:



Christian Brodie, Chair of the Board of Directors

Statement of cash flows for the year ended 31 July 2025

	Notes	2025 £	2024 £
Cash flows from operating activities:			
Net cash provided by operating activities	21	<u>(1,073,422)</u>	<u>5,636</u>
Cash flows from investing activities:			
Investment income		255,709	280,111
Proceeds from sale of investments		3,310,387	6,608,939
Purchase of investments		(3,488,527)	(6,137,731)
Purchase of intangible fixed assets		-	-
Purchase of tangible fixed assets		<u>(27,641)</u>	<u>(49,116)</u>
Net cash provided by/ (used in) investing activities		<u>49,928</u>	<u>702,203</u>
Change in cash and cash equivalents in the year		(1,023,494)	707,839
Cash and cash equivalents at the beginning of the year		<u>4,382,010</u>	<u>3,674,171</u>
Cash and cash equivalents at the end of the year	23	<u>3,358,516</u>	<u>4,382,010</u>

The notes on pages 33 to 53 form part of these financial statements.

1 Legal status

2 Accounting policies

Unrestricted funds are incoming resources received or generated for expenditure on the general objectives of QAA. Designated funds are unrestricted funds of the charity which have been set aside by the trustees to fund particular future activities of the charity.

2 Accounting policies (continued)

e Income

QAA's activities are funded primarily through contracts with the higher education funding bodies and UK governments, and through subscriptions from higher education institutions; it does not raise income through fundraising. All income has been accounted for when the charity has entitlement to the funds; any performance issues attached to the item(s) of income have been met, and it is probable that the income will be received and the amount can be measured reliably.

f Expenditure and the basis of allocation of costs

All expenditure has been accounted for on an accruals basis and has been recorded as attributable to one of two categories - 'raising funds' (the cost of managing the charity's investments) and 'charitable activities' as shown in the SOFA. Redundancy and termination costs only occur where necessary and are accounted for on an accruals basis when the commitment to terminate a post on the grounds of redundancy or terminate an employee's contract has been made. The charitable activities are further divided into the four strategic aims of the charity. Within charitable activities, the expenditure is classified as 'direct costs' or 'support costs' as shown in the 'total charitable expenditure' note.

Staff numbers and costs were allocated:

- directly to one or more of the three charitable activities as 'direct costs', or
- directly to governance as 'support costs', or
- apportioned to the three charitable activities and governance as 'support costs' using the staff numbers already attributed to those activities.

Non-pay costs were allocated:

- directly to one or more of the three charitable activities as 'direct costs', or
- directly to governance as 'direct costs' or 'support costs', or
- apportioned to the three charitable activities and governance as 'support costs' using the staff numbers already attributed to those activities.

Governance costs include the costs of meeting constitutional and statutory requirements such as audit, trustees' meetings and expenses, and legal fees. The staff and office costs associated with such costs are included in support costs. Governance costs are then apportioned to one of the three charitable activities.

g Operating leases

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred on a straight-line basis over the term of the lease.

h Intangible assets

The cost of standard computer software is written off to the SOFA as it is incurred. Software that has been designed specifically for QAA or purchased as part of a larger capital project has been capitalised and written off over a five-year period.

2 Accounting policies (continued)

i Tangible fixed assets and depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset in equal instalments over its expected useful life.

The depreciation rates are as follows:

- computer equipment: three years
- office furniture and equipment: five years
- leasehold improvements: over the outstanding period of the lease.

Assets costing less than £2,000 are not capitalised unless they form part of a larger capital project.

j Investments

Listed investments are shown at market value at the year end and any movements are recorded as unrealised gains or losses in the statement of financial activities. Surpluses or deficits on investments sold during the year are calculated by comparing net proceeds with market value at the start of the year and are recorded as realised gains or losses in the statement of financial activities. Unlisted investments are included at cost.

k Debtors

Trade debtors, other debtors and accrued income are recognised at the settlement amount due after any trade discount. Prepayments are valued at the amount prepaid net of any trade discounts due.

I Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions.

m Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of financial activity.

n Creditors and provisions

Creditors and provisions are recognised when the charity has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

QAA provides paid holiday arrangements for its employees and recognises the expense in the period in which the benefit is accrued. A provision is made for the cost of holiday accrued but not taken.

2 Accounting policies (continued)

o Basic financial provisions

QAA has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

p Pensions

Hybrid pension schemes

QAA participates in the Universities Superannuation Scheme (USS) and Superannuation Arrangements for the University of London (SAUL). During the current period, both were hybrid pension schemes, having both a defined benefit and defined contribution part. The defined benefit assets of the schemes are held in separate trustee-administered funds. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions, and a scheme-wide contribution rate is set. QAA is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 'Employee benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the SOFA represents the contributions payable to the scheme in respect of the accounting period. Since QAA has entered into agreements (the Recovery Plans that determine how each employer within each scheme will fund the respective overall deficit of each scheme), should the schemes be in deficit, QAA would recognise a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the SOFA. If the schemes are in surplus no assets are recognised as there is no provision in the Scheme Rules for employers to receive a refund.

Critical accounting judgements

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control, typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as those provided by USS and SAUL. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The directors are satisfied that the schemes provided by USS and SAUL meet the definition of a multi-employer scheme and have therefore recognised the discounted fair value of the contractual contributions under the funding plans in existence at the balance sheet date.

Defined contribution scheme

QAA also participates in a defined contribution pension scheme and the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

3 Income from investments

The charity's investment income for the year is analysed by source below:

	2025 £	2024 £
Dividend and interest income from quoted investments	202,312	211,641
Interest from cash held in interest-bearing bank accounts	53,397	68,470
Total investment income for the year	255,709	280,111

4 Income from charitable activities

	Note	2025 £	2024 £
Memberships		3,979,933	3,925,475
Regulatory		435,880	631,997
Contracts with higher education funding bodies		1,676,302	1,532,053
Alternative providers of higher education		406,882	296,333
Other contracts and related income		3,307,166	2,101,403
Total income from charitable activities		9,806,163	8,487,261

Analysis by source:

UK higher education funding councils		1,446,628	1,869,156
UK higher education institutions		3,391,426	3,506,936
UK further education institutions		375,156	334,153
UK alternative providers of higher education		731,000	775,802
Other		4,027,165	2,034,447
		9,971,375	8,520,494

Release income deferred in prior years	15	4,039,689	4,142,524
Defer income received in current year	15	(4,204,901)	(4,175,757)
Total income from charitable activities		9,806,163	8,487,261

5 Expenditure on charitable activities

	Note	2025	2024
		£	£
Standards		818,496	1,604,354
Assurance and Enhancement		7,051,590	4,839,584
International		1,516,573	1,843,183
Leadership		490,221	215,283
Total expenditure on charitable activities before pension provision and restructure costs		9,876,880	8,502,404
Restructure costs		739,596	-
Pension provision - deficit contributions (included above)	21	-	(91,277)
Credited to the SOFA - change in expected future deficit contributions		-	(2,650,918)
Pension provision - unwinding of discount	21	-	61,434
Total expenditure on charitable activities		10,616,476	5,821,643

6 Analysis of expenditure on charitable activities

	Charitable activities				Total expenditure on charitable activities	
	Standards	Assurance and Enhancement	International	Leadership	2025	2024
	£	£	£	£	£	£
Direct costs						
Staffing	497,117	3,412,682	851,923	303,051	5,064,773	4,396,717
Other review costs	71,898	1,419,145	178,728	40,365	1,710,136	995,190
Other direct costs	4,369	108,044	31,758	-	144,171	29,643
Total direct costs	573,384	4,939,871	1,062,409	343,416	6,919,080	5,421,550
Support costs						
Staff costs	170,839	1,471,825	316,543	102,320	2,061,527	2,120,365
Premises and office costs	1,401	12,069	2,596	839	16,905	219,381
IT	26,032	224,272	48,234	15,591	314,129	225,982
Finance	4,303	37,070	7,973	2,577	51,923	42,361
Depreciation	5,453	46,980	10,104	3,266	65,803	90,189
HR and SD costs	19,631	169,126	36,374	11,758	236,889	152,526
Other	8,920	76,853	16,529	5,343	107,645	89,431
Governance	8,534	73,522	15,812	5,111	102,979	140,619
Total support costs	245,113	2,111,717	454,165	146,805	2,957,800	3,080,854
Expenditure on charitable activities before pension provision	818,497	7,051,588	1,516,574	490,221	9,876,880	8,502,404
Restructure					739,596	-
Pension provision - net (surplus)/ contributions					-	(2,742,195)
Pension provision - unwinding of discount					-	61,434
Total charitable expenditure					10,616,476	5,821,643

7 Net income of the financial year

	Note	2025 £	2024 £
Net income is stated after charging/(receiving):			
External auditors - audit services		20,150	19,800
- non-audit services		5,100	4,158
Professional indemnity insurance		69,799	61,989
Intangible fixed assets			
Amortisation		35,053	35,178
Tangible fixed assets			
Depreciation		30,751	55,011
Loss on disposal		-	7,855
Operating leases			
Land and buildings		39,471	81,239
Other		-	-
Foreign exchange costs		37	682
Employer pension contributions	20	<u>770,691</u>	<u>850,188</u>

8 Analysis of staff costs

	2025 £	2024 £
Total staff costs were:		
Salaries	5,626,383	5,099,610
Employers' National Insurance contributions	636,568	548,974
Pension contributions payable	<u>736,973</u>	<u>850,188</u>
	6,999,924	6,498,772
Employment agency staff	<u>126,376</u>	<u>18,415</u>
Total staff costs before restructuring and pension provision liability adjustments	7,126,300	6,517,187
Restructure costs	595,970	-
Deficit contributions payable in the year (included in contributions paid above)	-	(91,277)
Decrease in expected future deficit contributions	-	(2,650,918)
Total staff costs charged to the SOFA	<u>7,722,270</u>	<u>3,774,992</u>

8 Analysis of staff costs (continued)

	2025 Number	2024 Number
Standards	12	23
Assurance and Enhancement	73	51
International	17	26
Leadership	8	9.5
Total average number of employees on a full-time equivalent basis	110	109.5
Total average number of employees on a headcount basis	126	125

During the year, there were redundancy and termination payments accounted for which amounted to £269,203 (2024: nil).

The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 were:

	2025 Number	2024 Number
£150,000-£159,999	1	-
£140,000-£149,999	-	1
£100,000-£109,999	1	1
£90,000-£99,999	2	1
£80,000-£89,999	-	1
£70,000-£79,999	2	4
£60,000-£69,999	13	12

Employees earning more than £60,000 participated in both the Universities Superannuation Scheme (18) and SAUL (1) (see note 20). The aggregate amount paid to the scheme for these employees was:

	2025 £	2024 £
Employer contributions	205,726	257,563

9 Remuneration of directors and key management personnel

The key management personnel of the charity comprise the trustees and senior executive staff (see the Directors' Report above).

There were no emoluments paid to the trustees during the year. Eleven trustees were reimbursed expenses to the value of £2,474 during the year (2024: 8 trustees, £2,081). The expenses paid related solely to travel and incidentals.

The total employee benefits (including Employer Pension contributions and Employers' National Insurance contributions) received by the senior executive staff of the charity was £707,621 (2024: £567,210). The restructure has resulted in one additional senior executive post.

The highest paid employee is the Chief Executive, whose remuneration and benefits, including Employer Pension contributions and Employers' National Insurance contributions, in the year were £202,416 (2024: £194,093).

During the year, QAA purchased Directors and Officers Liability Insurance (which included Trustee Indemnity Insurance).

10 Taxation

Under part II of CTA 2010, the charity is not subject to taxation on its charitable activities.

11 Intangible fixed assets

	Computer Software £	Total £
Cost		
At 1 August 2024	591,698	591,698
Additions	-	-
Disposals	-	-
At 31 July 2025	591,698	591,698
Amortisation		
At 1 August 2024	493,939	493,939
Charge for the year	35,053	35,053
Disposals	-	-
At 31 July 2025	528,992	528,992
Net book value at 31 July 2025	62,706	62,706
Net book value at 31 July 2024	97,759	97,759

12 Tangible fixed assets

	Leasehold improvements	Computer equipment	Furniture and other equipment	Total
	£	£	£	£
Cost				
At 1 August 2024	-	467,639	142,629	610,268
Additions	-	27,641	-	27,641
Disposals	-	(309,229)	-	(309,229)
At 31 July 2025	-	186,051	142,629	328,680
Depreciation				
At 1 August 2024	-	418,082	141,550	559,632
Charge for the year	-	30,105	647	30,752
Disposals	-	(309,229)	-	(309,229)
At 31 July 2025	-	138,958	142,197	281,155
Net book value at 31 July 2025	-	47,093	432	47,525
Net book value at 31 July 2024	-	49,557	1,079	50,636

The directors consider that the market value of fixed assets does not differ significantly from their book value.

13 Fixed asset investments

	Quoted investments	Total
	£	£
At 1 August 2024	6,587,758	6,587,758
Additions at cost	3,488,527	3,488,527
Disposals at opening market value or cost if bought in year	(3,308,026)	(3,308,026)
Net increase in cash held and settlements outstanding	4,026	4,026
Net gain on revaluation to year end market value	345,966	345,966
At 31 July 2025	7,118,251	7,118,251

Quoted investments are revalued and stated at market value as at 31 July 2025. The net gain on revaluation does not include the realised gain of £2,361. Realised and unrealised gains are £348,327.

Unquoted investments are stated at cost. QAA holds one ordinary £1 share (100%) in QAA Enterprises Limited, a wholly owned trading subsidiary company registered in England and Wales no. 07588108, with the principal office at Southgate House, Southgate Street, Gloucester, GL1 1UB.

Quoted investments are included at market value and held as follows:

	At 31 July 2025 Cost	At 31 July 2025 Market value	At 31 July 2024 Cost	At 31 July 2024 Market value
	£	£	£	£
Listed on a recognised stock exchange				
- in the UK	6,098,263	6,444,050	5,929,709	5,917,582
- outside the UK				
Cash and settlements pending held as part of the investment portfolio	674,201	674,201	670,175	670,175
	6,772,464	7,118,251	6,599,884	6,587,757

14 Debtors

	2025	2024
	£	£
Trade debtors	1,016,736	967,205
Sundry debtors	9,033	422
Prepayments	251,297	168,186
Accrued income	447,843	67,288
	<u>1,724,909</u>	<u>1,203,101</u>

We are currently not holding a provision for doubtful (doubtful debts provision 2024: £nil).

15 Creditors: amounts falling due within one year

	2025	2024
	£	£
Trade creditors	163,484	90,376
Taxation and social security	205,422	157,697
Pension contributions	103,998	94,657
Other creditors	23,761	35,139
Accruals	410,571	474,004
Deferred income	4,409,539	4,244,327
	<u>5,316,775</u>	<u>5,096,200</u>
At start of year	4,244,327	4,211,094
Release income deferred in prior years	(4,039,689)	(4,142,523)
Deferred income received in current year	4,204,901	4,175,756
At end of year	<u>4,409,539</u>	<u>4,244,327</u>

Deferred income relates to contractual commitments which will not be delivered until next year. It is therefore not appropriate to recognise the income at this stage.

16 Related party transactions

Due to the nature of QAA's operations and the composition of the QAA Board of Directors, transactions take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with QAA's financial regulations and normal procurement procedures. No transactions were identified that should be disclosed under *Financial Reporting Standard 8: Related Party Disclosures*.

QAA is a member of Scottish Credit and Qualifications Framework Partnership, a company limited by guarantee and registered in Scotland number SC311573.

17 Provision for liabilities

Provisions have been made for the following:

Holiday pay

The movement in the provisions during the year is:

	Holiday Pay
	£
At 1 August 2024	148,753
Provided during the year	(1,827)
Utilised in the year	-
At 31 July 2025	<u>146,926</u>

Reinstatement of premises

The Reinstatement of premises provision covers the cost of returning our Gloucester premises to their original condition at the end of the licence.

	Reinstatement of premises
	£
At 1 August 2024	10,710
Provided during the year	-
Utilised in the year	(5,710)
At 31 July 2025	<u>5,000</u>

18 Pension liability provision

The total pension cost charged to the SOFA is:

	Charity	
	2025	2024
	£	£
Employer contributions payable in the year	770,691	850,188
Deficit contributions payable in the year (included in employer contributions above)	-	(91,277)
Change in expected future deficit contributions	-	(2,650,918)
Total pension cost charged to the SOFA	770,691	(1,892,007)

The movement in the provision is:

	Charity	
	2025	2024*
	£	£
At 1 August	-	2,680,761
Charged to the SOFA - deficit contributions payable in the year	-	(91,277)
Charged to the SOFA - change in expected future deficit contributions	-	(2,650,918)
Unwinding of discount	-	61,434
At 31 July 2025	-	-

*During the prior year the latest actuarial valuation of the USS pension scheme was completed. The scheme returned to a surplus position of £7.4bn, a position that was reinforced by the estimated valuation as at 31 March 2025 (based on the monitoring of the 2023 valuation) of £10.1bn. The pension deficit provision of £2.7m was therefore released in full in 2024.

19 Analysis of charitable funds

Analysis of movements in unrestricted funds

	Funds at 1 August 2024	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2025
	£	£	£	£	£	£
Designated funds:						
Innovation and development	198,821	-	-	-	-	198,821
Business transformation	156,000	-	(739,596)	700,000	-	116,404
Total designated funds	354,821	-	(739,596)	700,000	-	315,225
General fund	6,040,605	10,061,872	(9,897,024)	(700,000)	348,327	5,853,780
Total unrestricted funds	6,395,426	10,061,872	(10,636,620)	-	348,327	6,169,005

	Funds at 1 August 2023	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2024
	£	£	£	£	£	£
Designated funds:						
Innovation and development	391,721	-	(192,900)	-	-	198,821
Business transformation	-	-	-	156,000	-	156,000
Total designated funds	319,721	-	(192,900)	156,000	-	354,821
General fund	2,697,067	8,768,499	(5,641,427)	(156,000)	372,466	6,040,605
Total unrestricted funds	3,088,788	8,768,499	(5,834,327)	-	372,466	6,395,426

The purpose of the designated fund for Innovation and development (I&D) is:
'for innovation in products and services for the long-term benefit of UK higher education'.

19 Analysis of charitable funds (continued)

Analysis of net assets between funds

	General fund	Designated funds	Total 2025
	£	£	£
Tangible fixed assets	47,525	-	47,525
Intangible fixed assets	62,706	-	62,706
Fixed asset investments	7,118,251	-	7,118,251
Cash at bank and in hand	2,369,090	315,225	2,684,315
Other net current liabilities	(3,591,866)	-	(3,591,866)
Provisions	(151,926)	-	(151,926)
Total net assets 31 July 2025	5,853,780	315,225	6,169,005

	General fund	Designated funds	Total 2024
	£	£	£
Tangible fixed assets	50,636	-	50,636
Intangible fixed assets	97,759	-	97,759
Fixed asset investments	6,587,757	-	6,587,757
Cash at bank and in hand	3,357,014	354,821	3,711,835
Other net current liabilities	(3,893,098)	-	(3,893,098)
Provisions	(159,463)	-	(159,463)
Total net assets 31 July 2024	6,040,605	354,821	6,395,426

20 Pensions (defined benefit schemes)

QAA participates in two defined benefit pension schemes. The employer pension contributions payable were as follows:

	2025	2024
	£	£
Universities Superannuation Scheme (USS)	580,404	620,875
Superannuation Arrangements for the University of London (SAUL)	190,287	229,313
	770,691	850,188
Employer contributions outstanding at the balance sheet date (included above)	103,998	94,657

In addition to the Final Salary section within USS for current members, employees joining the Scheme after 30 September 2011 will join the Career Revalued Benefits section (subject to some transitional rules). From 1 April 2016 all USS members were moved to the Retirement Income Builder section.

Similarly, employees joining SAUL after 30 June 2012 will join the Career Average Revalued Earnings (CARE) section of that scheme (subject to some transitional rules). On 1 April 2016 all Final Salary members were moved to the CARE section.

The contribution rates as a percentage of pensionable salary are as follows:

			Employer	Employee
USS	Retirement Income Builder section	From 1 January 2024	14.50%	6.10%
SAUL	Career Average Revalued Earnings section	From 1 January 2024	21.00%	6.00%

Universities Superannuation Scheme

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2023 (the valuation date), which was carried out using the projected unit method.

Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2023 valuation was the seventh valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £73.1 billion and the value of the scheme's technical provisions was £65.7 billion indicating a surplus of £7.4 billion and a funding ratio of 111%.

20 Pensions (defined benefit schemes) (continued)

The key financial assumptions used in the 2023 valuation are described below. More detail is set out in the Statement of Funding Principles.

CPI assumption	3% p.a. (based on a long term average expected level of CPI, broadly consistent with the long term market expectations)
Pension increases (subject to a floor of 0%)	Benefits with no cap: CPI assumption plus 3bps Benefits subject to a 'soft cap' of 5% (providing inflationary increases up to 5%, and half of any excess inflation over 5% up to a maximum of 10%): CPI assumption minus 3bps
RPI/CPI gap	1.0% p.a. to 2030, reducing to 0.1% p.a. from 2030
Discount rate (forward rates)	Fixed interest gilt yield curve plus: Pre-retirement: 2.5% p.a. Post-retirement: 0.9% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2023 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	2023 valuation 101% of S2PMA 'light' for males and 95% of S3PFA for females.
Future improvements to mortality:	CMI_2021 with a smoothing parameter of 7.5, an initial addition of 0.4% p.a., 10% w2020 and w2021 parameters, and a long term improvement rate of 1.8% p.a. for males and 1.6% p.a. for females.

The current life expectancies on retirement at age 65 are:

	2025	2024
Males currently aged 65 (years)	23.8	23.7
Females currently aged 65 (years)	25.5	25.4
Males currently aged 45 (years)	25.7	25.6
Females currently aged 45 (years)	27.2	27.2

Superannuation Arrangements for the University of London

QAA participates in the Superannuation Arrangements of the University of London (SAUL), which is a centralised defined benefit scheme within the United Kingdom and was contracted out of the Second State Pension (prior to April 2016).

20 Pensions (defined benefit schemes) (continued)

SAUL is an independently managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on a Career Average Revalued Earnings (CARE) basis.

QAA is not expected to be liable to SAUL for any other current participating employer's obligations under the rules of SAUL, but in the event of an insolvency of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer may be spread across the remaining participating employers and reflected in the next actuarial valuation.

Funding policy

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the trustee in paying SAUL's benefits as they fall due (the 'Technical Provisions'). The trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments that arise from members' accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2023. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in June 2024 and are due to be reviewed at SAUL's next formal valuation in 2026.

At the 31 March 2023 valuation, SAUL was 105% funded on its Technical Provisions basis. As SAUL was in surplus on its Technical Provisions basis, no deficits contributions were required. The trustee and the employers have agreed that the ongoing Employers' contributions fell from a rate of 21% of CARE Salaries to 19% of CARE Salaries on 1 September 2024.

QAA participates in one defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund and were as follows:

	2025	2024
	£	£
The People's Pension	<u>14,579</u>	<u>5,171</u>
Employer contributions outstanding at the balance sheet date	<u>1,878</u>	<u>561</u>

21 Reconciliation of net income to net cash flow from operating activities

	2025	2024
	£	£
Net (expenditure)/ income for the year	(226,421)	3,306,641
Adjustments for:		
Depreciation charge	65,805	90,189
Loss on disposal	-	7,855
(Gains) on investments	(348,327)	(372,466)
Investment income	(255,709)	(280,111)
Decrease in debtors	(521,808)	907,756
(Decrease) in creditors	220,575	(711,861)
(Decrease) in provisions	(7,537)	(2,942,367)
Net cash (used in) / provided by operating activities	(1,073,422)	5,636

22 Analysis of cash and cash equivalents

	2025	2024
		£
Cash at bank and in hand - liquid assets	2,684,315	3,711,835
Cash at bank - fixed asset investments	674,201	670,175
Cash at bank and in hand at the end of the year	3,358,516	4,382,010

23 Reconciliation of net debt

	At 1 August 2024	Cashflows	At 31 July 2025
	£	£	£
Cash	3,711,835	(1,027,520)	2,684,315
Cash equivalents	670,175	4,026	674,201
Total	4,382,010	(1,023,494)	3,358,516

Glossary

FRS 102	The Financial Reporting Standard applicable in the UK and Republic of Ireland
S2P	State Second Pension
SAUL	Superannuation Arrangements for the University of London
Charities SORP	Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)
SOFA	Statement of Financial Activity
USS	Universities Superannuation Scheme

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THE QUALITY ASSURANCE AGENCY FOR HIGHER EDUCATION

England & Wales - Charity number 1062746

Accounts



The Quality Assurance Agency for Higher Education

Annual Report and Financial Statements

2023-2024

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Foreword from Professor Simon Gaskell, Chair of QAA Board

Having been fortunate to serve as the chair of QAA's Board since 2019, I will, by the time of the next annual report, have reached the end of my second term and therefore have handed over to a new chair, who will join the Agency at a fascinating time. 2023-24 has been another highly significant year for the UK, for the higher education sector and for QAA.

A change of government at Westminster has brought new hopes, and perhaps new uncertainties, to a sector which has in recent years experienced increasing financial pressures exacerbated by high levels of inflation, mixed public messaging and measures to restrict study-related immigration.

The last twelve months have also seen the sector facing scrutiny over its approaches to international student recruitment and franchised provision.

We have seen limited progress in strategies to promote lifelong learning – but also exciting opportunities for the future growth of degree apprenticeships and the promotion of widening access to (and success in) higher education, as well as concrete steps, notably in Scotland and Wales, to create closer collaboration between higher and further education.

Meanwhile the ongoing impacts of artificial intelligence in education and employment have continued to make headlines and to provoke a varying mix of optimism and anxiety in students, education institutions, policymakers, and in wider society.

QAA has had key roles to play in all these areas, and above all remains crucial to the international reputation of UK higher education.

I would this year highlight two developments in particular.

First, the Scottish Funding Council's Tertiary Quality Enhancement Framework. This is a carefully constructed and highly collaborative programme, under which QAA is proud to lead workstreams on quality assurance and quality enhancement across both higher and further education. It will allow QAA to apply its expertise across the whole tertiary landscape, and thereby to develop it further; the Agency will find synergies wherever possible, enable providers to learn from a broader evidence base, and will build on the spirit of partnership that distinguishes the Scottish approach – without in any way compromising what is distinct about the two sectors.

Second, the successful bid for a major contract from a sector regulator. QAA has been commissioned by the Nursing and Midwifery Council to take on (starting in 2024-25) the external quality assurance of all training and education provision for nurses and midwives throughout the UK. This is of course a significant vote of confidence in the Agency's expertise and in the value of independent quality assurance; I believe it also shows the extent to which QAA has successfully adapted in response to a changing policy and market environment.

That landscape will continue to evolve, inevitably, but I am confident that QAA remains well placed to tailor its work to support the sector and students in the most effective way, and where appropriate to provide leadership and insight – and I look forward to seeing it continue to flourish.

Foreword from Vicki Stott, QAA Chief Executive

QAA has had a full and fulfilling year in addressing the array of challenges that Simon has outlined.

In February, QAA was commissioned by Universities UK to carry out a rigorous evaluation of international pathway programmes. Published in July, our report and its recommendations were welcomed by a range of sector bodies and gained the attention of sector and mainstream media.

We have published a special edition of Quality Compass on franchising and have coordinated with other key sector bodies to promote the range of sector-owned resources on the subject that have been published in the last few months.

In transnational education we have continued to develop and grow our QE-TNE Scheme, commissioned by Universities UK and GuildHE – an initiative whose participant base has expanded to include all relevant Scottish providers and which this summer published its midpoint report.

In November, we published a policy paper on the Lifelong Learning Entitlement and have in 2024 followed this up with two publications that address one of the crucial barriers to this initiative – the vexed question of consistency among credit transfer mechanisms – presenting both a review of current sectoral practice and a guide to effective practice.

We've also published a policy paper on degree apprenticeships, alongside a resource toolkit for providers and a report on the current state of degree apprenticeships in England, the output of a QAA-funded Collaborative Enhancement Project led by colleagues from Staffordshire University.

This summer we celebrated the registration of the millionth student onto Access to Higher Education Diploma provision since QAA started managing the scheme in 1997. We also published a major resource on strategies to close awarding gaps – while QAA Scotland has run a highly successful series of events exploring ways in which providers can maintain the quality of the learner experience through the cost-of-living crisis.

We have this year worked closely with governments, sector bodies and providers to support processes for the enhanced integration of tertiary sectors, with the most concerted moves being in Scotland as Simon has described.

And, in the area of artificial intelligence, we have – alongside our ongoing work on academic integrity – continued to support and inform the development of provider approaches, sector strategies and national policies through the publication of a special edition of Quality Compass, and the launch of a major curated resource bringing together an extensive range of outputs detailing sector responses to the growing impacts of artificial intelligence on higher education.

QAA has, in short, remained front and centre of these key debates. And that's something which has allowed the Agency to add real value across the sector – and to help to enhance the sector's contribution to all four nations of the UK.

It was an important year for our cross-UK standards work, on behalf of the sector. In addition to our publication in February of the updated edition of the Frameworks for Higher Education Qualifications – and in April of the new editions of 13 Subject Benchmark

Statements – this summer we published the first full new edition of the UK Quality Code for Higher Education since 2018.

This landmark publication demonstrated, yet again, the collective power of the UK sector – students, colleagues and providers large and small – to come together to develop, own, promote and celebrate its key principles and to share its best practices. The positive and enthusiastic responses to the new Quality Code, and to other such initiatives which we at QAA have supported, facilitated and curated, show that the value of sector-owned standards is understood within providers, by sector bodies, and by sector press.

From our Collaborative Enhancement Projects in England and Wales – alongside 20 years of Enhancement Themes in Scotland – through to our growing work internationally (including evolving collaborations with such organisations as the British Council and the Department for Business and Trade), it is always so extraordinarily inspiring to see the impacts that our work can make across the world.

In July, I had the honour of being elected to the presidency of the International Network for Quality Assurance Agencies in Higher Education. Through the course of this year, we at QAA have signed memoranda of understanding with fellow agencies in different countries – from Montenegro, Romania, Slovakia, and Cyprus to Tunisia, Uzbekistan, Indonesia, Chile and Vietnam. In May, we hosted a delegation of Western Balkan quality agencies at an event in Scotland. Our conferences attract delegates and speakers from across the globe.

In England, we have continued to work closely with providers, sector bodies and policymakers in the development and promotion of the effective practices and strategies to meet the challenges, expectations and opportunities of today's HE environment.

And, as Simon has written, in May this year, following a competitive public tender process, QAA was awarded the contract for the provision of the quality assurance of nursing and midwifery education by the Nursing and Midwifery Council. At the start of September, we began that work.

I am very proud of everyone at QAA who, through all this work, continues to serve and support our core, shared values, in our efforts to increase educational opportunities, to promote the public good, and to enhance people's prospects and their lives.

Strategic Report

QAA works across the whole of the UK. With distinct and separate systems of quality assurance in each nation, QAA works with regulators, funding agencies, higher education institutions, students and other stakeholders to deliver tailored approaches for each context.

Purpose of QAA

QAA is a world-leading quality agency with unmatched experience of providing impartial regulatory and collaborative quality assurance and enhancement. Our purpose is to ensure that students and learners experience the highest possible quality of education. To do this, we support universities and colleges in working with students and learners, governments, funders and regulatory bodies to evidence and enhance the excellent quality and high standards of the education they provide.

We work towards a greater public understanding - domestically and internationally - of how excellent quality is demonstrated in UK higher education, and how autonomous providers both assure its delivery and address weaknesses.

Our work safeguards the value of qualifications for students and learners, and protects and promotes the reputation of higher education. It falls into four categories: standards, assurance and enhancement, international and leadership.

What we do

Standards

Sector-reference points

Standards is a core pillar of QAA's work. QAA develop, and are custodian of, a suite of UK-wide sector reference points that act as standards for quality across tertiary education.

This year marked the launch of an updated version of the UK Quality Code, a core reference point that has been used across the UK sector for many years. We worked with stakeholders across the sector including providers, mission groups and funder/regulator bodies to redevelop the Code, with over 300 staff and students engaged throughout the process. The new Code will soon become embedded into review methods across the UK nations.

We also published 16 refreshed Subject Benchmark Statements to support academic communities with course design and review. Subject Benchmark Statements are sector-owned, and developed by academics, coordinated by QAA. Advisory Groups were convened to review a further eight Statements which will be published in spring 2025.

International Pathway Programmes standards evaluation

We were commissioned this year by Universities UK to undertake a specific piece of work following media coverage regarding international pathway programmes. The evaluation analysed over 6,000 pieces of evidence and utilised 36 of our expert peer reviewers to make judgements.

We made a number of recommendations that were well received by the sector, and additionally will consider the outcomes from this review in our own work in the future, both in relation to quality enhancement, and development of sector reference points.

Assurance and Enhancement

Enhancement in England

QAA members engaged deeply with our membership programme across the 2023-24 academic year. Programming covered topics such as generative artificial intelligence, flexible delivery, innovation in quality processes, educational gain, effective evaluation and student engagement.

We funded 18 new Collaborative Enhancement Projects led by QAA Members to co-create research and practical outputs on a variety of priority topics such as generative AI, student voice, assessment, the future of exam boards, apprenticeships and aspects of equity and inclusion.

We held seven major conferences including our 2024 Quality Insights Conference, our Assessment Festival and our in-person Member Network event.

Over 150 new resources were developed for our members across the year, including five practical toolkits:

- Making the language of assessment inclusive
- Implementing phenomenon-based learning
- Developing a social enterprise learning experience
- A framework for inclusive higher education
- Hosting virtual careers fairs

Our substantial publications during the year included:

- The Awarding Maps – a holistic view of the factors that result in awarding gaps between students with different characteristics.
- Beyond the baseline – a resource aimed at supporting our members to see how key sector reference points along with Membership resources can be used to demonstrate they are meeting and exceeding the regulatory baseline.
- Generative AI resources: Our suite of webpages relating to Generative Artificial Intelligence enables our members to understand the opportunities and challenges these tools bring while maintaining academic standards.

Moving towards tertiary coherence in the devolved nations

This year has brought significant evolution and development across QAA's work in Scotland, Wales and Northern Ireland representing substantial progress in our strategic priority to develop support for institutions across the tertiary sector.

In Scotland, QAA has led a programme of work across the tertiary sector to co-create a new external review method, and a new approach to national enhancement activity.

Commissioned by the Scottish Funding Council (SFC), The Tertiary Quality Enhancement Review (TQER) supports the vision for the new Tertiary Quality Enhancement Framework (TQEF) for a more coherent approach to quality assurance, improvement and enhancement across the tertiary sector, that supports public confidence and the ambition for a more integrated tertiary system and seamless learner journeys. TQER is a peer-led, enhancement-focused approach. It contains the flexibility to support different institutional contexts, modes of delivery and levels of learning.

This work culminated in a proposal to the SFC for Scotland's Tertiary Enhancement Programme (STEP). The proposal outlines a programme that supports Scotland's tertiary sector to innovate in quality enhancement. It is designed to enable Scotland's colleges and universities to work together to improve and enhance learning, teaching, the student experience and staff development across tertiary provision. It will enable the alignment of national and sector priorities and the development of a programme of work to address challenges collectively rather than individually. At its core, STEP will provide collaborative spaces where ideas can be shared, and a tertiary quality culture grown, that creates positive change for learners, staff, and other sector stakeholders.

In Wales, QAA has worked with Welsh Government, the Higher Education Funding Council (HEFCW), and with the new Commission for Tertiary Education and Research (Medr) to develop a Quality Framework for the post-16 sector in Wales. Aligning with the early strategic objectives for Medr, the Framework aims to minimise duplication and reduce burden for institutions while also ensuring consistently high-quality experience for learners. This year also saw QAA implement the first year of the new external review cycle for higher education providers in Wales, the Quality Enhancement Review (QER). This first year of a six-year cycle, has focussed on supporting providers' preparations for review.

In Northern Ireland, QAA was delighted to receive confirmation of a commission from the Department for the Economy (DfE) to develop a set of proposals for the next external quality assurance review method for higher education across all tertiary institutions. The proposals include design of a review method, a sector preparation plan and implementation plan. QAA is working with DfE on shaping an approach that is practical in the context of the Northern Ireland sector and value a sector level enhancement approach to support practice, innovation and promotion of the impact of higher education in Northern Ireland.

QAA's work in Scotland

QAA completed 12 Quality Enhancement and Standards Reviews and 7 Institutional Liaison Meetings during the 2023-24 academic year as part of Phase One of a two-phase approach to external institutional quality review of higher education institutions in Scotland. The design and delivery of an effective and inclusive digital/blended offering continues to be an area of intense interest for staff and students. 2023-24 was the second year of a collaboration across quality agency partners and the SFC in Scotland to support improvement and enhancement of practice in the Scottish tertiary sector around curriculum delivery, with the aim of delivering better outcomes for learners. QAA co-delivered a series of institution and curriculum team focused workshops with the College Development Network (CDN) to share practice around effective digitally enhanced blended learning for Scottish colleges and universities across all SQCF levels.

In a cross-tertiary event, QAA hosted a one-day conference exploring the current picture of assessment in an AI world across Scotland and beyond. The event was framed by the learner voice, and enabled staff to evaluate the suitability of AI for academic tasks, manage bias and discrimination when using Generative AI (Gen AI) in educational settings and explore what students expect, want and need from Gen AI to support their studies for their assessment.

In response to the ongoing impact of the current cost-of-living crisis on learners studying at Scotland's colleges QAA SWNI and SHEEC took forward a project to deliver a series of sessions for educators and students, providing an opportunity to engage with a range of current research and expertise, to discuss changes and adjustments to support students with the current challenge.

QAA's work in Wales

QAA completed two Gateway Quality Reviews this year, for Coleg Gwent and St Padarn's Institute. To support implementation of the first year of the new Quality Enhancement Review cycle in Wales, QAA undertook a range of activity, including a series of preparatory workshops for the sector. We also revised the Student Guide for reviews in Wales to support students taking part in review visits. QAA's published knowledge base of the outcomes of review work conducted in Wales since 2017 provides significant information about judgements and categories of good practice and recommendations, including report text, and can be filtered by themes – increasing transparency and engagement with QAA review outcomes.

QAA's Networks continue to promote and embed effective practice in key challenges across the higher and tertiary education sector, including academic integrity and generative AI, micro-credentials (cross SWNI) and degree apprenticeships. These networks are supported via grant funding with HEFCW. HEFCW grant funding also supported two sector-wide projects. The first project looked at the impact of staff professional development on student outcomes through a case study approach. It forms a comprehensive resource of innovative learning and teaching initiatives across further and higher education. The second project focused on student perceptions of enhancement, to understand how students perceive enhancement. The report provides evidence of a wide and accessible range of learner voice mechanisms and a feeling of community and belonging at school or department level, and extending more widely across their provider.

QAA continues to strengthen our Welsh language commitment, through language awareness training. Use of Welsh language impact assessments and development of new initiatives. QAA's latest annual report was published in January 2024.

QAA's work in Northern Ireland

In Northern Ireland, QAA delivered a programme of regular engagement with universities, university colleges, and colleges in Northern Ireland. QAA hosted the Northern Ireland Enhancement Conference, at Ulster University in November 2023.

Regulation of the Access to Higher Education Diploma

This year has seen significant change in QAA's approach to managing the Recognition Scheme for the Access to Higher Education diploma, as we have begun the journey of refreshing the regulatory arrangements.

The early part of the year was focussed on changes to the Grading Scheme and Diploma Specification that all Access to HE Diplomas will have to follow from August 2024. We also finalised a Subject Descriptor for Nursing and Health Professions Diplomas for pilot from August 2024, which we hope will bring enhanced consistency to diplomas offered in what is both a highly popular and strategically important subject area.

We have undertaken a significant recruitment exercise for our Access Recognition and Licensing Committee, which we renamed in year to the Access Regulation and Licensing Committee. We welcomed new members to scrutinise and challenge QAA as we move forward with our new arrangements.

We also have begun the process of the major refresh of regulatory arrangements, with consultation launched in May 2024. Our focus in the next year will be on analysing the results of this consultation and implementing changes to our regulatory arrangements.

Assessment services

We launched two more Assessment Services activities in this year to complement the two launched near the end of the previous year. We received particularly strong demand for our Degree Awarding Powers service, where a number of providers at different stages of their development journey have sought to access different elements of the service. We have received universally positive feedback for the service overall, including attributed testimonials from some clients.

Our other services performed at a slower pace, and this will be a focus for us on building across the next year. A particular challenge has been ensuring understanding by higher education providers of the range of services that QAA is now offering which differ significantly from the large-scale review activity QAA is particularly known for, and a focus in the next year will be on developing this further.

Nursing and Midwifery Council

In May 2024 we were awarded a minimum 3-year contract with the Nursing and Midwifery Council as their Quality Assurance Service Partner, to begin on 1 September 2024. We are delighted to be partnering with the NMC on this work, and have been undertaking an expedited method development process, as well as putting in place other necessary infrastructure elements in order to commence activity immediately in September once the contract begins.

International

Quality Evaluation and Enhancement for Transnational Education Scheme

In 2023-24 we played a key role in protecting the global reputation of UK higher education through our offer for UK providers. The Quality Evaluation and Enhancement of Transnational Education Scheme (QE-TNE) commissioned by Universities UK and GuildHE and the International Insights packages served a combined 117 UK HEIs, evaluating, enhancing and supporting their internationalisation strategies.

The QE-TNE Scheme completed the third of a five-year cycle with the publication of an interim report highlighting achievements and looking ahead at the future. There was country-specific activity on China, Cyprus, Greece and Viet Nam comprising eight TNE institution visits, twelve case studies, three thematic insights reports and three country and territory guides.

Following the publication of Scottish Funding Council guidance making participation in QE-TNE a requirement for all Scottish degree awarding bodies engaging in TNE from academic year 2024-25, we decided to open the Scheme to new members in England with a formal launch event in Glasgow in September.

International Insights

The International Insights (II) membership package delivered content to 79 English member universities, and a total of 107 including Scotland, Wales and Northern Ireland. Services included three PVC International Network and three International Partnerships Policy and Practice Network events, training on managing risks, international partnerships and

international student experience and insights resources on Hong Kong, Philippines, Uzbekistan, Bangladesh, and Kazakhstan.

By keeping in close contact with UK and overseas stakeholders including sector representative bodies, British Council, UK Government and partner quality bodies we offer the most relevant up-to-date insights, information and support to members.

International accreditation, consultancy and membership activity

Despite a competitive environment, with some global accrediting agencies aggressively pricing down, accreditation, consultancy and international membership increased their total contribution to QAA's income base in 2023-24 by 36% compared to the previous year. Institutions in Kazakhstan, UAE, Malaysia, Bahrain, Egypt, and Kuwait and the pan-Arab AOU went through institutional accreditation (IQR). The World Bank funded 'ACE for Impact' enabled an additional 17 providers in Nigeria, Ghana and Ivory Coast to proceed to different stages of institutional review. The announcement by the World Bank of the extension of funding until June 2025 will allow more institutions to proceed to more advanced stages, including eventually accreditation. Total combined income for IQR and IQR ACE for Impact was of over £875,000 (against £630,000 the previous year) and represented 45% of the International revenue in 2023-24. International Programme Accreditation (IPA) included institutions in Nigeria, Bahrain, Kuwait, and the pan-Arab Arab Open University.

A total of 13 bespoke work contracts were delivered for organisations including the Education and Youth Development Bureau (DSEDJ) of the Government of Macao, HK University Grants Committee, Ras Al Khaimah Economic Zone, British Council Vietnam and Uzbekistan, Nottingham Trent University, Council of British International Schools, Patent Examination Board, British Embassy Jakarta, Tashkent State University of Law and Qatar National Committee for Qualifications and Academic Accreditation.

International Membership and Associate Membership reached 28 (7 full, 21 associate) We anticipate international membership growing as the service develops, and as more institutions access full membership following successful accreditation.

Leadership

Domestic engagement

QAA's public affairs activity has increased in reach and impact in the reporting period. We have developed a new public affairs strategy that highlights goals for our stakeholder relationships, communications, and policy and expertise activity by 2027.

One of the most significant areas of activity for the team was the publication of QAA's 'Quality in England' policy series that laid out policy positions on topics from international compliance in quality assurance, and lifelong learning, to degree apprenticeships and the financial challenges in the higher education sector. These papers have supported wider public affairs engagement across the political spectrum. Public affairs activity in the nations has continued to support our statutory roles in the nations, particularly as we move to a tertiary approach in Scotland, and transition to a new funder/regulator body in Wales. The public affairs team have also conducted in-depth qualitative analysis of the Teaching Excellence Framework submissions to support the sector in quality enhancement, and now have a data analyst in the team to develop insight for use across the agency.

With a new Westminster Government in post, we will work to ensure QAA is best placed to offer its advice and expertise on quality and standards wherever it might be useful.

International engagement

We continued our work to position QAA as a thought-leader in quality assurance globally. In 2023-24 we signed or renewed partnership agreements with a total of 13 quality assurance bodies in Albania, Bulgaria, Chile, China, Cyprus, Georgia, Indonesia, Montenegro, Romania, Slovakia, Tunisia, Uzbekistan and Vietnam. The total number of Memoranda of Understanding reached its highest number on record (33).

We held two international partner forums online with 27 agencies in attendance, focusing on transnational education. On the occasion of Education World Forum, we secured individual meetings with Education ministers from Armenia and Uzbekistan, and quality assurance agencies, British Council directors and institutional leaders from Tunisia, India, Malaysia, Mauritius and Pakistan.

We contributed sessions to CHEA Conference, ENQA Members' Forum and INQAAHE Forum. Contributions to British Council events included Going Global conference, Deep Dialogues in London and Edinburgh and East Asia Education Week in Kuala Lumpur. We participated in a DBT-led mission to Pakistan, and delivered workshops on quality assurance to government officials in Uzbekistan, Kazakhstan, Bulgaria, Cyprus and Greece. We also participated in the Tunisia-UK Joint Higher Education Commission summit on the invitation of the UK Embassy.

We contributed to British Expertise International's sector-wide engagement through membership of their Education Working Group and with the publication of a case study on our work in West Africa for their report on Systems Strengthening: The UK Education providers' contribution to the global education systems launched during Education World Forum.

We have formed an International Advisory Committee to provide us with strategic advice and insights in our international activity. Its membership includes quality assurance leaders from agencies in Nigeria, Egypt, the Netherlands, India, Indonesia and UAE, and from UUKi, British Council and Richmond American University London.

Looking ahead

The change of Westminster Government towards the end of 2023-24 raises the prospect of a different approach to tertiary education in England, though we do not anticipate any immediate implications for QAA's work. Financial pressures in the sector are likely to continue, and QAA will continue to focus on the value of our services to the sector, including through membership, and we plan changes to our organisational structure to support our strategy. Our new structure will also support the continued expansion of our international work.

In Scotland, QAA will continue to work with partners as we lead two crucial workstreams in the Tertiary Quality Enhancement Framework, and we look ahead to completing the first Tertiary Quality Enhancement Reviews and to the launch of Scotland's Tertiary Enhancement Programme.

In Wales we anticipate closer alignment between our work in higher education and Estyn's work in further education as the Commission for Tertiary Education and Research, now known as Medr, develops its strategic plan and approach to quality. In Northern Ireland we hope to see a return to active quality assurance work through a new review method.

Financial review

The financial statements have been prepared in accordance with the requirements of the Charities SORP. Resources expended on charitable activities are shown split between the aims of our 2023-27 strategy. The total resources expended note, on page 39 (note 7), splits these categories down further and includes an allocation of support costs across the aims.

Results

QAA's 2023-24 activities were funded primarily through membership from higher education providers, contracts with the higher education funding bodies, international review activity and charges for oversight and review of alternative providers of higher education. Additional income was generated through other investment income.

QAA's net income for the year ended 31 July 2024, before recognising investment gains, was £2,932,727 (2023: £639,935). After recognising gains on investments of £372,466 (2023: loss of £82,183), the net movement in funds for the year was an increase of £3,305,193 (2023: £557,752) which has increased reserves. The accumulated funds at 31 July 2024 are £6,395,779 (2023: £3,090,586).

QAA's wholly owned trading subsidiary, QAA Enterprises Limited (QAAE), has made a loss of £1,448 (2023: loss of £440) to the group surplus. QAAE made a gift aid payment of £1,128 (2023: £1,567) to the charity in the year.

Income

Total income as shown in the Statement of Financial Activities (SOFA) decreased by £1,342,771 (13.3%) to £8,767,372 between 2022-23 and 2023-24. Income from charitable activities shows a decrease of £1,393,242 (14.1%).

The decreased income between 2023 and 2024 was as a result of our withdrawal from our role as the Designated Quality Body (DQB) in England during 2023 a reduction of £2.6 million in income for 2024. This was offset by an increase in international income of £531,466 (due to an increase in International Quality reviews and Programme Accreditation activity); an increase in UK membership income of £231,626 mainly driven by an inflationary increase; and £218K from newly launched products and services in the UK. There was additional income from funding councils of £223,819 as we started to develop a new approach in Scotland and undertook additional activities in Wales.

Income from investments has increased by £50,471 (22.0%) to £280,111

The investment income is interest from cash deposits, together with dividends and interest from fixed asset investments. Investment returns are discussed in the Treasury Management section below.

Expenditure

Total charitable expenditure, after the movement in the pension provision as shown in the SOFA, decreased by £3,635,563 (38.4%) to £5,834,645 between 2022-23 and 2023-24.

During the financial year the latest actuarial valuation of the USS pension scheme (as at the 31 March 2023) was completed. The scheme returned to a surplus position of £7.4bn, a position that was reinforced by the estimated valuation as at the 31 March 2024 (based on the monitoring of the 2023 valuation) of £9.3bn or 114% funded. The pension deficit

provision of £2.7m was therefore released in full during the year. The ongoing employer contributions also decreased on 1 January 2024 from 21.6% of payroll to 14.5%.

Expenditure on charitable activities before the movement in the pension provision decreased by £1,615,659 (16%) to £8,502,406 (2023: £10,118,067). Expenditure associated with international activity increased by £61K in line with the increased income in this area and expenditure in respect of Assurance and Enhancement decreased by £1.34 million in line with reduction in income following the withdrawal from our position as the DQB in England. Savings were made following the decision to exit the Gloucester and Glasgow offices and move to remote working.

A breakdown of charitable expenditure between the strategic aims is shown in note 6 on page 38.

An analysis of charitable expenditure between direct costs and support costs is provided in the total charitable expenditure note (note 7, page 39).

Balance sheet

Total funds on QAA's group balance sheet are £6,395,779 (2023: £3,090,586) This is mainly due to the release of the pension provision from 2023 of £2,680,761 and also release of the premises provision of £289,290K. The operational changes are as follows - the net book value of tangible and in tangible fixed assets held by the group and charity shows a decrease of £48,928. The net book value of fixed asset investments has increased by £571,426 to £6,587,757

Debtors have decreased by £907,756 to £1,203,101 and creditors have decreased by £713,263.

Reserves policy

QAA's Reserves policy establishes a target range of free reserves, taking into account: the financial impact of risk; the volatility of current and future income streams; the action required in the event of income reduction; and the impact of future commitments. The resultant target range of free reserves, following the annual review, is set at £1.3-£2.0 million. The level of available free reserves is £5.9 million is above this range. The Board is considering plans to reduce the level of free reserves.

As part of the Trustee's responsibilities of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been considered. The assumptions modelled are based on the estimated potential impact of known changes in the sector and regulations, along with our proposed responses over the course of the next 18 months.

On the basis of this review, these financial statements have been prepared on a going concern basis, which the Trustees consider to be appropriate based on the results for the year ending 31 July 2024 and forecasts and cash flow projections prepared for the period to 31 July 2026. The cash flow projections indicate that the group will be able to meet its liabilities as they fall due and will be able to operate within the facilities currently available. The Trustees consider that there are no material uncertainties over the charitable company's financial viability.

QAA holds reserves for three main reasons:

- to secure its long-term position
- to deliver the medium-term objectives in the QAA strategy, by ensuring that reserve levels provide a cushion against medium-term business risks and take full account of the costs of medium-term objectives
- to ensure that it can carry out the programme of work detailed in the next year's annual plan - for example, through meeting approved shortfalls in short-term activities that are not fully funded.

A designated Innovation and Development Fund is set aside 'for innovation in products and services for the long-term benefit of UK higher education'. The opening balance on the fund was £391,721; £192,900 was expended during the year to fund development of new UK services.

An additional fund has been set aside this year for 'Business Transformation' the fund agreed by Board at their meeting in June 2024 of £156,000.

At 31 July 2024, QAA's free reserves as defined by the Charities SORP were £5,992,030 (2023: £2,501,542).

Treasury management

The main principles underpinning QAA's treasury management policy are to ensure that:

- QAA has adequate cash and working capital to enable it, at all times, to have sufficient funds available to achieve its business objectives
- QAA investments are secure - this is achieved by ensuring that its authorised investments reflect a risk-averse and prudent attitude towards the organisations with which funds may be deposited, and limits its investment activities to those approved
- QAA achieves the maximum return on its investments, taking into account the other key principles
- QAA minimises the risk of fraud or error in its treasury management activities - this is achieved by designing suitable systems, procedures and contingency management arrangements in order to minimise the risk of fraud or error.

During 2023-24, the investment approach agreed by the trustees continued to be followed, with available funds being notionally split into three tranches and managed as follows:

- **short-term working capital** - held by QAA's bankers, HSBC Bank plc, and managed internally
- **medium-term cash funds** - invested with HSBC Bank plc and Lloyds Bank plc and managed internally in accordance with our cash flow plan to meet short-term working capital requirements
- **longer-term reserves** - over £6 million has been placed with Rathbones Investment Management Limited (Rathbones) for discretionary investment in listed shares and gilts.

Funds placed with Rathbones are invested in a charity-specific fund which is subject to ethical investment constraints. During the year these constraints were extended to exclude investments in fossil fuels.

Investment income in the year is attributable to interest receivable of £68,470 from short-term working capital balances, together with interest and dividends of £211,641 received from fixed-asset investments.

The market value of the investments is £6.6 million (2023: £6.0 million). The net unrealised loss in the market value of funds held at 31 July 2024 was £12,129 (2023: gain £372,466), reflecting the uncertainty in the stock markets worldwide. The surplus of interest and dividend receipts after paying management charges, together with net gains or losses realised, continues to be reinvested.

This approach is being closely monitored and managed to ensure that the principles of the treasury management policy are being met.

Directors' Report

Structure, governance and management

QAA is a private company limited by guarantee, and a registered charity in England, Wales and Scotland. Our four company members were, as of 31 July 2024:

- GuildHE Limited
- Universities Scotland
- Universities UK
- Universities Wales.

In the event of winding up, the liability of our company members is limited to an amount not exceeding £1 per member.

We were established under a Memorandum of Association and are governed under our Articles of Association, which set out our constitution and objects. Our objects are:

- the promotion and maintenance of quality and standards in tertiary education in the UK and elsewhere;
- the enhancement of teaching and learning, and the identification and promotion of innovation and good practice in teaching and learning;
- the provision of information and the publication of reports on quality and standards in tertiary education in the UK and elsewhere;
- the provision of advice to governments, as requested, on access course recognition and in relation to all or any of the above objects.

Governance

As part of QAA's ongoing commitment to good governance and leadership, the Board members completed a Board skills audit. One-to-one annual conversations continue to be held between the Chair and individual Board members.

During the year, the Board has also reviewed, and where appropriate approved:

- QAA's risk appetite and tolerance levels
- The Quality Code
- The Access to Higher Education Regulatory framework
- Educational Oversight method
- Report of QAA's compliance with the Welsh Language Measure (Wales) 2011

Various policies and procedures, including:

- Consolidated Appeals Procedure
- Data Subjects' Rights Procedure
- Freedom to Speak Up Policy
- Scheme of Delegated Authority
- Subject Access and Information Request Procedure
- Cyber Essentials changes
- Modern Slavery Statement

Recruitment and appointment to the Board

Our Board directors are also our trustees for the purposes of charity law. The Articles of Association were amended to allow the Board to co-opt up to three further members to ensure it has the full complement of skills and experience necessary to reflect the complex and diverse nature of tertiary education in the UK and internationally. The Articles now allow for up to 20 trustees to be appointed to the Board as follows.

- Serving a three-year term, then eligible for a second three-year term:
 - three members nominated jointly by three funding bodies for UK higher education (Department for Education (Northern Ireland), Higher Education Funding Council for Wales, and the Scottish Funding Council), and appointed by the Board;
 - four members nominated jointly by the UK higher education representative bodies (GuildHE, Universities Scotland, Universities UK and Universities Wales), and appointed by the Board;
 - one member nominated by the representative body for Colleges in the UK, and appointed by the Board;
 - six independent members appointed by the Board;
 - one independent member appointed by the Board who, at the time of appointment, is engaged wholly or mainly in the governance or management of an alternative provider of higher education;
 - up to three further members co-opted by the Board who can provide knowledge and understanding of such other areas as the Board may consider desirable.
- Serving a one-year term, then eligible for a second one-year term:
 - one independent member appointed by the Board who, at the time of appointment, is a registered undergraduate or postgraduate student, an elected student officer of a student union, or an elected student officer of a student representative body;
 - one member nominated by the National Union of Students and appointed by the Board.

Our Board membership represents the diversity of UK higher education, including students, with a rich mix of skills and experience. Our six independent Board members have, in line with the requirements of our Articles, experience in industrial, commercial or financial matters, or professional practice. We advertise publicly to recruit our independent members, following an assessment of the skills we need on our Board. Our Nomination and Remuneration Committee advises the Board to ensure our selection and recruitment process is transparent and fair.

All Board members are non-executive directors. They give their time voluntarily and do not receive any remuneration or benefits from the charity. Expenses claimed by Board members during 2023-24 are covered in note 10 of our financial statements.

Board responsibilities

Our Board's principal responsibilities include:

- approving our mission and strategic vision, strategic plans, annual plans and budgets, and key performance indicators
- ensuring the establishment and monitoring of systems of control and accountability
- ensuring processes are in place to monitor and evaluate our performance and effectiveness
- appointing the Chief Executive and putting in place suitable arrangements for monitoring their performance
- acting as our principal financial and business authority
- ensuring we keep proper books of accounts
- approving our annual report and financial statements
- overall responsibility for our assets, property and estate.

The Board has delegated responsibility for the day-to-day management of the charity to our Chief Executive, in accordance with a scheme of delegation. In discharging these responsibilities, the Chief Executive is advised and supported by the Executive team and wider Senior Leadership Team.

Board member induction

Newly appointed Board members are provided with the following documents, and sign a declaration to confirm that they have reviewed and understood them:

- Charity Commission publications: The Essential Trustee and the Charity Governance Code
- Office of the Scottish Charity Regulator publication: Guidance and Good Practice for Charity Trustees
- QAA publication: Code of Good Practice in Governance (including guidance on ethical conduct, statutory duties and responsibilities, and good governance).

All new Board members have an individual induction programme of meetings with the Chair and senior staff. This introduces them to QAA, our governance, operations and strategic plans. Our Director of Corporate Affairs (Company Secretary) and Assistant Company Secretary are available to support Board members in discharging their statutory duties, providing advice and guidance as required.

Board member activities

A typical year for one of our Board members is likely to include:

- attendance at four Board meetings (one day per meeting)
- a strategic away day
- attendance at the QAA annual conference
- attendance at committee meetings and working groups convened for specific purposes (as required).

At least two Board meetings per year are usually held in person; others may be held online. Committee meetings are usually held online.

In addition, our Board members may have responsibility for a particular area, and work with staff to provide advice and support which, in turn, enhances Board understanding and scrutiny.

During the year 2023-24, the average Board meeting attendance was 90% (95% in 2022-23). Individual Board member attendance was as follows:

Name	Attendance for 2023-24 (out of four meetings)
Craig Watkins	2 (out of 2)
John Sawkins	4 (out of 4)
Tim Woods	4 (out of 4)
Chloe Field	2 (out of 4)
Nic Beech	4 (out of 4)
Oliver Turnbull	4 (out of 4)
Sara Drake	2 (out of 2)
Simon Gaskell (Chair)	4 (out of 4)
Vanessa Davies	1 (out of 1)
Sue Rigby	1 (out of 4)
Rachid Hourizi	4 (out of 4)
Karl Leydecker	3 (out of 4)
Xenia Leventis	4 (out of 4)
Peter Vermeulen	4 (out of 4)
Fazal Dad	3 (out of 4)
Alex Fraser	4 (out of 4)
Phil Deans	4 (out of 4)
Odette Hutchinson	4 (out of 4)
Richard Khaldi	3 (out of 3)
Ladan Saghafi	3 (out of 3)
Caroline Carter	2 (out of 3)
Alexander Stanley	0 (out of 0)

Specified quorum, as detailed in our Articles of Association, was reached at all meetings.

Board committees

There were eight Board committees in operation during 2023-24, plus the Consultative Board which brings together senior stakeholders from the tertiary sector. All committees have individual terms of reference and Board attendance at committees is reported at Nomination and Remuneration Committee.

Corporate matters:

- Audit and Risk Committee
- Nomination and Remuneration Committee

Advisory:

- QAA Wales Strategic Advisory Committee
- QAA Scotland Strategic Advisory Committee
- Student Strategic Advisory Committee
- Consultative Board

Operations:

- Access Recognition and Licensing Committee
- Advisory Committee on Degree Awarding Powers

QAA Board of Directors

From 1 August 2023 to 31 July 2024, the following served as directors and trustees on the QAA Board:

Independent members

Simon Gaskell (Chair)	Former President and Principal, Queen Mary University of London (appointed March 2019)
Vanessa Davies	Former Director General, Bar Standards Board (appointed December 2017, served to December 2023)
Sara Drake	Chief Executive, ICSA (appointed January 2018, served to January 2024)
Rachid Hourizi	Director, Institute of Coding, University of Bath (appointed March 2022)
Craig Watkins	Chief Executive and Managing Director, Kantar Public UK (appointed December 2017, served to December 2023)
Peter Vermeulen (Honorary Treasurer)	Chief Financial Officer, University of Bristol (appointed March 2023)
Ladan Saghafi	Associate Professor of Practice, Brunel University London (appointed December 2023)
Caroline Carter	Non practising Solicitor, Director and Trustee (appointed December 2023)
Richard Khaldi	Chambers Director, Maitland Chambers (appointed January 2024)

Independent member: alternative provider

Alex Fraser	Chief Executive, The London Institute of Banking & Finance (appointed June 2023)

Independent member: student

Sophia Xenia Levis	PhD Student, University of Bristol (appointed October 2022)

Nominated jointly by GuildHE Limited, Universities Scotland, Universities UK and Universities Wales

Karl Leydecker	Senior Vice-Principal, University of Aberdeen (appointed June 2022)
Sue Rigby	Vice-Chancellor, Bath Spa University (appointed October 2019)
Nic Beech	Vice-Chancellor, Middlesex University (appointed September 2021)
Tim Woods	Pro Vice-Chancellor of Learning, Teaching and Student Experience, Aberystwyth University (appointed October 2022, served to August 2024)

Nominated jointly by the Department for Education (Northern Ireland), Higher Education Funding Council for Wales and the Scottish Funding Council

John Sawkins	Deputy Principal (Education and Student Life), Professor of Economics, Heriot-Watt University (appointed October 2019)
Oliver Turnbull	Pro-Vice-Chancellor (Teaching and Learning), Professor of Neuropsychology, Bangor University (appointed September 2019)
Odette Hutchinson	Pro Vice Chancellor, Ulster University (appointed June 2023)

Nominated by the Association of Colleges

Fazal Dad	Principal & Chief Executive, Blackburn College (appointed March 2023)

Nominated by the National Union of Students

Chloe Field	Vice-President (Higher Education), NUS (appointed July 2022, served to July 2024)
Alexander Stanley	Vice-President (Higher Education), NUS (appointed July 2024)

Co-opted members

Phil Deans	University President, Richmond, The American International University in London (appointed March 2023)

Organisational structure

Our Executive team in 2023-24 was:

- Vicki Stott, Chief Executive
- Caroline Blackburn, Finance Director
- Alastair Delaney, Executive Director of Operations
- Tom Yates, Director of Corporate Affairs

The Executive team was supported by the wider Senior Leadership Team.

Pay and remuneration

Our Nomination and Remuneration Committee advises the Board on the performance of the Chief Executive and Executive team, appropriate remuneration, and severance payments. In advising on setting the pay of the Chief Executive and Executive team, the Committee takes into account the skills and experience required for each of the roles, and the remuneration in sectors from which suitable candidates for such posts would be found. Remuneration for different jobs is validated objectively, using public sector as a comparator. This includes looking at salary survey data for comparable roles from a number of sectors, including charities, higher education and organisations within the local area. Salary increases for all colleagues are negotiated between Executive, HR and Public and Commercial Services (PCS) Union.

Corporate social responsibility and Sustainability

QAA is committed to working in an ethically and socially responsible manner across all areas of our business. Our work safeguards standards and improves the quality of UK higher education, wherever it is delivered around the world. Our business approach considers the impact of our work on the environment, our staff, suppliers, local communities, the higher education sector, and wider society. In 2024 we committed to achieving a target of Net Zero by 2040. Our most recent CSR policy (running from 2023) sets out our aims and the activities in which we engage to support them and how QAA supports the United Nations Sustainable Development Goals.

To uphold an ethical, transparent business culture and approach to our work

- To reduce our negative impact on the environment
- To contribute to the development of our communities
- To respect our colleagues and encourage their development.

Our performance and impact are monitored by both our Corporate Social Responsibility and Sustainability Committee which reports to the Senior Leadership Team and the Board's Audit and Risk Committee.

Data protection

There were no reportable incidents involving personal data during 2023-24.

Fundraising activities

The charity had no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

Equality statement

We recognise the positive benefits of equity, diversity and inclusion and are committed to providing opportunities, products and services, alongside our wider commitment to quality, which embrace diversity and promote equity and diversity. We demonstrate this through our internal policies and ways of working. We also embed it in our work, as equity is an integral part of our approach to quality assurance and enhancement. Equity is a key element of our view of a high-quality educational experience and the expectations students can rightly have of the providers of UK higher education.

The Human Resources and Organisational Development team has strategic responsibility for organisational development, including equity, diversity and inclusion. Our approach to equity, diversity and inclusion is ongoing, and we regularly review relevant policies and internal practices. We conduct an Agency wide survey that all colleagues (including Reviewers) are invited to take part in, which focuses on the demographics of the Agency and helps us identify future action and required improvements. ‘

Delivering public benefit

We have a duty, under the Charities Act 2011, to report on the public benefit that we deliver. Our trustees have regard to the Charity Commission's guidance on public benefit - a summary of which is issued to our Board members on appointment - and are satisfied that, through our work to support the UK tertiary education sector, including helping to provide

access to higher education for many students and working more generally in the interests of students, our public benefit requirements have been met.

Welsh Language Compliance notice

QAA continues to strengthen its commitment to the Welsh language, as set out in the compliance notice for which QAA has a duty to comply. QAA continues to produce annual reports for the Welsh Language Commitment that notes how we comply as well as steps to take to further compliance. The report is considered by QAA's cross-organisational Welsh Language Working Group and approved by the ARC.

European Standards and Guidelines

Compliance with the ESG is fundamental for QAA, not only to enable all of QAA's work in Scotland, Wales and Northern Ireland and in England through its membership model, but also to the fundamental philosophy of collaborative, peer-led quality assurance that underpins QAA's core purpose.

The European Association for Quality Assurance in Higher Education (ENQA) review in March 2023 found QAA to be compliant with the ESGs.

Relationships with related parties

QAA's subsidiary, QAA Enterprises Limited - a private company limited by shares, is governed by its own Articles of Association which set out its constitution. The subsidiary is not currently in active use.

All QAA Board members completed a declaration of interest on appointment and any conflicts are recorded at each meeting in the minutes.

Principal risks and uncertainties

Our Board is ultimately responsible for our approach to risk management, which is set out in our risk management policy. We record strategic risks in our strategic risk register, and operational risks are managed through operational risk registers, which may include registers dedicated to specific projects or activities.

The strategic risk register is reviewed by our Audit and Risk Committee at each of its meetings, and by the Board at each of its meetings.

The risks considered significant at the inherent (pre-mitigation) stage during 2023-24 included risks to the Agency's revenue as a consequence of wider financial pressures in the sector and risks involved in navigating the varied and evolving stakeholder landscape in the various nations of the UK. Mitigations for these risks included a planned organisational restructure in 2024-25. Risks emerging from the continued rise of artificial intelligence and its implications for academic integrity and quality assurance were also considered significant; cyber-security remained a significant operational risk even at the residual (post-mitigation) stage, despite comprehensive mitigations including annual ISO27001 audit, periodic penetration testing and the adaptation of multi-factor authentication technology across the agency.

The Board is satisfied that risks and uncertainties are being appropriately monitored and managed.

Reference and administrative details

Registered name	The Quality Assurance Agency for Higher Education
Other names used by the company	QAA, QAA Scotland
Company registration number	03344784 (England and Wales)
Charity registration numbers	1062746 (England and Wales) SC037786 (Scotland)
Registered and principal office	Southgate House, Southgate Street, Gloucester, GL1 1UB
Operational addresses	Southgate House, Southgate Street, Gloucester, GL1 1UB
Company Secretary	Tom Yates, Director of Corporate Affairs
Senior management (with delegated authority)	Vicki Stott, Chief Executive
Bankers	HSBC Bank plc, The Cross, Gloucester, GL1 2AP and Lloyds Bank plc, 10 Gresham Street, London, EC2V 7AE
Investment managers	Rathbones Investment Management Limited, 1 Curzon Street, London, W1J 5FB Barclays Private Bank (Barclays Bank PLC), 40-42 Queen Square, Bristol, BS1 4QP
Solicitors	Shakespeare Martineau, No 1 Colmore Square, Birmingham, B4 6AA
Independent auditor	Crowe U.K. LLP, 4 th Floor, St James House, St James Square, Cheltenham, GL50 3PR

Responsibilities of the trustees and directors

The trustees (who are also directors of The Quality Assurance Agency for Higher Education for the purposes of company law) are responsible for preparing the Trustees' Annual Report, including the Strategic Report and Directors' Report, and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the trustees to prepare financial statements for each financial year. Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group, and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company, and enable them to ensure that the financial statements comply with: the *Companies Act 2006*; the *Charities and Trustee Investment (Scotland) Act 2005*; the Charities Accounts (Scotland) Regulations 2006 (as amended); and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Information to auditor

In the case of each of the persons who are directors of the company at the date when this report was approved:

- in so far as each of the directors of the company at the date of approval of this report is aware, there is no relevant audit information (information needed by the company's auditor in connection with preparing the audit report) of which the company's auditor is unaware
- each director has taken all the steps that they should have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

A resolution to reappoint Crowe U.K. LLP as auditor to the company was agreed at our Annual General Meeting in December 2024.

The Strategic Report, Directors' Report and financial statements were approved by the Board on 11 December 2024 and were signed on its behalf by:

Professor Simon Gaskell Chair of the Board of Directors 	Tom Yates Company Secretary 

Independent Auditor's Report to the Members and the Trustees of The Quality Assurance Agency for Higher Education

Opinion

We have audited the financial statements of The Quality Assurance Agency for Higher Education ('the charitable company') and its subsidiaries ('the group') for the year ended 31 July 2024 which comprise the Group Statement of Financial Activities, the Group and Charity Balance Sheets, the Group and Charity Statements of Cash Flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 July 2024 and of the group's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005 and Regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the

financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on pages 23 and 24, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee

Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, The Charities and Trustee Investment (Scotland) Act 2005, together with the Charities SORP (FRS102) 2019. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charitable company's and the group's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charitable company and the group for fraud. The laws and regulations we considered in this context for the UK operations were the Higher Education and Research Act 2017 (HERA), General Data Protection Regulation, Health and Safety legislation, and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

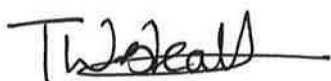
We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of contract income, and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and Scottish Charity Regulator, designing and performing audit procedures over the timing of contract income, and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have

detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Tara Westcott
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
St James House
St James Square
Cheltenham
GL50 3PR

Date: 18 December 2024

**Consolidated statement of financial activities
(including consolidated income and expenditure account)
for the year ended 31 July 2024**

	Notes	2024 £ Unrestricted funds	2023 £ Unrestricted funds
Income from:			
Charitable activities	5	8,487,261	9,880,503
Other trading activities	3	-	-
Investments	4	280,111	229,640
Total income		8,767,372	10,110,143
Expenditure on:			
Fundraising trading costs		320	1,448
Investment management costs		12,682	11,756
Raising funds		13,002	13,204
Charitable activities	6, 7	5,821,643	9,457,004
Total expenditure		5,834,645	9,470,208
Net gains / (losses) on investments		372,466	(82,183)
Net income and net movement in funds for the year	8	3,305,193	557,752
Reconciliation of funds			
Total funds brought forward		3,090,586	2,532,834
Total funds carried forward	22	6,395,779	3,090,586

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The notes on pages 32 to 58 form part of these financial statements.

Balance sheets as at 31 July 2024

(Company number: 03344784)

	Notes	Group 2024 £	2023	Charity 2024 £	2023 £
Fixed assets:					
Intangible fixed assets	12	97,759	132,937	97,759	132,937
Tangible assets	13	50,636	64,386	50,636	64,386
Investments	14	6,587,757	6,016,331	6,587,758	6,016,332
Total fixed assets		6,736,152	6,213,654	6,736,153	6,213,655
Current assets:					
Debtors	15	1,203,101	2,110,857	1,203,101	2,110,857
Cash at bank and in hand		3,712,188	3,677,367	3,711,835	3,674,164
Total current assets		4,915,289	5,788,224	4,914,936	5,785,021
Liabilities:					
Creditors - amounts falling due within one year	16	(5,096,199)	(5,809,462)	(5,096,200)	(5,808,060)
Net current assets		(180,910)	(21,238)	(181,264)	(23,039)
Total assets less current liabilities		6,555,242	6,192,416	6,554,889	6,190,616
Provision for liabilities	20	(159,463)	(421,069)	(159,463)	(421,069)
Pension provision liability	21	-	(2,680,761)	-	(2,680,762)
Total net assets		6,395,779	3,090,586	6,395,426	3,088,785
The funds of the group and charity:					
Designated funds	22	354,821	391,721	354,821	391,721
General funds	22	6,040,958	2,698,865	6,040,605	2,697,064
Total funds as at 31 July		6,395,779	3,090,586	6,395,426	3,088,785

The surplus for the financial year dealt with in the financial statement of the parent charity was £3,306,641 (2023: surplus £558,191).

The notes on pages 32 to 58 form part of these financial statements.

The financial statements were approved and authorised by the Board on 11 December 2024 and were signed on its behalf by:



Professor Simon Gaskell, Chair of the Board of Directors

Statement of cash flows for the year ended 31 July 2024

	Notes	Group		Charity	
		2024	2023	2024	2023
		£	£	£	£
Cash flows from operating activities:					
Net cash provided by operating activities	24	2,786	(655,227)	5,636	(653,014)
Cash flows from investing activities:					
Investment income		280,111	229,640	280,111	229,640
Proceeds from sale of investments		6,608,939	7,920	6,608,939	7,920
Purchase of investments		(6,137,731)	(694,696)	(6,137,731)	(694,696)
Purchase of intangible fixed assets		-	(5,850)	-	(5,850)
Purchase of tangible fixed assets		(49,116)	(11,645)	(49,116)	(11,645)
Net cash provided by/ (used in) investing activities		702,203	(474,631)	702,203	(474,631)
Change in cash and cash equivalents in the year		704,989	(1,129,858)	707,839	(1,127,645)
Cash and cash equivalents at the beginning of the year		3,677,374	4,807,232	3,674,171	4,801,816
Cash and cash equivalents at the end of the year	25	4,382,363	3,677,374	4,382,010	3,674,171

The notes on pages 32 to 58 form part of these financial statements.

Notes to the financial statements for the year ended 31 July 2024

1 Legal status

The Quality Assurance Agency for Higher Education (QAA) is a charitable company limited by guarantee. QAA is registered with the Charity Commission England and Wales (registered no: 1062746) and the Scottish Charity Regulator (registered no: SC037786). The charity was incorporated as a company limited by guarantee with Companies House England and Wales (registered no: 03344784). Its registered and principal office is Southgate House, Southgate Street, Gloucester, GL1 1UB.

2 Accounting policies

Companies Act 2006. As required by the *Charities Accounts (Scotland) Regulations 2006* (as amended), a cash flow statement for the charity is included.

a Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Judgements and key sources of estimation uncertainty that have had the most significant effect on amounts recognised in the financial statements are included with the relevant accounting policy below.

b Fund accounting

Unrestricted funds are incoming resources received or generated for expenditure on the general objectives of QAA. Designated funds are unrestricted funds of the charity which have been set aside by the trustees to fund particular future activities of the charity.

c Income

QAA's activities are funded primarily through contracts with the higher education funding bodies and UK governments, and through subscriptions from higher education institutions; it does not raise income through fundraising. All income has been accounted for when the charity has entitlement to the funds, any performance issues attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

d Expenditure and the basis of allocation of costs

All expenditure has been accounted for on an accruals basis and has been recorded as attributable to one of two categories - 'raising funds' (the cost of managing the charity's investments and the costs of fundraising trading incurred by the subsidiary company) and 'charitable activities' as shown in the SOFA. Redundancy and termination costs only occur where necessary and are accounted for on an accruals basis when the commitment to terminate a post on the grounds of redundancy or terminate an employee's contract has been made. The charitable activities are further divided into the four strategic aims of the charity. Within charitable activities, the expenditure is classified as 'direct costs' or 'support costs' as shown in the 'total charitable expenditure' note.

2 Accounting policies (continued)

Staff numbers and costs were allocated:

- directly to one or more of the three charitable activities as 'direct costs', **or**
- directly to governance as 'support costs', **or**
- apportioned to the three charitable activities and governance as 'support costs' using the staff numbers already attributed to those activities.

Non-pay costs were allocated:

- directly to one or more of the three charitable activities as 'direct costs', **or**
- directly to governance as 'direct costs' or 'support costs', **or**
- apportioned to the three charitable activities and governance as 'support costs' using the staff numbers already attributed to those activities.

Governance costs include the costs of meeting constitutional and statutory requirements such as audit, trustees' meetings and expenses, and legal fees. The staff and office costs associated with such costs are included in support costs. Governance costs are then apportioned to one of the three charitable activities.

e Operating leases

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred on a straight-line basis over the term of the lease.

f Intangible assets

The cost of standard computer software is written off to the SOFA as it is incurred. Software that has been designed specifically for QAA or purchased as part of a larger capital project has been capitalised and written off over a five-year period.

g Tangible fixed assets and depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset in equal instalments over its expected useful life.

The depreciation rates are as follows:

- computer equipment: three years
- office furniture and equipment: five years
- leasehold improvements: over the outstanding period of the lease.

Assets costing less than £2,000 are not capitalised unless they form part of a larger capital project.

h Investments

Listed investments are shown at market value at the year end and any movements are recorded as unrealised gains or losses in the consolidated statement of financial activities. Surpluses or deficits on investments sold during the year are calculated by comparing net proceeds with market value at the start of the year and are recorded as realised gains or losses in the consolidated statement of financial activities. Unlisted investments are included at cost.

2 Accounting policies (continued)

i Debtors

Trade debtors, other debtors and accrued income are recognised at the settlement amount due after any trade discount. Prepayments are valued at the amount prepaid net of any trade discounts due.

j Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions.

k Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of financial activity.

l Creditors and provisions

Creditors and provisions are recognised when the charity has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

QAA provides paid holiday arrangements for its employees and recognises the expense in the period in which the benefit is accrued. A provision is made for the cost of holiday accrued but not taken.

m Basic financial provisions

QAA has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

n Pensions

Hybrid pension schemes

QAA participates in the Universities Superannuation Scheme (USS) and Superannuation Arrangements for the University of London (SAUL). During the current period, both were hybrid pension schemes, having both a defined benefit and defined contribution part. The defined benefit assets of the schemes are held in a separate trustee-administered funds. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. QAA is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 'Employee benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the SOFA represents the contributions payable to the scheme in respect of the accounting period. Since QAA has entered into agreements (the Recovery Plans that determine how each employer within each scheme will fund the respective overall deficit of each scheme), should the schemes be in deficit, QAA would recognise a liability for the contributions

2 Accounting policies (continued)

payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the SOFA. If the schemes are in surplus no assets is recognised as there is no provision in the Scheme Rules for employers to receive a refund.

Critical accounting judgements

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control, typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as those provided by USS and SAUL. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The directors are satisfied that the schemes provided by USS and SAUL meet the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plans in existence at the balance sheet date.

Defined contribution scheme

QAA also participates in a defined contribution pension scheme and the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

3 Income from other trading activities

The summary financial position of QAA's wholly owned trading subsidiary QAA Enterprises Limited is:

	2024 £	2023 £
Turnover	-	-
Cost of sales and administrative costs	(320)	(439)
Net profit for the year	(320)	(439)

The assets and liabilities of the subsidiary were:

Current assets	353	3,203
Current liabilities	-	(1,402)
Total net assets	353	1,801

4 Income from investments

The group's investment income for the year is analysed by source below:

	2024 £	2023 £
Dividend and interest income from quoted investments	211,641	187,435
Interest from cash held in interest-bearing bank accounts	68,470	42,205
Total investment income for the year	280,111	229,640

5 Income from charitable activities

	Note	2024	2023
		£	£
Memberships		3,925,475	3,543,207
Regulatory		631,997	3,245,971
Contracts with higher education funding bodies		1,532,053	1,308,234
Alternative providers of higher education		296,333	255,743
Other contracts and related income		2,101,403	1,527,348
Total income from charitable activities		8,487,261	9,880,503

Analysis by source:

UK higher education funding councils		1,869,156	1,575,626
UK higher education institutions		3,506,936	3,634,824
UK further education institutions		334,153	364,248
UK alternative providers of higher education		775,802	544,371
Other		2,034,447	1,664,905
		8,520,494	7,783,974

Release income deferred in prior years	16	4,142,524	6,235,883
Defer income received in current year	16	(4,175,757)	(4,139,354)
			-
Total income from charitable activities		8,487,261	9,880,503

6 Expenditure on charitable activities

	Note	2024	2023
		£	£
Standards		1,604,354	1,925,743
Assurance and Enhancement		4,839,584	6,234,201
International		1,843,183	1,782,006
Leadership		215,283	176,117
Total expenditure on charitable activities before pension provision		8,502,404	10,118,067
Pension provision - deficit contributions (included above)	21	(91,277)	(221,658)
Credited to the SOFA - change in expected future deficit contributions		(2,650,918)	(550,019)
Pension provision - unwinding of discount	21	61,434	110,614
Total expenditure on charitable activities		5,821,643	9,457,004

7 Analysis of expenditure on charitable activities

	Charitable activities				Total expenditure on charitable activities	
	Standards	Assurance and Enhancement	International	Leadership	2024	2023
	£	£	£	£	£	£
Direct costs						
Staffing	996,307	2,290,580	922,179	187,651	4,396,717	4,848,774
Other review costs	55,282	656,415	255,861	27,632	995,190	1,362,552
Other direct costs	97	3,306	26,240	-	29,643	37,509
Total direct costs	1,051,686	2,950,301	1,204,280	215,283	5,421,550	6,248,835
Support costs						
Staff costs	374,790	1,294,806	450,769		2,120,365	1,799,748
Premises and office costs	38,606	144,116	36,659		219,381	1,039,765
IT	47,896	131,312	46,774		225,982	531,070
Finance	7,853	23,887	10,621		42,361	53,934
Depreciation	16,267	58,036	15,886		90,189	96,868
HR and SD costs	32,327	88,629	31,570		152,526	208,141
Other	8,862	69,207	11,362		89,431	18,133
Governance	26,067	79,291	35,261		140,619	121,573
Total support costs	552,669	1,889,283	638,902		3,080,854	3,869,232
Expenditure on charitable activities before pension provision	1,604,354	4,839,584	1,843,183	215,283	8,502,404	10,118,067
Pension provision - net (surplus)/ contributions					(2,742,195)	(771,677)
Pension provision - unwinding of discount					61,434	110,614
Total charitable expenditure					5,821,643	9,457,004

8 Net income or the financial year

	Note	2024 £	2023 £
Net income is stated after charging/(receiving):			
External auditors - audit services		19,800	19,800
- non-audit services		4,158	2,322
Internal auditors - audit services		-	3,600
Professional indemnity insurance		61,989	57,574
Intangible fixed assets			
Amortisation		35,178	48,771
Tangible fixed assets			
Depreciation		55,011	159,056
Impairment Provision		-	(119,196)
Loss on disposal		7,855	-
Operating leases			
Land and buildings		81,239	283,419
Other		-	1,434
Foreign exchange costs		682	3,637
Employer pension contributions	23	850,188	947,027

9 Analysis of staff costs

	2024 £	2023 £
Total staff costs were:		
Salaries	5,099,610	5,004,648
Employers' National Insurance contributions	548,974	539,094
Pension contributions payable	850,188	947,027
	6,498,772	6,490,769
Employment agency staff	18,415	157,554
Total staff costs before restructuring and pension provision liability adjustments	6,517,187	6,648,323
Deficit contributions payable in the year (included in contributions paid above)	(91,277)	(221,658)
Decrease in expected future deficit contributions	(2,650,918)	(550,019)
Total staff costs charged to the SOFA	3,774,992	5,876,646

9 Analysis of staff costs (continued)

	2024 Number	2023 Number
Standards	23	20
Assurance and Enhancement	51	46
International	26	25
Leadership	9.5	11
Total average number of employees on a full-time equivalent basis	109.5	102
Total average number of employees on a headcount basis	125	121

During the year, there were ten leavers, but none left due to redundancy or termination.
(2023: £126,518).

The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 were:

	2024 Number	2023 Number
£140,000 - £149,999	1	1
£130,000 - £139,999	-	-
£100,000 - £109,999	1	-
£90,000 - £99,999	1	3
£80,000 - £89,999	1	-
£70,000 - £79,999	4	4
£60,000 - £69,999	12	4

All employees earning more than £60,000 participated in the Universities Superannuation Scheme (see note 23). The aggregate amount paid to the scheme for these employees was:

	2024 £	2023 £
Employer contributions	257,563	237,925

10 Remuneration of directors and key management personnel

The key management personnel of the charity comprise the trustees and senior executive staff (see the Directors' Report above).

There were no emoluments paid to the trustees during the year. Eight trustees were reimbursed expenses to the value of £2,081 during the year (2023: 11 trustees, £2,398). The expenses paid related solely to travel and incidentals.

The total employee benefits (including Employer Pension contributions and Employer National Insurance contributions) received by the senior executive staff of the charity and the group was £567,211 (2023: £572,111).

The highest paid employee is the Chief Executive whose remuneration and benefits, including Employer Pension contributions and Employer National Insurance contributions, in the year were £194,093 (2023: £194,275).

During the year, QAA purchased Directors and Officers Liability Insurance (which included Trustee Indemnity Insurance).

11 Taxation

Under part II of CTA 2010 the charity is not subject to taxation on its charitable activities. The profits of the non-charitable subsidiary will normally be gift-aided to the parent charity. Therefore, the group generally suffers no Corporation Tax on its trading activities.

12 Intangible Fixed Assets

Group and charity

	Computer Software	Total
	£	£
Cost		
At 1 August 2023	653,515	653,515
Addition	-	-
Disposals	(61,817)	(61,817)
As at 31 July 2024	591,698	591,698
Amortisation		
At 1 August 2023	520,578	520,578
Charge for the year	35,178	35,178
Disposal	(61,817)	(61,817)
As at 31 July 2024	493,939	493,939
Net book value at 31 July 2024	97,759	97,759
Net book value at 31 July 2023	132,937	132,937

13 Tangible fixed assets

Group and charity

	Leasehold improvements	Computer equipment	Furniture and other equipment	Total
	£	£	£	£
Cost				
At 1 August 2023	1,280,210	3,836,036	550,430	5,666,676
Additions	-	49,116	-	49,116
Disposals	(1,280,210)	(3,417,513)	(407,801)	(5,105,524)
At 31 July 2024	-	467,639	142,629	610,268
Depreciation				
At 1 August 2023	1,259,996	3,795,315	546,979	5,602,290
Charge for the year	13,436	40,281	1,294	55,011
Disposals	(1,273,432)	(3,417,514)	(406,723)	(5,097,669)
At 31 July 2024	-	418,082	141,550	559,632
Net book value at 31 July 2024	-	49,557	1,079	50,636
Net book value at 31 July 2023	20,214	40,721	3,451	64,386

The directors consider that the market value of fixed assets does not differ significantly from their book value.

14 Fixed asset investments

	Quoted investments £	Unquoted investments £	Total £
Held by the group			
At 1 August 2023	6,016,331	-	6,016,331
Additions at cost	6,137,731	-	6,137,731
Disposals at opening market value or cost if bought in year	(6,224,344)	-	(6,224,344)
Net increase in cash held and settlements outstanding	670,168	-	670,168
Net gain on revaluation to year end market value	(12,129)	-	(12,129)
At 31 July 2024	<u>6,587,757</u>	<u>-</u>	<u>6,587,757</u>
Held by the charity			
At 1 August 2023	6,016,331	1	6,016,332
Additions at cost	6,137,731	-	6,137,731
Disposals at opening market value or cost if bought in year	(6,224,344)	-	(6,224,344)
Net increase in cash held and settlements outstanding	670,168	-	670,168
Net gain on revaluation to year end market value	(12,129)	-	(12,129)
At 31 July 2024	<u>6,587,757</u>	<u>1</u>	<u>6,587,758</u>

Quoted investments are revalued and stated at market value as at 31 July 2024.

During the course of the year, the entire investment portfolio was divested and then reinvested to actively avoid fossil fuel investments.

Unquoted investments are stated at cost. QAA holds one ordinary £1 share (100%) in QAA Enterprises Limited, a wholly owned trading subsidiary company registered in England and Wales no. 07588108, with the principal office at Southgate House, Southgate Street, Gloucester, GL1 1UB.

14 Fixed asset investments (continued)

Quoted investments are included at market value and held as follows:

	Group and charity at 31 July 2024		Group and charity at 31 July 2023	
	Cost	Market value	Cost	Market value
	£	£	£	£
Listed on a recognised stock exchange				
- in the UK	5,929,709	5,917,582	5,888,737	6,016,325
- outside the UK				
Cash and settlements pending held as part of the investment portfolio	670,175	670,175	7	7
	<u>6,599,884</u>	<u>6,587,757</u>	<u>5,888,744</u>	<u>6,016,332</u>

15 Debtors

	Group		Charity	
	2024 £	2023 £	2024 £	2023 £
Trade debtors	967,205	1,807,989	967,205	1,807,989
Sundry debtors	422	3,163	422	3,163
Prepayments	168,186	299,705	168,186	299,705
Accrued income	67,288	-	67,288	-
Subsidiary undertaking		-		-
	<u>1,203,101</u>	<u>2,110,857</u>	<u>1,203,101</u>	<u>2,110,857</u>

We are currently not holding a provision for doubtful (doubtful debts provision 2023:£nil).

16 Creditors: amounts falling due within one year

	Group		Charity	
	2024	2023	2024	2023
	£	£	£	£
Trade creditors	90,376	502,563	90,376	501,861
Taxation and social security	157,697	144,890	157,697	144,890
Pension contributions	94,657	118,996	94,657	118,996
Other creditors	35,139	272,553	35,139	272,553
Accruals	474,003	559,366	474,004	558,666
Deferred income	4,244,327	4,211,094	4,244,327	4,211,094
	<u>5,096,199</u>	<u>5,809,462</u>	<u>5,096,200</u>	<u>5,808,060</u>
The movement in deferred income was as follows:				
At start of year	4,211,094	6,307,623	4,211,094	6,307,623
Release income deferred in prior years	(4,142,524)	(6,235,883)	(4,142,523)	(6,235,883)
Deferred income received in current year	4,175,757	4,139,354	4,175,756	4,139,354
At end of year	<u>4,244,327</u>	<u>4,211,094</u>	<u>4,244,327</u>	<u>4,211,094</u>

Deferred income relates to contractual commitments which will not be delivered until next year. It is therefore not appropriate to recognise the income at this stage.

17 Operating lease arrangements

Total future minimum lease payments under non-cancellable operating leases were as follows:

	Group and charity	
	2024	2023
	£	£
Land and buildings		
Within one year	-	62,595
Between two and five years	-	36,524
		99,119

The lease was surrendered in this financial year as we vacated the offices in Scotland

18 Analysis of capital commitments

	Group and charity	
	2024	2023
	£	£
Contracted for but not provided	-	25,410
Authorised but not yet contracted for		-
	-	25,410

19 Related party transactions

Due to the nature of QAA's operations and the composition of the QAA Board of Directors, transactions take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with QAA's financial regulations and normal procurement procedures. No transactions were identified that should be disclosed under *Financial Reporting Standard 8: Related Party Disclosures*.

QAA is a member of Scottish Credit and Qualifications Framework Partnership, a company limited by guarantee and registered in Scotland number SC311573.

20 Provision for liabilities

Provisions have been made for the following:

Holiday pay

The movement in the provisions during the year is:

	Holiday Pay £
At 1 August 2023	121,069
Provided during the year	27,684
Utilised in the year	-
At 31 July 2024	148,753

Reinstatement of premises

The Reinstatement of premises provision covers the cost of returning our Gloucester premises to their original condition at the end of the licence.

	Reinstatement of premises £
At 1 August 2023	300,000
Provided during the year	
Utilised in the year	(289,290)
At 31 July 2024	10,710

21 Pension liability provision

The total pension cost charged to the SOFA is:

	Group and charity	
	2024	2023
	£	£
Employer contributions payable in the year	850,188	947,027
Deficit contributions payable in the year (included in employer contributions above)	(91,277)	(221,658)
Change in expected future deficit contributions	(2,650,918)	(550,019)
Total pension cost charged to the SOFA	<u>(1,892,007)</u>	<u>175,350</u>

The movement in the provision is:

	Group and charity	
	2024	2023
	£	£
At 1 August	2,680,761	3,341,824
Charged to the SOFA - deficit contributions payable in the year	(91,277)	(221,658)
Charged to the SOFA - change in expected future deficit contributions	(2,650,918)	(550,019)
Unwinding of discount	61,434	110,614
At the year end	<u>-</u>	<u>2,680,761</u>

22 Analysis of charitable funds

Analysis of movements in unrestricted funds

	Funds at 1 August 2023	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2024
	£	£	£	£	£	£
Designated funds:						
Innovation and development	391,721	-	(192,900)	-	-	198,821
Business transformation	-	-	-	156,000	-	156,000
Total designated funds	391,721	-	(192,900)	156,000	-	354,821
General fund	2,698,865	8,767,372	(5,641,745)	(156,000)	372,466	6,040,958
Total unrestricted funds	3,090,586	8,767,372	(5,834,645)	-	372,466	6,395,779

	Funds at 1 August 2022	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2023
	£	£	£	£	£	£
Designated funds:						
Innovation and development	343,694		(91,973)	140,000		391,721
Reinstatement of premises	459,000		(300,000)	(159,000)		-
Total designated funds	802,694		(391,973)	(19,000)		391,721
General fund	1,730,140	10,110,143	(9,078,235)	19,000	(82,183)	2,698,865
Total unrestricted funds	2,532,834	10,110,143	(9,470,208)	-	(82,183)	3,090,586

The purpose of the designated fund for Innovation and development (I&D) is:
'for innovation in products and services for the long-term benefit of UK higher education.'

22 Analysis of charitable funds (continued)

Analysis of group net assets between funds

	General fund	Designated funds	Total 2024
	£	£	£
Tangible fixed assets	50,636	-	50,636
Intangible fixed assets	97,759	-	97,759
Fixed asset investments	6,587,757	-	6,587,757
Cash at bank and in hand	3,357,367	354,821	3,712,188
Other net current liabilities	(3,893,098)	-	(3,893,098)
Provisions	(159,463)	-	(159,463)
Total net assets 31 July 2024	6,040,958	354,821	6,395,779

	General fund	Designated funds	Total 2023
	£	£	£
Tangible fixed assets	64,386	-	64,386
Intangible fixed assets	132,937	-	132,937
Fixed asset investments	6,016,332	-	6,016,332
Cash at bank and in hand	3,285,646	391,721	3,677,367
Other net current liabilities	(3,698,605)	-	(3,698,605)
Provisions	(3,101,831)	-	(3,101,831)
Total net assets 31 July 2023	2,698,865	391,721	3,090,586

23 Pensions (defined benefit schemes)

QAA participates in two defined benefit pension schemes. The employer pension contributions payable were as follows:

	Group and charity	
	2024	2023
	£	£
Universities Superannuation Scheme (USS)	620,875	734,969
Superannuation arrangements for the University of London (SAUL)	229,313	212,058
	850,188	947,027
Employer contributions outstanding at the balance sheet date (included above)	94,657	116,068

In addition to the Final Salary section within USS for current members, employees joining the Scheme after 30 September 2011 will join the Career Revalued Benefits section (subject to some transitional rules). From 1 April 2016 all USS members were moved to the Retirement Income Builder section.

Similarly, employees joining SAUL after 30 June 2012 will join the Career Average Revalued Earnings (CARE) section of that scheme (subject to some transitional rules). On 1 April 2016 all Final Salary members were moved to the CARE section.

The contribution rates as a percentage of pensionable salary are as follows:

			Employer	Employee
USS	Retirement Income Builder Section	1 April 2023 to 31 December 2023	21.40%	9.80%
		From 1 January 2024	14.50%	6.10%
SAUL	Career Average Revalued Earnings Section	From 1 January 2023	21.00%	6.00%

Universities Superannuation Scheme

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2023 (the valuation date), which was carried out using the projected unit method.

Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2023 valuation was the seventh valuation for the scheme under the scheme-specific funding regime introduced by the *Pensions Act 2004*, which requires schemes to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £73.1 billion and the value of the scheme's technical provisions was £65.7 billion indicating a surplus of £7.4 billion and a funding ratio of 111%. As USS was in surplus on its Technical Provisions basis, no further deficit contributions were required. The Trustee and the Employers agreed that from 1 January 2024 the ongoing Employers' contributions will fall from a rate of 21.6% of Salaries to 14.5%

23 Pensions (defined benefit schemes) (continued)

of Salaries. The previous year's deficit was released and as therefore is no provision in the Scheme Rules for an employer to receive a refund no asset has been recognised.

The key financial assumptions used in the 2023 valuation are described below. More detail is set out in the Statement of Funding Principles.

CPI assumption	3% pa (based on a long term average expected level of CPI, broadly consistent with the long term market expectations)
Pension increases (subject to a floor of 0%)	CPI assumption plus 3%
Discount rate (forward rates)	Fixed interest gilt yield curve plus: Pre-retirement: 2.5% p.a. Post-retirement: 0.9% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2023 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table

2023 valuation

Future improvements to mortality:

101% of S2PMA 'light' for males and 95% of S3PFA for females.

CMI_2021 with a smoothing parameter of 7.5, an initial addition of 0.4% pa, 10% w2020 and w2021 parameters, and a long term improvement rate of 1.8% pa for males and 1.6% pa for females.

Superannuation Arrangements for the University of London

QAA participates in the Superannuation Arrangements of the University of London (SAUL), which is a centralised defined benefit scheme within the United Kingdom and was contracted out of the Second State Pension (prior to April 2016).

SAUL is an independently managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on a Career Average Revalued Earnings (CARE) basis.

QAA is not expected to be liable to SAUL for any other current participating employer's obligations under the rules of SAUL, but in the event of an insolvency of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer may be spread across the remaining participating employers and reflected in the next actuarial valuation.

Funding policy

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the 'Technical

23 Pensions (defined benefit schemes) (continued)

Provisions'). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments that arise from members' accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2023. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in June 2024 and are due to be reviewed at SAUL's next formal valuation in 2026.

At the 31 March 2023 valuation, SAUL was 105% funded on its Technical Provisions basis. As SAUL was in surplus on its Technical Provisions basis, no deficits contributions were required. The Trustee and the Employers have agreed that the ongoing Employers' contributions will fall from a rate of 21% of CARE Salaries to 19% of CARE Salaries from 1 September 2024

QAA participates in one defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund and were as follows::

	Group and charity	
	2024	2023
	£	£
The People's Pension	5,171	15,967
Employer contributions outstanding at the balance sheet date	561	2,929

24 Reconciliation of net income to net cash flow from operating activities

	Group		Charity	
	2024	2023	2024	2023
		£		£
Net income for the year	3,305,193	857,753	3,306,641	858,191
Adjustments for:				
Depreciation charge	90,189	207,828	90,189	207,828
Impairment provision	-	(110,960)	-	(110,960)
Loss on disposal	7,855		7,855	
(Gains)/Losses on investments	(372,466)	82,183	(372,466)	82,183
Investment income	(280,111)	(229,640)	(280,111)	(229,640)
Decrease in debtors	907,756	1,265,674	907,756	1,268,251
 (Decrease) in creditors	 (713,263)	 (2,040,547)	 (711,861)	 (2,041,349)
 (Decrease) in provisions	 (2,942,367)	 (687,518)	 (2,942,367)	 (687,518)
Net cash provided by operating activities	2,786	(655,227)	5,636	(653,014)

25 Analysis of cash and cash equivalents

	Group		Charity	
	2024	2023	2024	2023
	£	£		£
Cash at bank and in hand - liquid assets	3,712,188	3,677,367	3,711,835	3,674,164
Cash at bank - fixed asset investments	670,175	7	670,175	7
Cash at bank and in hand at the end of the year	4,382,363	3,677,374	4,382,010	3,674,171

26 Reconciliation of net debt

	At 1 August 2023	Cashflows	At 31 July 2024
	£	£	£
Cash	3,677,367	34,821	3,712,188
Cash equivalents	7	670,168	670,175
Total	3,677,374	704,989	4,382,363

Glossary

FRS 102	The Financial Reporting Standard applicable in the UK and Republic of Ireland
S2P	State Second Pension
SAUL	Superannuation Arrangements for the University of London
Charities SORP	Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)
SOFA	Statement of financial activity
USS	Universities Superannuation Scheme

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THE QUALITY ASSURANCE AGENCY FOR HIGHER EDUCATION

England & Wales - Charity number 1062746

Accounts



The Quality Assurance Agency for Higher Education

Annual Report and Financial Statements

2022-23

This document is published in both English and Welsh.

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Foreword from Professor Simon Gaskell, Chair of QAA Board

This has been a pivotal year for QAA, at a time when higher education is rarely out of the news. A sector that had faced extraordinary challenges through the Covid pandemic now found itself having to reassert its fundamental purpose - partly to put critical commentary from some political quarters into perspective, but also, perhaps more substantially, in response to the emergence of new artificial intelligence technology. ChatGPT is to date the most prominent of a panoply of new apps which bring both opportunities and threats, and which collectively pose important questions about what students should learn, and why, before many of them enter a radically changing job market.

QAA itself took the difficult but principled decision to step away from its role as the Designated Quality Body (DQB) in England, in order to retain alignment with internationally recognised good practice. This brought to the end QAA's assurance work for the Office for Students - a relationship which, at times, distracted unhelpfully from the sector's and QAA's vital work to maintain standards and assure and enhance the quality of teaching and learning. QAA's demission of the role leaves the Agency in new territory in England, able to offer an expanded enhancement service to its members, and launching new services to help improve and demonstrate quality. In the current policy and regulatory context, it is hard to escape the conclusion that QAA will be able to add more value to the English sector in this capacity than it could while also acting as DQB. Nonetheless, it remains a matter of regret, as for many in the sector, that the assessment functions in England have lost their independence from the regulator.

More unambiguously welcome is the move in Scotland and Wales towards a far more integrated tertiary sector, and indeed throughout all nations of the UK, as progress continues towards a culture of lifelong learning, further education and higher education institutions will work together far more closely. Scotland can fairly be seen as leading the way in terms of formal changes to help bring about this vision, and the significant expansion of QAA's work in Scotland, working in partnership with other agencies, is both a historic opportunity for QAA and also a considerable honour and deep responsibility.

QAA's new strategy positions the Agency for these developments, and for the continued growth in international work, which is increasingly important in supporting the sector's work in delivering high-quality transnational education and in attracting international students. Taking that strong strategic position together with the clear independent expression of confidence in QAA's capabilities that resulted from the thorough review by the European network of quality bodies, ENQA, I believe QAA can be clearly seen as an agency going from strength to strength, adapting with great agility in the service of the higher and wider tertiary education sector and its students.

In the current challenging economy, the UK's higher education sector remains a conspicuous and vital success story. The golden thread that runs through its long success is a commitment, both collectively and as individual institutions, to maintain standards and enhance quality - a commitment that is independent of, but complements, adherence to regulatory requirements. This most positive expression of institutional autonomy builds upon a values base that incorporates a dedication to advance the individual and social benefits of higher education, and to the academic freedom of students and staff. Without such commitments, we would risk the sector's global reputation and huge economic value.

Foreword from Vicki Stott, QAA Chief Executive

This year, the UK higher education sector has witnessed the rapid rise of open-access generative artificial intelligence tools that have had immediate and far-reaching impacts on higher education as we know it. Industrial action and employer relations have remained strained, with a UK-wide marking and assessment boycott posing potential risks to quality and standards. Ongoing conversation in the sector about the need for a financially sustainable funding model is matched in urgency only by ministers' 'crackdown' rhetoric on 'low-quality' courses, throwing the topic into the mainstream once again.

Change has also been a theme for QAA itself. This year, through the publication of our new strategy, we've positioned the Agency to adapt to its evolving roles in the UK nations. In Scotland, we are delighted to have been commissioned by the Scottish Funding Council to design and deliver a new tertiary quality system across further and higher education. In Wales, the passing of the Tertiary Education and Research Bill and the establishment of its new Commission mark the beginning of a tertiary focus in higher education for Wales that QAA stands ready to serve. In England, since we finished our role as the Designated Quality Body in March, we have been able to better meet the needs of the sector through an enhanced membership programme and a range of new services to support individual providers.

I am particularly proud of the work QAA has done this year to support the sector in responding to emerging issues like the marking and assessment boycott and generative artificial intelligence tools. Our timely, expert advice to the sector demonstrates our ability to respond to the policy landscape with agility, supporting our members and policy makers alike. I am also pleased that we were able to lend our expertise and testimony to the House of Lords Industry and Regulators Committee inquiry into the work of the Office for Students (OfS) this year. We have cemented our position as the custodian and steward of higher education standards by taking the opportunity afforded by the OfS regulatory framework move away from the Quality Code for Higher Education in order to refresh that document, ensuring it provides a golden thread of consistency of standards for provision across the UK. We have also continued our cyclical review of Subject Benchmark Statements, which have given us an opportunity to facilitate the sector's leadership in embedding issues of equity and diversity through academic curricula. We are proud of our long history of setting and maintaining academic standards, and pleased that this work remains vital to the success and reputation of UK higher education.

Within the Agency, our post-pandemic move to flexible working has developed further as we moved our Gloucester office to smaller and more modern accommodation. The introduction of our Flex+ policy that empowers staff to use their time in ways that work for them and for QAA, combined with our move to a distributed, intent-based leadership approach to decision-making, has cemented our position as a modern, agile and supportive employer, embracing the post-Covid opportunities. This, I am confident, will only strengthen our ability in future to respond with agility to the needs of the UK higher education sector in the years ahead.

As public rhetoric about higher education continues to stray towards unhelpful characterisations of the quality of provision, QAA's work as an international advocate for the UK higher education sector overseas has become more important than ever.

On my visits overseas this year, I have been struck again by just how highly the UK higher education sector, and QAA's own work, is regarded internationally. Whether in international fora like the International Network for Quality Assurance Agencies in Higher Education (INQAAHE), or engaging with individual country governments, UK higher education retains its world-leading reputation. But it is something we cannot take for granted, nor let domestic

rhetoric undermine. It is why I am delighted that QAA's work across the UK was recognised to be in line with internationally agreed good practice by the European Network for Quality Assurance (ENQA) in July. It is testament to the ongoing hard work and dedication of colleagues across the Agency, to which I am most grateful.

It is my belief that QAA has emerged from this year with a real clarity of purpose and mission that will drive our work into the next year. An agency that acts with integrity, is confident in its expertise and is well-respected in the sector, is an agency that is a joy to lead, and I am proud and privileged to be able to work with so many talented, dedicated and expert staff in forging QAA's road for the next 26 years.

Strategic Report

QAA works across the whole of the UK. Each country has a distinct and separate set of quality arrangements, so QAA works with regulators, funding agencies, higher education institutions, students and other stakeholders across the UK to deliver tailored approaches.

QAA's new strategy

In April 2023 we published our new strategy for the period 2023-27, entitled 'Excellence, independence and trust in quality assurance and enhancement'. The Strategy describes QAA's work in four focus areas:

- **Standards:** Providing custodianship of sector reference points and targeting guidance to secure academic standards and the value of qualifications.
- **Assurance and enhancement:** Delivering respected and innovative approaches to quality, enabling institutions and learners to work collaboratively to evaluate their practice and keep improving their learning experience.
- **International:** Expanding our international activity, capitalising on the excellent global reputation of QAA and UK higher education, into new areas for the benefit of UK tertiary education.
- **Leadership:** Influencing and supporting policymakers, universities and colleges, students and learners through clearly communicated expert insight.

The Strategy highlights the Agency's developing role in the UK as the policy context evolves in each of the four nations - an expansion of our work beyond higher education to serve the wider tertiary sector, and continued growth in our international activities.

Purpose of QAA

QAA is a world-leading quality agency with unmatched experience of providing impartial regulatory and collaborative quality assurance and enhancement. Our purpose is to ensure that students and learners experience the highest possible quality of education. To achieve this, we support universities and colleges in working with students and learners, governments, funders and regulatory bodies to evidence and enhance the excellent quality and high standards of the education they provide.

We work towards a greater public understanding - domestically and internationally - of how excellent quality is demonstrated in UK higher education, and how autonomous providers both assure its delivery and address weaknesses.

Our work safeguards the value of qualifications for students and learners, and protects and promotes the reputation of higher education.

Independent external review of QAA

The European Association for Quality Assurance in Higher Education (ENQA), the umbrella body for quality assurance agencies in the European Higher Education Area, undertook an independent review of QAA. A review to check compliance against the European Standards and Guidelines (ESG) at least every five years is a condition of ENQA membership.

QAA submitted a substantial self-assessment report, published in January 2023. The ENQA review team visited QAA in February-March 2023, meeting staff, Board members and stakeholders.

The review found QAA to be compliant with 12 of the 14 standards it was assessed against and partially compliant with the remaining two. The panel concluded that QAA is compliant with the ESG overall.

QAA received several commendations for its work, including:

- the student engagement on various levels of QAA's organisation and activities and the role QAA has played in championing the student experience and student representation
- the measures QAA has put in place to secure the Agency's independence, as well as the organisational strength to follow and maintain the spirit of ESG
- QAA's 'exemplary' exploratory and communicative work on 'new frontiers' of quality assurance and higher education in general, which has led to QAA being internationally recognised as a well-established hub for information and guidance.

On the two areas of partial compliance, ENQA recommended that QAA develop a clearer plan for thematic analysis for all its external quality assurance activities, building on existing practice within Scotland, and that it reflects on its approach to ensuring the consistency of outcomes.

The report was subsequently used to inform the European Quality Assurance Register renewal for QAA's listing on the register, and ENQA's Board will use it in determining QAA's continued ENQA membership.

What we do

QAA's regulatory work

QAA as the Designated Quality Body in England

Shortly before this reporting year, QAA had announced that it would no longer consent to holding the role of Designated Quality Body (DQB) in England after the end of the DQB year, which concluded on 31 March 2023. QAA continues to believe that English higher education students and their institutions would be best served by an independent and impartial DQB. We believe that QAA's expertise, experience and international recognition make it the obvious choice for this role. While QAA stepped away in the interest of our standing on the European Quality Assurance Register (EQAR), QAA's position is that it would consider seeking designation again if these and other tensions that led us to depart the role, could be resolved.

Following our announcement that we would no longer consent to the DQB role, our position on the EQAR which had been temporarily suspended was reinstated without delay.

In relation to the DQB year (1 April 2022 to 31 March 2023), we were commissioned to undertake 26 assessments under the Quality and Standards Review and Degree Awarding Powers Assessment methods, which is fewer than the previous year (32). However, we were also commissioned to undertake one new assessment under the Standards Assessment method (previous year = 1), and 29 assessments under the External Quality Assurance for End-Point Assessment Organisations (previous year = 0), meaning 53 assessments were commissioned in total. This represented a 66% increase year-on-year. Of the commissioned assessments, 33 came in the period from 1 August 2022. In this year, we submitted 86 reports to the Office for Students (OfS), compared with 25 reports in the previous year. This represents a 244% increase over the previous year.

Following the announcement we would no longer consent to holding the role of DQB, the OfS asked us to consider an amended report format for the Quality and Standards Review method. We quickly produced a sample report for the OfS in this format and received positive feedback with no amendments required to the approach. Many of the assessments submitted from December 2022 onwards therefore followed this format.

In line with the transparent approach we wished to take following our announcement that we would publish completed assessment reports from July 2022, in October 2022 we also published a summary table showing all assessments undertaken as DQB. We continue to publish assessment reports as the OfS makes regulatory decisions for providers where we have conducted an assessment.

With the exception of three assessments - two where the representations process could not be completed before 31 March, and one where the assessment process was always expected to continue after March 2023 - QAA submitted all final reports to the OfS on or before 31 March 2023 (and in the case of the External Quality Assurance for End-Point Assessment Organisations, uploaded the information to the Institute for Apprenticeships and Technical Education's digital system), fully completing our obligations as DQB.

Educational Oversight and other review methods

QAA continues to perform a role conducting reviews for purposes of educational oversight in order to allow higher education providers to apply to UK Visas and Immigration for a Student Sponsor licence. Around 30 providers are subject to this method. We had planned in this year to conduct a review of the method, but this has now been postponed to the following year as resource was prioritised towards the DQB activity. QAA continues to engage with Home Office officials regarding potential developments in relation to educational oversight.

QAA continues also to be the body that conducts assessments in order to provide advice to Ministers in Scotland, Wales and Northern Ireland regarding applications for degree awarding powers. Two of these applications were to be conducted in this year, and were unaffected by our decision to no longer consent to the DQB role in England. This work will have transferred to our Scotland, Wales, and Northern Ireland team in the next year.

Access to Higher Education Diploma

QAA's activity as regulator of the Access to Higher Education Diploma began to return to normal in this year following two years where we had operated an Extraordinary Regulatory Framework as a result of the COVID-19 pandemic. In November 2022, we consulted on a number of changes to the Diploma Specification. This work was conducted in parallel to development activity related to the Grading Scheme for the Diploma, and we confirmed to the sector in June 2023 the changes we would be making.

We also updated Access Validating Agencies and providers of the Diploma that in the coming year we will undertake a major consultation on future regulatory arrangements related to the Diploma. We expect to launch this in autumn/winter with the changes taking effect sometime in 2024.

Assessment services

In May 2023, we launched the first of our new services for higher education providers in England that we are able to offer now that we are no longer the DQB. The Targeted Quality and Standards Service allows all English higher education providers (whether or not they are a QAA Member) to access QAA's expertise in order to support the enhancement and development of their higher education provision. The Degree Awarding Powers Service

allows providers to access a range of modules to support them in the development of an application for degree awarding powers in England.

We intend to launch two more services early in the 2023-24 academic year that will further support providers with assessment services according to their needs. This will include a New Provider Service for providers seeking registration with the regulator, and an Elective Quality Review Service for providers that wish to demonstrate compliance with the European Standards and Guidelines.

Facilitating collaboration between the nations

QAA has continued to work closely with funder-regulators across the three devolved nations to explore opportunities for collaboration and closer alignment of their respective approaches to quality enhancement. In February 2023, as part of the revision and development of the Quality Enhancement Review (QER) method in Wales, QAA facilitated a conversation between the three devolved funder-regulators and representatives of Universities Wales and the Wales Quality Network. The meeting sought feedback from all parties on whether the principles/features proposed for the QER could be adopted by Scotland and Northern Ireland in the future. QAA also facilitated a briefing for the Higher Education Funding Council for Wales (HEFCW), the Scottish Funding Council (SFC) and Department for the Economy in Northern Ireland (DfE NI) to discuss the ENQA review of QAA (in which all parties participated) and to seek feedback on QAA's proposed strategic plan.

QAA has also provided several opportunities for sector colleagues from across Scotland, Wales and Northern Ireland to collaborate and share quality enhancement practice. This has included contributions from Scottish and Welsh colleagues at the QAA Northern Ireland conference in October 2022, the inclusion of representatives from Scotland and Northern Ireland in QAA's QER Method Advisory Group in Wales, and reserved places at the International Enhancement Themes conference in June 2023 for colleagues from Wales and Northern Ireland. QAA has also provided opportunities for colleagues from the other devolved nations to present at the Wales Quality Network and Universities Wales Learning and Teaching Network, and representatives from higher education institutions in Wales and Northern Ireland successfully submitted presentations to the International Enhancement Conference.

QAA's work in Scotland

QAA received a commission from the Scottish Funding Council (SFC) to lead key workstreams of Scotland's Tertiary Quality Project. The project involves the development and delivery of a common approach to assuring and enhancing quality in Scotland's tertiary sector. QAA will lead on two key workstreams within the project in collaboration with SFC, sector agencies, and staff and students from Scotland's colleges and universities.

This includes the design and delivery of a multi-year quality cycle involving peer-led external review of colleges and universities, working closely with Education Scotland. QAA will also lead planning for the delivery of a national enhancement programme across Scotland's tertiary sector, drawing on the expertise of Colleges Development Network. Further collaboration with Student Partnerships in Quality Scotland (sparqs) and National Union of Students (NUS) Scotland will be required to maximise the effectiveness of student partnership in the new arrangements.

The tertiary-wide scope of the project marks a significant expansion of QAA's work and aligns with the aims outlined in our new strategy to serve the needs of institutions across the tertiary sector.

Academic year 2022-23 saw the commencement of Phase 1 of a two-phase approach to external institutional quality review. Phase 1 involves all Scottish higher education institutions undergoing a Quality Enhancement and Standards Review (QESR) and Institutional Liaison Meeting (ILM) across the 2022-23 and 2023-24 academic years. QESR focuses on a higher education institution's management of its academic quality and standards and how that institution embeds an enhancement-led approach to improving, learning, teaching and the wider student experience. QAA completed 7 QESRs and 12 ILMs during the 2022-23 academic year; 12 QESRs and 7 ILMs will be completed during the 2023-24 academic year. Phase 2 of the new approach to external institutional quality review will begin in 2024-25 and will coincide with the development of a peer-led external review of colleges and universities in collaboration with Education Scotland and the Scottish tertiary sector.

The three-year Resilient Learning Communities Theme has been drawing to a close across 2022-23. The third and final year of the Theme focused on two strands of activity: equality, diversity and inclusion and flexible, accessible learning. Working at institutional, collaborative cluster and sector level, a range of thought-provoking and practical resources have been developed and used heavily by colleagues in the sector. Final theme publications will be published and promoted in the autumn when we will also share the learning from the major evaluation of impact work spanning the three years of Resilient Learning Communities. The learning from 20 years of the Enhancement Themes, together with the improvement work in Scottish colleges is informing the development of the Tertiary Enhancement Activity - one of the workstreams in the SFC's common tertiary quality framework.

This year also marked two decades of the enhancement-led approach and the Quality Enhancement Framework in Scotland. QAA convened a programme of activity on behalf of the Scottish higher education sector. '20 Years of Enhancement' drew on sector colleagues' experience of enhancement to create opportunities for critical reflection, celebration and looking to the future of enhancement in Scotland. The campaign encompassed a number of blogs and online webinars featuring the voices of staff and students who had played a key role in driving forward enhancement work in Scotland over the last 20 years, and international voices from countries who have embedded a quality enhancement approach, drawing inspiration from the Scottish approach to enhancement. In total, approximately 400 people registered for at least one of three campaign webinars.

The '20 Years of Enhancement' campaign culminated with the 5th International Enhancement Conference - 'Shaping the Student Experience Together: 20 Years of Enhancement'. The event took place on 14-15 June 2023 at Glasgow Caledonian University. Over 430 delegates engaged in-person and online with a range of thought-provoking sessions that demonstrated innovative practice in enhancing the student experience. Delegates heard from a range of inspirational keynote speakers including Professor David Mba, University of the Arts London and Black Leadership Group; Minister Graeme Dey, Minister for Higher and Further Education; and Dr Liz Austen and Professor Stella Jones-Devitt who presented the outcomes of their evaluation of the 20 Years of Enhancement Themes.

QAA's work in Wales

Following the completion of the first cycle of Quality Enhancement Review (QER) in Wales in 2021-22, QAA has worked extensively with the higher education sector in Wales this year in the review and revision of the QER method and accompanying handbook ahead of implementation of the second cycle of QER in 2023-24. This included a series of sector workshops, engagement with Universities Wales' Learning and Teaching Network and consultation with QAA's Method Advisory Group - made up of key stakeholders. Following the initial engagement, QAA developed a draft handbook which was open for sector

consultation in May and June 2023. The final handbook was published in July 2023 alongside a summary of sector feedback and how QAA had responded to this feedback.

QAA completed a Gateway Quality Review of Cardiff and Vale College in March 2023 and of Coleg Cambria in May 2023. In terms of the Concerns Investigations Process (Wales), QAA was also commissioned by HEFCW to complete an investigation of Wrexham University (previously Wrexham Glyndŵr). This investigation was completed and submitted to HEFCW in early 2023.

We continue to strengthen our commitment to the Welsh language. QAA met with the Office of the Welsh Language Commissioner in March 2022 to undergo audit against the Welsh Language Standards. The audit process involved checks to some services, evidence from self-assessment questionnaires, evidence from QAA's compliance annual report, complaints and inquiries received from the public, and oral evidence at the audit meeting. The Welsh Language Commissioner subsequently wrote to QAA following the meeting and highlighted several areas of good practice such as the operation of a Welsh language telephone line, as well as requesting improvements to the inclusion of Welsh in several areas such as our website and our complaints procedures.

QAA has continued to support the Welsh Integrity and Assessment Network through our grant agreement with the Higher Education Funding Council for Wales (HEFCW). The network met three times this year and held an online Academic Integrity Symposium on 9 June 2023. The network has discussed several areas of policy such as academic misconduct penalties and the use of artificial intelligence in higher education. The Symposium attracted over 90 participants with staff and students from Welsh and English universities presenting at the event.

As part of our HEFCW grant agreement, we supported two sector-wide projects on micro-credentials and peer observation of teaching. Both projects collected feedback via questionnaire from all regulated and funded providers in Wales and were followed up by a series of interviews. Webinars to present the key findings of each project were held across May and June. Final reports for each project will be published later in the year.

We announced funding for two further HEFCW-funded Collaborative Enhancement Projects in Wales on micro-credentials and learning. The micro-credentials project, titled 'Implementation of a Micro-credential Planning Framework' is being led by Cardiff Metropolitan University in partnership with Wrexham Glyndŵr University and Gower College Swansea. The immersive learning project, titled 'The Welsh Collective: Digital Learning' has been developed by the Universities Wales Learning and Teaching Network, to further work from the HEFCW Higher Education Investment and Recovery (HEIR) Fund. It is being led by University of Wales Trinity Saint David and involves all universities in Wales.

QAA's work in Northern Ireland

QAA was pleased to welcome Union Theological College Belfast as a new member during the 2022-23 year. With the Northern Ireland Executive remaining dormant throughout the 2022-23 academic year, QAA has continued to engage with officials in the Department for the Economy (DfE NI) regarding the proposal to develop a new review method for Northern Ireland submitted in 2021-22. This proposal has been approved at all necessary levels within the Department pending final sign-off by the Permanent Secretary. In the meantime, QAA continues to engage with colleagues in the sector to confirm provisionally the membership for a Method Advisory Group. QAA hopes to begin work on the method development in the 2023-24 academic year, provided the proposal has been signed off in time.

In addition to continuing its programme of regular liaison with universities, university colleges and colleges in Northern Ireland, QAA hosted its second annual online conference. Titled

'The Future of Quality Enhancement', the conference took place on 21 October 2022 with almost 70 delegates from across QAA's Northern Ireland membership participating in the event. The conference offered the opportunity to bring the sector together to develop a shared understanding of the key reference points for quality enhancement and learning from existing practice to enhance the quality of the student experience in Scotland and Wales. Feedback was extremely positive with many delegates welcoming the opportunity to forge new connections for the future.

Supporting quality enhancement among QAA Members

QAA Membership activities and services

This was the fourth year of QAA's voluntary membership model in England, which first launched on 1 August 2019.

Interest in QAA Membership continued a pattern of growth with 260 English providers in QAA Membership by the end of the 2022-23 academic year. Including providers from Scotland, Wales and Northern Ireland, we had a total of 304 members across the UK.

For the start of the 2022-23 year, and following consultation with our members, we adjusted the membership offer to incorporate the 'Quality Insights' package into the main membership offer. We retained International Insights as an optional additional package. For the smallest providers (with fewer than 1,000 higher education students), we included an option to take out Introductory Membership which provides access to the membership resources but limited access to events and training. Of the 260 England-based members, 29 opted to take out the Introductory Membership offer - mostly colleges and some independent providers.

During the year, QAA published 385 resources for members. The most downloaded resources in that year covered themes on student engagement, evidencing value, digital and blended delivery, degree classifications, assessment and competence-based education.

We held a substantial range of successful events for our members: 5 conferences; 13 training programmes; and 71 other sessions, webinars and workshops - including our Quality Matters, Quality Insights and ENQUIRE conferences, plus our Assessment Festival. The majority of our events were offered online but we did offer two in-person events: our winter meeting of the Professional, Statutory and Regulatory Body (PSRB) Forum and our Member Network conference held in spring. In addition, the QAA Public Affairs team delivered three webinars on the rise of generative artificial intelligence which were open to the public (as well as QAA Members) and these were extremely popular with 1,494 registrations across the three events.

We continue to develop the way we communicate with members and, linked to this, have increased the frequency of our QAA Membership Podcast series which is also available on all regular streaming services in addition to the QAA website, enabling our members to listen in 'on the go'.

Enhancement priorities and responding to emerging issues

We began the project to update the UK Quality Code for Higher Education (the Quality Code), running an extensive set of discussions with stakeholder groups and bodies to ascertain key requirements and desires for the redeveloped Quality Code. This was followed by a series of online workshops to explore the ways the Quality Code is currently used and gain feedback on its structure and content. From this we developed three provocative models for the Quality Code which we discussed at two workshops - one held during our Member Network conference in April and the other held online in May. These workshops alone engaged more than 200 individuals from our member community. Building on the

feedback gained, we continued to develop a pre-consultation model which we will be exploring initially with our member community in August and early September 2023. Our intention is to create a draft of the central part of the Quality Code for discussion with the UK Standing Committee for Quality Assessment in October, followed by a period of open consultation.

In March 2023 we published nine revised Subject Benchmark Statements. A further 14 Statements are still under review by advisory groups and will be published during 2023-24. The Statements describe the nature of study and the academic standards expected of graduates in specific subject areas. They show what graduates might reasonably be expected to know, do and understand at the end of their studies. They are used as reference points in the design, delivery and review of academic programmes. Since 2022, the Statements have included text on how disciplines might consider wider social goals such as equality, diversity and inclusion; education for sustainable development; the requirements of disabled students; and enterprise and entrepreneurship.

Students continue to influence the work QAA undertakes to support the sector. Students are embedded within our governance arrangements, with two Student Board members, as well as student members on the QAA Scotland and Wales Advisory Committees. Our Student Strategic Advisory Committee meets regularly throughout the year, enabling students from across the UK to provide valuable input across our range of activity. We delivered a student engagement-focused conference - 'Quality Matters' - during the year. The Student Engagement Toolkit which we developed during 2021-22 continues to be one of our most popular resources and we delivered an accompanying training session, supporting members to design quality enhancement activities in collaboration with students. In addition, we offered a webinar focused on co-creation of academic programmes and our Quality Insights conference included at least one session which was delivered jointly by students and staff. Our Student Quality Network, launched in 2021-22, met three times during the current academic year providing an informal opportunity for students and staff who support students to meet and exchange views on current topics, such as approaches to engaging students in committees and working groups, and generative artificial intelligence (AI).

Academic integrity continues to be a hot topic. In the current year, interest shifted focus from essay mills to the impact of generative AI tools. We produced a set of advice for our members on authenticating student work and assessment design, alongside an accompanying series of online events - some focused on the positive aspects of AI tools as well as those providing support on managing misconduct cases. We continue to encourage higher education providers to sign QAA's Academic Integrity Charter, demonstrating their commitment to protecting and promoting academic integrity and to acting on academic misconduct. To date, over 200 higher education institutions have signed the Charter, including all the universities based in Wales and Scotland.

Our programme of supporting Collaborative Enhancement Projects continues to go from strength to strength. We are supporting 16 projects involving 70 partners across the sector including all types of provider and students' unions. These cover a range of topics, from assessment design and employability, to student-staff partnerships and innovation in quality assurance and enhancement. These projects have produced a vast array of practical and insightful resources for our members and the sector more widely.

Micro-credentials and flexible learning continue to be an area of significant strategic interest for many QAA Members and policymakers in the UK and worldwide in the context of the Government's lifelong learning ambitions and Lifelong Loan Entitlement legislation. This year, we reviewed our Micro-credentials Characteristics Statement following collaboration with an advisory network. The Statement describes some of the typical features of a micro-credential and the students who study them. This complements other resources QAA

has produced to support members, including a flexible learning toolkit and work from one of our Collaborative Enhancement Projects on block delivery.

Throughout the year, we held discussions exploring the effectiveness of the UK approach to degree classifications. This included: discussions during the PVC (Education) Strategy Summit; a panel discussion involving senior sector colleagues at the Quality Insights conference; and an interactive conversation at our ENQUIRE conference aimed at an academic audience. Overall, there is interest in the potential for moving towards approaches that are less focused on the current classifications with interest in two, somewhat different, alternative approaches - one involving a pass/fail reporting system with additional feedback on aspects of student achievement and the other involving ranking students in their cohort. Our intention is to form a reference group from within the sector to agree where the priorities lie for progressing this. We anticipate continued pressure on the degree classification system coming from a range of sources such as the political focus on grade inflation and the rise of AI.

Reinforcing the global reputation of UK higher education internationally

QAA continues to develop collaborative agreements with international partner organisations in order to enhance mutual understanding and confidence between UK and international higher education institutions. This year, QAA has signed four new Memoranda of Understanding, taking the total number of active agreements with international partner agencies and regulators to 21. The new agreements are with the Education & Training Authority (BQA) in Bahrain, the Commission on Higher Education (CHED) in the Philippines, the Higher Education Evaluation and Accreditation Council of Taiwan (HEEACT) and with the Ras Al Khaimah Economic Zone Authority (RAKEZ) in the United Arab Emirates (UAE). QAA has also been licensed by the Ministry of Education and Training in Vietnam to provide institutional and programme accreditation.

The 2022-23 year saw significant changes in the International and Professional Services team (I&PS). The departure of several members of staff, including the Director, coupled with the deployment of resources in England meant that the full team of 9.4 full-time equivalent was not in place until 1 April 2023.

The business environment has remained competitive, with global accrediting agencies aggressively pricing down in some markets. QAA services are perceived as 'premium' high quality, but the brand is still in development in many markets in Asia, Africa and Europe, and further marketing work will need to be implemented.

Despite the above constraints, the year finished stronger than it started, with a total of six IQR reviews of institutions in Albania, Qatar, Vietnam, Fiji, Maldives and the UAE published in 2022-23 - one short of the previous year but four higher than in 2020-21.

Total income derived from IQR was over £410,000, with an additional £600,000 engaged (in progress review activity) that will be reflected in the 2023-24 financial year. The World Bank funding of the project 'ACE for Impact' enabled 16 universities to go through review; £215,000 have been disbursed.

The new International Programme Accreditation service had a slow start as the offer became known: we delivered two accreditations in Macao, and signed contracts to deliver four more in Macao, Nigeria and Kuwait. Total income was £50,000, falling short of expectations and prompting adjustments to the service structure and its marketing.

In 2022-23, 11 new institutions joined QAA's international membership and associate membership schemes, bringing revenue of around £77,000, with a further £50,000 contracted. We anticipate international membership growing as the service offer for

international members develops, and as more institutions access full membership following successful IQR accreditation.

Demand for bespoke contractual work has again been higher than anticipated, with contracts worth more than £400,000 delivered in Malta, Hong Kong, Vietnam, Macao, Philippines, Oman, India, UAE and Pakistan. This work supports relationship-building with government agencies, British Council and other bodies.

The QE-TNE Scheme for the review of transnational education, commissioned by Universities UK and GuildHE, completed its second full year (of a total of five) with 78 participating UK institutions. Publications from year one were delivered during the year including three Thematic Insights and three Spotlights on quality assurance agencies in the UAE and Germany; country guides on the UAE, Germany and Egypt; eight institutional visit reports; and seven case studies.

The first student experience report is about to be published and an extended student experience/engagement piece is being developed to pilot with several providers already evaluated. Work for year two of the Scheme progressed with Sri Lanka, China and Saudi Arabia.

The political and economic situation in Sri Lanka led to the development (in consultation with providers) of a thematic approach to evaluations. Three institution visits have taken place virtually with a further one to take place in October. The extended lockdown in China resulted in one visit taking place and a further four planned for the autumn.

The International Insights offer part of UK membership progressed with an increase in England sign-ups from 66 to 77 institutions. The programme included Country and Territory Resources on Pakistan, Singapore and Hong Kong; two levels of training for staff working in partnerships and published guidance on supporting and enhancing international students in the UK.

In March, QAA held an online International Partner Forum with 30 partner agencies in attendance, and in May we hosted an international networking dinner on the occasion of the Education World Forum in London, with 34 senior officials attending from Egypt, Angola, Finland, India, Kazakhstan, Morocco, Pakistan, the Philippines and Uzbekistan.

QAA participated and delivered sessions among others at the British Council Going Global conference in Singapore and higher education mission to Indonesia, the INQAAHE Biannual Conference in Astana, the MENA Universities Summit in Kuwait, the Center for Learning Innovations & Customized Knowledge Solutions Awards Ceremony and Symposium in Abu Dhabi, and a Ministerial round table on Quality Assurance of TNE in Almaty.

In July, QAA became a member of British Expertise International - the industry association promoting British-based consultancy in international markets.

A process improvement project has been in place for the duration of the year. The priorities have been automating the invoicing system, providing digital alternatives for document sharing/uploading and communications for international stakeholders, setting up online payments and click-to-accept contracts, and developing a centralised, systematised feedback system to monitor customer satisfaction and allow continuous service improvement.

Lessons learned

The rapid rise of generative artificial intelligence has posed a significant challenge in tertiary education, with providers facing both the opportunity to rethink their courses and methods of delivery and the risk of academic misconduct. QAA's ability to convene experts from the sector and provide advice and guidance that can be generally applied and adapted has once again proved very valuable. We recognise that such issues must be addressed quickly and have adapted our annual planning process to reserve capacity to allow us to respond in an agile fashion.

Our decision to demit the designated quality body role in England took effect during the year, and our preparations for this change in the balance of our work included consulting our stakeholders on our new strategy, publishing it within days of the end of our service in that capacity, launching the first of our new services in England, and assuming a more public position as the UK's expert quality body. In the same year, we completed an extensive and valuable exercise in self-evaluation ahead of the ENQA review, which prompted improvements in some internal processes and our documentation thereof. Taken together, this was clearly a year of significant change for the Agency, but one from which QAA has emerged not only with a refreshed purpose but also with a clearer and more assertive expression of its expertise.

Looking ahead

Financial pressures on the sector in the UK are set to increase further in 2023-24. In that context QAA will focus on the value of our services to the sector, including through membership. Our review of the Quality Code is a central focus of our quality and standards work for the year. In England, we will launch further new services and gain a richer picture of sector need for support.

In Scotland and Wales, the move towards a cross-tertiary approach by governments, funders and regulators will progress significantly. QAA will work with partners in Scotland as we lead workstreams in the Tertiary Quality Project; in Wales we will continue to prepare for the new Commission for Tertiary Education and Research becoming fully operational in April 2024. We will continue to engage with the sector in Northern Ireland as we work towards a new review method.

Internationally we will continue to expand our network of partnerships as we support the UK sector globally, learn from international good practice and help build capacity where our expertise is sought. We will revise our International Programme Accreditation offering in response to slow take-up to date, and continue to deliver our successful International Quality Review. We hope to see a further increase in our international membership.

As part of our public affairs work, we will set out publicly our recommendations for a future quality system for England through a series of policy briefings.

Financial review

The financial statements have been prepared in accordance with the requirements of the Charities SORP. Resources expended on charitable activities are shown split between the aims of our 2023-27 strategy. The total resources expended note, on page 44 (note 7), splits these categories down further and includes an allocation of support costs across the aims.

Results

QAA's 2022-23 activities were funded primarily through fees chargeable under the *Higher Education and Research Act 2017* (HERA), membership from higher education providers, contracts with the higher education funding bodies, international review activity and charges for oversight and review of alternative providers of higher education. Additional income was generated through other investment income.

QAA's net income for the year ended 31 July 2023, before recognising investment gains, was £639,935 (2022: net loss of £1,917,714). After recognising net losses on investments of £82,183 (2022: loss of £284,753), the net movement in funds for the year was an increase of £557,752 (2022: decrease of £2,202,667) which has increased reserves. The accumulated funds at 31 July 2023 are £3,090,586 (2022: £2,532,834).

QAA's wholly owned trading subsidiary, QAA Enterprises Limited, has made a loss of £440 (2022: profit of £1,567) to the group surplus. The gift aid payment was £1,567 (2022: £nil) to the charity in the year.

Income

Total income as shown in the Statement of Financial Activities (SOFA) increased by £321,858 (3.3%) to £10,110,143 between 2021-22 and 2022-23. Income from charitable activities shows a net increase of £249,565 (2.6%).

The increased income resulted from an increase in membership and alternative providers services mainly driven by an increase in student numbers and an inflationary rate rise (£457,611). This was partially offset by a reduction in international income (£143,535) as delivery of contracts secured in 2022-23 were delayed into 2023-24.

Income from investments has increased by £76,728 (50.2%) to £229,640.

The investment income is interest from cash deposits, together with dividends and interest from fixed asset investments. Investment returns are discussed in the Treasury Management section below.

Expenditure

Total charitable expenditure, after the pension provision as shown in the SOFA, decreased by £2,235,991 (19.1%) to £9,470,208 between 2021-22 and 2022-23.

The latest formal actuarial valuation of the USS-defined benefit liabilities has been carried out as at 31 March 2020 to meet the requirements of the *Pensions Act 2004*. This actuarial valuation shows a shortfall of £14.1bn in the USS with the scheme assets being sufficient to cover 83% of its 'technical provisions' liabilities. A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period 1 April 2022 to 31 March 2024 at which point the rate will increase to 6.3% until April 2038.

The 2023 deficit recovery liability reflects this plan. An increase in the discount rate used to calculate the deficit has resulted in a decrease of the deficit in the year of £661,063, in contrast to the increase in 2021-22 of £2,034,191 when the recovery plan was first implemented.

Expenditure on charitable activities before the pension provision increased by £456,849 (4.7%) to £10,118,067 (2022: £9,661,218). The rise is driven by increases in delivery costs in line with increases in income and the inclusion of a reinstatement of premises provision of £300,000.

A breakdown of charitable expenditure between the strategic aims is shown in note 6 on page 43.

An analysis of charitable expenditure between direct costs and support costs is provided in the total charitable expenditure note (note 7, page 44).

Balance sheet

Total funds on QAA's group balance sheet are £3,090,586 (2022: £2,532,834). The net book value of tangible and intangible fixed assets held by the group and charity shows a decrease of £79,372. The net book value of fixed asset investments has increased by £93,494 to £6,016,331.

Trade debtors have decreased by £1,235,616 to £1,807,989 as a result of QAA demitting from its role as the DQB. This, in turn, has decreased deferred income by £2,096,529 to £4,211,094.

Reserves policy

QAA's Reserves policy establishes a target range of free reserves, taking into account: the financial impact of risk; the volatility of current and future income streams; the action required in the event of income reduction; and the impact of future commitments. The resultant target range of free reserves, following the annual review, is set at £1.3-£2.0 million. The level of available free reserves is £2.5 million is above this range. The Board is considering plans to reduce the level of free reserves.

As part of the Trustees' responsibilities of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been considered. The assumptions modelled are based on the estimated potential impact of known changes in the sector and regulations, along with our proposed responses over the course of the next 18 months.

On the basis of this review, these financial statements have been prepared on a going concern basis, which the Trustees consider to be appropriate based on the results for the year ending 31 July 2023 and forecasts and cash flow projections prepared for the period to 31 July 2025. The cash flow projections indicate that the group will be able to meet its liabilities as they fall due and will be able to operate within the facilities currently available. The Trustees consider that there are no material uncertainties over the charitable company's financial viability.

QAA holds reserves for three main reasons:

- to secure its long-term position

- to deliver the medium-term objectives in the QAA strategy, by ensuring that reserve levels provide a cushion against medium-term business risks and take full account of the costs of medium-term objectives
- to ensure that it can carry out the programme of work detailed in the next year's annual plan - for example, through meeting approved shortfalls in short-term activities that are not fully funded.

A designated Innovation and Development Fund is set aside 'for innovation in products and services for the long-term benefit of UK higher education'. The opening balance on the fund was £343,694; an additional £140,000 was transferred into the fund, £91,973 was expended during the year to fund development of new UK services.

The purpose of the designated fund for Reinstatement of premises is to fund the cost of returning our Gloucester and Glasgow premises to their original condition at the end of their respective lease terms. The Gloucester office lease ended on 30 June 2023 and the Glasgow office lease was surrendered in November 2023. The reserve has therefore been replaced by a provision of £300,000, reflecting the best estimate of the final costs of both leases.

At 31 July 2023, QAA's free reserves as defined by the Charities SORP were £2,501,542 (2022: £1,432,448).

Treasury management

The main principles underpinning QAA's treasury management policy are to ensure that:

- QAA has adequate cash and working capital to enable it, at all times, to have sufficient funds available to achieve its business objectives
- QAA investments are secure - this is achieved by ensuring that its authorised investments reflect a risk-averse and prudent attitude towards the organisations with which funds may be deposited, and limits its investment activities to those approved
- QAA achieves the maximum return on its investments, taking into account the other key principles
- QAA minimises the risk of fraud or error in its treasury management activities - this is achieved by designing suitable systems, procedures and contingency management arrangements in order to minimise the risk of fraud or error.

During 2022-23, the revised investment approach agreed by the trustees continued to be followed, with available funds being notionally split into three tranches and managed as follows:

- **short-term working capital** - held by QAA's bankers, HSBC Bank plc, and managed internally
- **medium-term cash funds** - invested with HSBC Bank plc and Lloyds Bank plc and managed internally in accordance with our cash flow plan to meet short-term working capital requirements
- **longer-term reserves** - over £5 million has been placed with Rathbones Investment Management Limited (Rathbones) for discretionary investment in listed shares and gilts.

Funds placed with Rathbones are invested in a charity-specific fund which is subject to ethical investment constraints.

Investment income in the year is attributable to interest receivable of £42,205 from short-term working capital balances, together with interest and dividends of £187,435 received from fixed-asset investments.

The market value of the investments is £6.0 million (2022: £5.9 million). The net unrealised loss in the market value of funds held at 31 July 2023 was £82,183 loss (2022: loss £284,753), reflecting the uncertainty in the stock markets worldwide. The surplus of interest and dividend receipts after paying management charges, together with net gains or losses realised, continues to be reinvested.

This approach is being closely monitored and managed to ensure that the principles of the treasury management policy are being met.

Directors' Report

Structure, governance and management

QAA is a private company limited by guarantee, and a registered charity in England, Wales and Scotland. Our four company members were, as of 31 July 2023:

- GuildHE Limited
- Universities Scotland
- Universities UK
- Universities Wales.

In the event of winding up, the liability of our company members is limited to an amount not exceeding £1 per member.

We were established under a Memorandum of Association and are governed under our Articles of Association, which set out our constitution and objects.

In February 2023, QAA amended its charitable objects in order better to reflect its growing work across the tertiary sector. As the concept of lifelong learning steers policymaking in the various nations of the UK, the distinction between higher education and further education is becoming less stark, and the two sectors are working more closely together. The change to the Articles of Association was made to avoid constraining QAA from responding appropriately to this developing policy landscape.

Our objects are:

- the promotion and maintenance of quality and standards in tertiary education in the UK and elsewhere
- the enhancement of teaching and learning, and the identification and promotion of innovation and good practice in teaching and learning
- the provision of information and the publication of reports on quality and standards in tertiary education in the UK and elsewhere
- the provision of advice to governments, as requested, on access course recognition and in relation to all or any of the above objects.

Governance

As part of QAA's ongoing commitment to good governance and leadership, the Board members completed a Board skills audit. One-to-one annual conversations continue to be held between the Chair and individual Board members.

During the year, the Board has also reviewed, and where appropriate approved:

- QAA's risk appetite and tolerance levels
- QAA's strategy for 2023-27
- the European Association for Quality Assurance in Higher Education (ENQA) review report of QAA
- changes to the QAA Articles of Association (to amend the objects as above, to update Board membership as below, and to allow for annual general meetings to be held online or in person)
- QAA's Code of Good Practice in Governance

- various policies, including:
 - Comments, Compliments and Complaints Procedure
 - Corporate Social Responsibility and Sustainability Policy
 - Approach to Risk Management
 - Scheme of Delegated Authority, Financial Regulations and Compliance Framework.

Recruitment and appointment to the Board

Our Board Directors are also our trustees for the purposes of charity law. The Articles of Association were amended to allow the Board to co-opt up to three further members to ensure it has the full complement of skills and experience necessary to reflect the complex and diverse nature of tertiary education in the UK and internationally. The Articles now allow for up to 20 trustees to be appointed to the Board as follows.

- Serving a three-year term, then eligible for a second three-year term:
 - three members nominated jointly by three funding bodies for UK higher education (Department for the Economy in Northern Ireland; Higher Education Funding Council for Wales; and the Scottish Funding Council), and appointed by the Board
 - four members nominated jointly by the UK higher education representative bodies (GuildHE; Universities Scotland; Universities UK; and Universities Wales), and appointed by the Board
 - one member nominated by the representative body for Colleges in the UK, and appointed by the Board
 - six independent members appointed by the Board
 - one independent member appointed by the Board who, at the time of appointment, is engaged wholly or mainly in the governance or management of an alternative provider of higher education
 - up to three further members co-opted by the Board who can provide knowledge and understanding of such other areas as the Board may consider desirable.
- Serving a one-year term, then eligible for a second one-year term:
 - one independent member appointed by the Board who, at the time of appointment, is a registered undergraduate or postgraduate student, an elected student officer of a student union, or an elected student officer of a student representative body
 - one member nominated by the National Union of Students and appointed by the Board.

Our Board membership represents the diversity of UK higher education, including students, with a rich mix of skills and experience. Our six independent Board members have, in line with the requirements of our Articles, experience in industrial, commercial or financial matters, or professional practice. We advertise publicly to recruit our independent members, following an assessment of the skills we need on our Board. Our Nomination and Remuneration Committee advises the Board to ensure our selection and recruitment process is transparent and fair.

All Board members are non-executive directors. They give their time voluntarily and do not receive any remuneration or benefits from the charity. Expenses claimed by Board members during 2022-23 are covered in note 10 of our financial statements.

Board responsibilities

Our Board's principal responsibilities include:

- approving our mission and strategic vision, strategic plans, annual plans and budgets, and key performance indicators
- ensuring the establishment and monitoring of systems of control and accountability
- ensuring processes are in place to monitor and evaluate our performance and effectiveness
- appointing the Chief Executive and putting in place suitable arrangements for monitoring their performance
- acting as our principal financial and business authority
- ensuring we keep proper books of accounts
- approving our annual report and financial statements
- overall responsibility for our assets, property and estate.

The Board has delegated responsibility for the day-to-day management of the charity to our Chief Executive, in accordance with a scheme of delegation. In discharging these responsibilities, the Chief Executive is advised and supported by the Executive team and wider Senior Leadership Team.

Board member induction

Newly-appointed Board members are provided with the following documents, and sign a declaration to confirm that they have reviewed and understood them:

- Charity Commission publications: The Essential Trustee and the Charity Governance Code
- Office of the Scottish Charity Regulator publication: Guidance and Good Practice for Charity Trustees
- QAA publication: Code of Good Practice in Governance (including guidance on ethical conduct, statutory duties and responsibilities, and good governance).

All new Board members have an individual induction programme of meetings with the Chair and senior staff. This introduces them to QAA, our governance, operations and strategic plans. Our Director of Corporate Affairs (Company Secretary) and Assistant Company Secretary are available to support Board members in discharging their statutory duties, providing advice and guidance as required.

Board member activities

A typical year for one of our Board members is likely to include:

- attendance at four Board meetings (one day per meeting)
- a strategic away day
- attendance at the QAA annual conference
- attendance at committee meetings and working groups convened for specific purposes (as required).

At least two Board meetings per year are usually held in person; others may be held online. Committee meetings are usually held online.

In addition, our Board members may have responsibility for a particular area, and work with staff to provide advice and support which, in turn, enhances Board understanding and scrutiny.

During the year 2022-23, the average Board meeting attendance was 95% (93% in 2021-22). Individual Board member attendance was as follows:

Name	Attendance for 2022-23 (out of four meetings)
Nic Beech	4
Fazal Dad	2 (out of 2)
Vanessa Davies	4
Phil Deans	2 (out of 2)
Sara Drake	4
Linda Duncan	2 (out of 2)
Chloe Field	2
Alex Fraser	2 (out of 2)
Simon Gaskell (Chair)	4
Rachid Hourizi	4
Odette Hutchinson	1 (out of 1)
David Jones	2 (out of 3)
Angela Joyce	3 (out of 3)
Xenia Levantis	3
Karl Leydecker	4
Sue Rigby	3
John Sawkins	4
Oliver Turnbull	4
Peter Vermeulen	2 (out of 2)
Craig Watkins	4
Philip Wilson	4
Tim Woods	4

Specified quorum, as detailed in our Articles of Association, was reached at all meetings.

Board committees

There were eight Board committees in operation during 2022-23, plus the Consultative Board which brings together senior stakeholders from the tertiary sector. All committees have individual terms of reference and Board attendance at committees is reported at Nomination and Remuneration Committee.

Corporate matters:

- Audit and Risk Committee
- Nomination and Remuneration Committee

Advisory:

- QAA Wales Strategic Advisory Committee

- QAA Scotland Strategic Advisory Committee
- Student Strategic Advisory Committee
- Consultative Board

Operations:

- Access Recognition and Licensing Committee
- Advisory Committee on Degree Awarding Powers
- Designated Quality Body Committee (until 31 March 2023)

QAA Board of Directors

From 1 August 2022 to 31 July 2023, the following served as directors and trustees on the QAA Board:

Independent members	
Professor Simon Gaskell (Chair)	Former President and Principal, Queen Mary University of London (appointed March 2019)
Dr Vanessa Davies	Former Director General, Bar Standards Board (appointed December 2017)
Ms Sara Drake	Chief Executive, ICSA (appointed January 2018)
Ms Linda Duncan (Honorary Treasurer/Vice-Chair)	Chief Executive, Blue Star Consortium (appointed March 2017, served to March 2023)
Professor Rachid Hourizi	Director, Institute of Coding, University of Bath (appointed March 2022)
Mr Craig Watkins	Chief Executive and Managing Director, Kantar Public UK (appointed December 2017)
Mr Peter Vermeulen (Honorary Treasurer)	Chief Financial Officer, University of Bristol (appointed March 2023)
Independent member: alternative provider	
Professor Philip Wilson	Immediate past-Chair, Independent HE (appointed June 2017, served to June 2023)
Mr Alex Fraser	Chief Executive, The London Institute of Banking & Finance (appointed June 2023)
Independent member: student	
Ms Sophia Xenia Levantis	PhD Student, University of Bristol (appointed October 2022)
Appointed jointly by GuildHE Limited, Universities Scotland, Universities UK and Universities Wales	
Professor Maria Hinfelaar	Vice-Chancellor, Glyndŵr University (appointed September 2016, served to September 2022)

Professor Karl Leydecker	Senior Vice-Principal, University of Aberdeen (appointed June 2022)
Professor Sue Rigby	Vice-Chancellor, Bath Spa University (appointed October 2019)
Professor Nic Beech	Vice-Chancellor, Middlesex University (appointed September 2021)
Professor Tim Woods	Pro Vice-Chancellor of Learning, Teaching and Student Experience, Aberystwyth University (appointed October 2022)

Appointed jointly by the Department for Education (Northern Ireland), Higher Education Funding Council for Wales and the Scottish Funding Council

Professor David Jones	Pro-Vice-Chancellor (Education and Students), Professor of Biomaterial Science, Queen's University Belfast (appointed October 2020, served to June 2023)
Professor John Sawkins	Deputy Principal (Education and Student Life), Professor of Economics, Heriot-Watt University (appointed October 2019)
Professor Oliver Turnbull	Pro-Vice-Chancellor (Teaching and Learning), Professor of Neuropsychology, Bangor University (appointed September 2019)
Professor Odette Hutchinson	Pro-Vice-Chancellor, Ulster University (appointed June 2023)

Nominated by the Association of Colleges

Ms Angela Joyce	Chief Executive, Warwickshire College Group (appointed October 2019, served to March 2023)
Dr Fazal Dad	Principal & Chief Executive, Blackburn College (appointed March 2023)

Nominated by the National Union of Students

Miss Chloe Field	Vice-President (Higher Education), NUS (appointed July 2022)

Co-opted member

Professor Phil Deans	University President, Richmond, The American International University in London (appointed March 2023)

Organisational structure

Our Executive team in 2022-23 was:

- Vicki Stott, Chief Executive
- Caroline Blackburn, Finance Director
- Alastair Delaney, Executive Director of Operations
- Tom Yates, Director of Corporate Affairs

The Executive team is supported by the wider Senior Leadership Team.

Pay and remuneration

Our Nomination and Remuneration Committee advises the Board on the performance of the Chief Executive and Executive team, appropriate remuneration, and severance payments. In advising on setting the pay of the Chief Executive and Executive team, the Committee takes into account the skills and experience required for each of the roles, and the remuneration in sectors from which suitable candidates for such posts would be found. Remuneration for different jobs is validated objectively, using public sector as a comparator. This includes looking at salary survey data for comparable roles from a number of sectors, including charities, higher education and organisations within the local area. Salary increases for all colleagues are negotiated between Executive, HR, and Public and Commercial Services (PCS) Union.

Corporate social responsibility and sustainability (CSR)

QAA is committed to working in an ethically and socially responsible manner across all areas of our business. Our work safeguards standards and improves the quality of UK higher education, wherever it is delivered around the world. Our business approach considers the impact of our work on the environment, our staff, suppliers, local communities, the higher education sector, and wider society. Our most recent CSR policy (running from 2023) sets out our aims and the activities in which we engage to support them, and how QAA supports the United Nations Sustainable Development Goals:

- to uphold an ethical, transparent business culture and approach to our work
- to reduce our negative impact on the environment
- to contribute to the development of our communities
- to respect our colleagues and encourage their development.

Our performance and impact are monitored by both our Corporate Social Responsibility and Sustainability Committee which reports to the Senior Leadership Team and the Board's Audit and Risk Committee.

Data protection

There were no reportable incidents involving personal data during 2022-23.

Fundraising activities

The charity had no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

Equality statement

We recognise the positive benefits of equality, diversity and inclusion, and are committed to providing opportunities, products and services, alongside our wider commitment to quality, which embrace diversity and promote equality and inclusion. We demonstrate this through our internal policies and working practices. We also embed it in our work, as equality is an integral part of our approach to quality assurance and enhancement. Equality is a key element of our view of a high-quality educational experience and the expectations students can rightly have of the providers of UK higher education.

The Human Resources and Organisational Development team has strategic responsibility for organisational development, including equality, diversity and inclusion. Our approach to

equality, diversity and inclusion is ongoing, and we regularly review relevant policies and internal practices. We conduct an annual survey in which all colleagues are invited to take part, which focuses on the demographics of the Agency and helps us identify future action and required improvements.

Delivering public benefit

We have a duty, under the *Charities Act 2011*, to report on the public benefit that we deliver. Our trustees have regard to the Charity Commission's guidance on public benefit - a summary of which is issued to our Board members on appointment - and are satisfied that, through our work to support the UK tertiary education sector, including helping to provide access to higher education for many students and working more generally in the interests of students, our public benefit requirements have been met.

Welsh Language Compliance notice

QAA continues to strengthen its commitment to the Welsh language, as set out in the compliance notice for which QAA has a duty to comply. QAA continues to produce annual reports for the Welsh Language Commissioner that notes how we comply as well as steps to take to further compliance. The report is considered by QAA's cross-organisational Welsh Language Working Group and approved by the Audit and Risk Committee.

European Standards and Guidelines (ESG)

Compliance with the ESG is fundamental for QAA, not only to enable all of QAA's work in Scotland, Wales and Northern Ireland and in England through its membership model, but also to the fundamental philosophy of collaborative, peer-led quality assurance that underpins QAA's core purpose.

The European Association for Quality Assurance in Higher Education (ENQA) review in March 2023 found QAA to be compliant with the ESG.

Relationships with related parties

QAA's subsidiary - QAA Enterprises Limited - a private company limited by shares, is governed by its own Articles of Association which set out its constitution. In December 2021 it was agreed that QAA Enterprises' activity would be minimised, with a view to potential dormancy in the future.

All QAA Board members completed a declaration of interest and related parties on appointment, updated annually and any conflicts are recorded at each meeting in the minutes.

Principal risks and uncertainties

Our Board is ultimately responsible for our approach to risk management, which is set out in our risk management policy. We record strategic risks in our strategic risk register, and operational risks are recorded either in our operational risk registers, or in the dedicated project or activity registers to which the risks relate.

The strategic risk register is reviewed by our Audit and Risk Committee at each of its meetings, and by the Board at each of its meetings.

The risks considered significant at the inherent (pre-mitigation) stage included: risk of exclusion from the European Quality Assurance Register as a result of the non-compliance

of the Office for Students' regulatory approach in England with the European Standards and Guidelines (ESG); the risk posed by the regulatory approach to the future of the Designated Quality Body role in England; and cyber-security. Measures considered in mitigation of the first two of those risks included the action that QAA eventually took - first to announce unilateral action on QAA's part to ensure compliance with the ESG, and then to demit the DQB role in the longer term. Cyber-security remained a significant risk even at the residual (post-mitigation) stage, despite comprehensive mitigations including annual ISO27001 audit, periodic penetration testing, and the adoption of multi-factor authentication technology across the Agency.

The Board is satisfied that risks and uncertainties are being appropriately monitored and managed.

Reference and administrative details

Registered name	The Quality Assurance Agency for Higher Education
Other names used by the company	QAA, QAA Scotland
Company registration number	03344784 (England and Wales)
Charity registration numbers	1062746 (England and Wales) SC037786 (Scotland)
Registered and principal office	Southgate House, Southgate Street, Gloucester, GL1 1UB
Operational addresses	Southgate House, Southgate Street, Gloucester, GL1 1UB
Company Secretary	Tom Yates, Director of Corporate Affairs
Senior management (with delegated authority)	Vicki Stott, Chief Executive
Bankers	HSBC Bank plc, The Cross, Gloucester, GL1 2AP and Lloyds Bank plc, 10 Gresham Street, London, EC2V 7AE
Investment managers	Rathbones Investment Management Limited, 1 Curzon Street, London, W1J 5FB Barclays Private Bank (Barclays Bank PLC), 40-42 Queen Square, Bristol, BS1 4QP
Solicitors	Shakespeare Martineau, No 1 Colmore Square, Birmingham, B4 6AA
Independent auditor	Crowe UK LLP, 4th Floor, St James House, St James Square, Cheltenham, GL50 3PR

Responsibilities of the trustees and directors

The trustees (who are also directors of The Quality Assurance Agency for Higher Education for the purposes of company law) are responsible for preparing the Trustees' Annual Report, including the Strategic Report and Directors' Report, and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the trustees to prepare financial statements for each financial year. Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group, and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company, and enable them to ensure that the financial statements comply with: the *Companies Act 2006*; the *Charities and Trustee Investment (Scotland) Act 2005*; the Charities Accounts (Scotland) Regulations 2006 (as amended); and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Information to auditor

In the case of each of the persons who are directors of the company at the date when this report was approved:

- in so far as each of the directors of the company at the date of approval of this report is aware, there is no relevant audit information (information needed by the company's auditor in connection with preparing the audit report) of which the company's auditor is unaware
- each director has taken all the steps that they should have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

A resolution to reappoint Crowe UK LLP as auditor to the company was agreed at our Annual General Meeting in December 2023.

The Strategic Report, Directors' Report and financial statements were approved by the Board on 13 December 2023 and were signed on its behalf by:

Professor Simon Gaskell Chair of the Board of Directors 	Tom Yates Company Secretary 

Independent Auditor's Report to the Members and Trustees of The Quality Assurance Agency for Higher Education

Opinion

We have audited the financial statements of The Quality Assurance Agency for Higher Education (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 July 2023 which comprise the Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 July 2023 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the *Companies Act 2006* and the *Charities Act 2011*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the *Companies Act 2006*

In our opinion based on the work undertaken in the course of our audit:

- the information given in the trustees' report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the *Companies Act 2006* requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate accounting records; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 28, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. Design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were *Companies Act 2006*; *Charities Act 2011*; The Charities (Accounts and Reports) Regulations 2008; Financial Reporting Standard 102 (FRS 102); and the Charities SORP (102) (effective 1 January 2019). In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity and the group for fraud. The laws and regulations we considered in this context for the UK operations were the *Higher Education and Research Act 2017* (HERA); General Data Protection Regulation; Health and Safety legislation; and employment legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures were designed to respond to these risks over income. In relation to management override of controls, we conducted enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, HMRC and other regulators including OfS and OSCR, and reading minutes of meetings of those charged with governance.

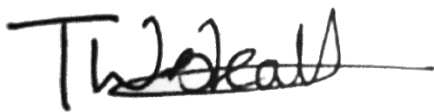
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of part 16 of the *Companies Act 2006*. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Tara Westcott
Senior Statutory Auditor

For and on behalf of

Crowe U.K. LLP
Statutory Auditor
St James House
St James Square
Cheltenham
GL50 3PR

Date: 13 December 2023

Consolidated statement of financial activities (including consolidated income and expenditure account) for the year ended 31 July 2023

	Notes	2023 £ Unrestricted funds	2022 £ Unrestricted funds
Income from:			
Charitable activities	5	9,880,503	9,630,938
Other trading activities	3	-	4,435
Investments	4	229,640	152,912
Total income		10,110,143	9,788,285
Expenditure on:			
Fundraising trading costs		1,448	293
Investment management costs		11,756	10,497
Raising funds		13,204	10,790
Charitable activities	6, 7	9,457,004	11,695,409
Total expenditure		9,470,208	11,706,199
Net (losses) on investments		(82,183)	(284,753)
Net income and net movement in funds for the year	8	557,752	(2,202,667)
Reconciliation of funds			
Total funds brought forward		2,532,834	4,735,501
Total funds carried forward	22	3,090,586	2,532,834

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The notes on pages 37 to 63 form part of these financial statements.

Balance sheets as at 31 July 2023

(Company number: 03344784)

	Notes	Group		Charity	
		2023	2022	2023	2022
		£		£	£
Fixed assets:					
Intangible fixed assets	12	132,937	175,858	132,937	175,858
Tangible assets	13	64,386	100,837	64,386	100,837
Investments	14	6,016,331	5,922,837	6,016,332	5,922,837
Total fixed assets		6,213,654	6,199,532	6,213,655	6,199,532
Current assets:					
Debtors	15	2,110,857	3,376,532	2,110,857	3,379,108
Cash at bank and in hand		3,677,367	4,296,128	3,674,164	4,290,712
Total current assets		5,788,224	7,672,660	5,785,021	7,669,820
Liabilities:					
Creditors - amounts falling due within one year	16	(5,809,462)	(7,850,009)	(5,808,060)	(7,849,409)
Net current assets		(21,238)	(177,349)	(23,039)	(179,589)
Total assets less current liabilities		6,192,416	6,022,183	6,190,616	6,019,943
Provision for liabilities	20	(421,069)	(147,525)	(421,069)	(147,525)
Pension provision liability	21	(2,680,761)	(3,341,824)	(2,680,762)	(3,341,824)
Total net assets		3,090,586	2,532,834	3,088,785	2,530,594
The funds of the group and charity:					
Designated funds	22	391,721	802,694	391,721	802,694
General funds	22	2,698,865	1,730,140	2,697,064	1,727,900
Total funds as at 31 July 2023		3,090,586	2,532,834	3,088,785	2,530,594

The surplus for the financial year dealt with in the financial statement of the parent charity was £558,191 (2022: deficit £2,204,234).

The notes on pages 37 to 63 form part of these financial statements.

The financial statements were approved and authorised by the Board on 13 December 2023 and were signed on its behalf by:

Professor Simon Gaskell, Chair of the Board of Directors



Statement of cash flows for the year ended 31 July 2023

	Notes	Group 2023 £	2022 £	Charity 2023 £	2022 £
Cash flows from operating activities:					
Net cash provided by operating activities	24	<u>(655,227)</u>	<u>1,255,566</u>	<u>(653,014)</u>	<u>1,306,198</u>
Cash flows from investing activities:					
Investment income		229,640	152,912	229,640	152,912
Proceeds from sale of investments		7,920	5,046	7,920	5,046
Purchase of investments		(694,696)	(618,183)	(694,696)	(618,183)
Purchase of intangible fixed assets		(5,850)	(156,771)	(5,850)	(156,771)
Purchase of tangible fixed assets		<u>(11,645)</u>	<u>(75,579)</u>	<u>(11,645)</u>	<u>(75,579)</u>
Net cash (used in)/provided by investing activities		<u>(474,631)</u>	<u>(693,575)</u>	<u>(474,631)</u>	<u>(693,576)</u>
Change in cash and cash equivalents in the year		(1,129,858)	561,991	(1,127,645)	612,623
Cash and cash equivalents at the beginning of the year		<u>4,807,232</u>	<u>4,245,241</u>	<u>4,801,816</u>	<u>4,189,193</u>
Cash and cash equivalents at the end of the year	25	<u><u>3,677,374</u></u>	<u><u>4,807,232</u></u>	<u><u>3,674,171</u></u>	<u><u>4,801,816</u></u>

The notes on pages 37 to 63 form part of these financial statements.

Notes to the financial statements for the year ended 31 July 2023

1 Legal status

The Quality Assurance Agency for Higher Education (QAA) is a charitable company limited by guarantee. QAA is registered with the Charity Commission England and Wales (registered no: 1062746) and the Scottish Charity Regulator (registered no: SC037786). The charity was incorporated as a company limited by guarantee with Companies House England and Wales (registered no: 03344784). Its registered and principal office is Southgate House, Southgate Street, Gloucester, GL1 1UB.

2 Accounting policies

Companies Act 2006. As required by the *Charities Accounts (Scotland) Regulations 2006* (as amended), a cash flow statement for the charity is included.

a Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Judgements and key sources of estimation uncertainty that have had the most significant effect on amounts recognised in the financial statements are included with the relevant accounting policy below.

The annual depreciation charge for the tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the tangible assets.

The deficit on the defined benefit scheme is calculated by estimating the net present value of the future contribution liability needed to fund the recovery plan. In calculating the liability, the directors have made estimates for future staff changes, salary changes and discount rates.

b Fund accounting

Unrestricted funds are incoming resources received or generated for expenditure on the general objectives of QAA. Designated funds are unrestricted funds of the charity which have been set aside by the trustees to fund particular future activities of the charity.

c Income

QAA's activities are funded primarily through contracts with the higher education funding bodies and UK governments, and through subscriptions from higher education institutions; it does not raise income through fundraising. All income has been accounted for when the charity has entitlement to the funds, any performance issues attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

2 Accounting policies (continued)

d Expenditure and the basis of allocation of costs

All expenditure has been accounted for on an accruals basis and has been recorded as attributable to one of two categories - 'raising funds' (the cost of managing the charity's investments and the costs of fundraising trading incurred by the subsidiary company) and 'charitable activities' as shown in the SOFA. Redundancy and termination costs only occur where necessary and are accounted for on an accruals basis when the commitment to terminate a post on the grounds of redundancy or terminate an employee's contract has been made. The charitable activities are further divided into the four strategic aims of the charity. Within charitable activities, the expenditure is classified as 'direct costs' or 'support costs' as shown in the 'total charitable expenditure' note.

Staff numbers and costs were allocated:

- directly to one or more of the three charitable activities as 'direct costs', **or**
- directly to governance as 'support costs', **or**
- apportioned to the three charitable activities and governance as 'support costs' using the staff numbers already attributed to those activities.

Non-pay costs were allocated:

- directly to one or more of the three charitable activities as 'direct costs', **or**
- directly to governance as 'direct costs' or 'support costs', **or**
- apportioned to the three charitable activities and governance as 'support costs' using the staff numbers already attributed to those activities.

Governance costs include the costs of meeting constitutional and statutory requirements such as audit, trustees' meetings and expenses, and legal fees. The staff and office costs associated with such costs are included in support costs. Governance costs are then apportioned to one of the three charitable activities.

e Operating leases

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred on a straight-line basis over the term of the lease.

f Intangible assets

The cost of standard computer software is written off to the SOFA as it is incurred. Software that has been designed specifically for QAA or purchased as part of a larger capital project has been capitalised and written off over a five-year period.

g Tangible fixed assets and depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset in equal instalments over its expected useful life.

The depreciation rates are as follows:

- computer equipment: three years
- office furniture and equipment: five years
- leasehold improvements: over the outstanding period of the lease.

2 Accounting policies (continued)

Assets costing less than £2,000 are not capitalised unless they form part of a larger capital project.

h Investments

Listed investments are shown at market value at the year end and any movements are recorded as unrealised gains or losses in the consolidated statement of financial activities. Surpluses or deficits on investments sold during the year are calculated by comparing net proceeds with market value at the start of the year and are recorded as realised gains or losses in the consolidated statement of financial activities. Unlisted investments are included at cost.

i Debtors

Trade debtors, other debtors and accrued income are recognised at the settlement amount due after any trade discount. Prepayments are valued at the amount prepaid net of any trade discounts due.

j Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions.

k Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of financial activity.

l Creditors and provisions

Creditors and provisions are recognised when the charity has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

QAA provides paid holiday arrangements for its employees and recognises the expense in the period in which the benefit is accrued. A provision is made for the cost of holiday accrued but not taken.

m Basic financial provisions

QAA has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

2 Accounting policies (continued)

n Pensions

Hybrid pension schemes

QAA participates in the Universities Superannuation Scheme (USS) and Superannuation Arrangements for the University of London (SAUL). During the current period, both were hybrid pension schemes, having both a defined benefit and defined contribution part. The defined benefit assets of the schemes are held in separate trustee-administered funds. Because of the mutual nature of each scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. QAA is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 'Employee benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the SOFA represents the contributions payable to the scheme in respect of the accounting period. Since QAA has entered into agreements (the Recovery Plans that determine how each employer within each scheme will fund the respective overall deficit of each scheme), QAA recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the SOFA.

Critical accounting judgements

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control, typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as those provided by USS and SAUL. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The directors are satisfied that the schemes provided by USS and SAUL meet the definition of a multi-employer scheme and have therefore recognised the discounted fair value of the contractual contributions under the funding plans in existence at the balance sheet date.

Defined contribution scheme

QAA also participates in a defined contribution pension scheme and the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

3 Income from other trading activities

The summary financial position of QAA's wholly owned trading subsidiary QAA Enterprises Limited is:

	2023 £	2022 £
Turnover	-	4,435
Cost of sales and administrative costs	(439)	(2,868)
Net profit for the year	(439)	1,567

The assets and liabilities of the subsidiary were:

Current assets	3,203	5,416
Current liabilities	(1,402)	(3,176)
Total net assets	1,801	2,240

4 Income from investments

The group's investment income for the year is analysed by source below:

	2023 £	2022 £
Dividend and interest income from quoted investments	187,435	134,701
Interest from cash held in interest-bearing bank accounts	42,205	18,211
Total investment income for the year	229,640	152,912

5 Income from charitable activities

	Note	2023	2022
		£	£
Memberships		3,543,207	3,152,487
Regulatory		3,245,971	3,258,545
Contracts with higher education funding bodies		1,308,234	1,360,353
Alternative providers of higher education		255,743	188,852
Other contracts and related income		1,527,348	1,670,701
Total income from charitable activities		9,880,503	9,630,938

Analysis by source:

UK higher education funding councils		1,575,626	1,348,286
UK higher education institutions		3,634,824	4,698,535
UK further education institutions		364,248	1,580,140
UK alternative providers of higher education		544,371	577,246
Other		1,664,905	3,465,596
		7,783,974	11,669,803

Release income deferred in prior years	16	6,235,883	4,268,758
Defer income received in current year	16	(4,139,354)	(6,283,833)
Balance c/fwd		-	(23,790)
Total income from charitable activities		9,880,503	9,630,938

6 Expenditure on charitable activities

	Note	2023	2022*
		£	£
Standards		1,925,743	1,498,936
Assurance and Enhancement		6,234,201	6,263,403
International		1,782,006	1,633,610
Leadership		176,117	265,268
Total expenditure on charitable activities before restructuring cost and pension provision		10,118,067	9,661,217
Pension provision - deficit contributions (included above)	21	(221,658)	(79,951)
Charged to the SOFA - change in expected future deficit contributions		(550,019)	2,102,636
Pension provision - unwinding of discount	21	110,614	11,507
Total expenditure on charitable activities		9,457,004	11,695,409

*During 2022-23, due to the changes in QAA's activities, a new strategy was introduced for the period 2023-27. The prior year (2022) balances have been restated to align to the new strategic areas of focus.

7 Analysis of expenditure on charitable activities

	Charitable activities				Total expenditure on charitable activities	
	Standards	Assurance and Enhancement	International	Leadership	2023	2022*
	£	£	£	£	£	£
Direct costs						
Staffing	1,155,048	2,424,393	873,286	151,760	4,604,487	4,323,314
Other review costs	74,243	1,003,646	260,306	24,357	1,362,552	1,578,077
Other direct costs	107,025	106,281	68,490	-	281,796	252,969
Total direct costs	1,336,316	3,534,320	1,202,082	176,117	6,248,835	6,154,360
Support costs						
Staff costs	271,332	1,246,588	281,828	-	1,799,748	1,389,850
Premises and office costs	166,943	730,959	141,863	-	1,039,765	735,853
IT	53,972	413,124	63,974	-	531,070	695,440
Finance	9,551	34,434	9,949	-	53,934	21,243
Depreciation	23,565	59,032	14,271	-	96,868	337,175
Human resources and staff development costs	39,600	126,063	42,478	-	208,141	160,101
Other	2,691	12,327	3,115	-	18,133	51,558
Governance	21,773	77,354	22,446	-	121,573	115,637
Total support costs	589,427	2,699,881	579,924	-	3,869,232	3,506,857
Expenditure on charitable activities before pension provision	1,925,743	6,234,201	1,782,006	176,117	10,118,067	9,661,217
Pension provision - net (surplus)/deficit contributions	-	-	-	-	(771,677)	2,022,685
Pension provision - unwinding of discount	-	-	-	-	110,614	11,507
Total charitable expenditure	-	-	-	-	9,457,004	11,695,409

*During 2022-23 due to the changes in QAAs activities a new strategy was introduced for the period 2023-27. The prior year (2022) balances have been restated to align to the new strategic areas of focus.

8 Net income / (expenditure) for the financial year

	Note	2023 £	2022 £
Net (expenditure) / income is stated after charging/(receiving):			
External auditors - audit services		19,800	21,600
- non-audit services		2,322	7,800
Internal auditors - audit services		3,600	9,114
Professional indemnity insurance		57,574	51,179
Intangible fixed assets			
Amortisation		48,771	51,459
Tangible fixed assets			
Depreciation		159,056	270,471
Impairment Provision		(119,196)	119,196
Operating leases			
Land and buildings		283,419	283,821
Other		1,434	1,880
Foreign exchange costs		3,637	1,000
Employer pension contributions	23	947,027	847,035

9 Analysis of staff costs

	2023 £	2022 £
Total staff costs were:		
Salaries	5,004,648	4,416,167
Employers' National Insurance contributions	539,094	485,379
Pension contributions payable	947,027	847,035
	6,490,769	5,748,581
Employment agency staff	157,554	158,034
Total staff costs before restructuring and pension provision liability adjustments	6,648,323	5,906,615
Deficit contributions payable in the year (included in contributions paid above)	(221,658)	(79,951)
Increase in expected future deficit contributions	(550,019)	2,102,636
Total staff costs charged to the SOFA	5,876,646	7,929,300

9 Analysis of staff costs (continued)

	2023	2022*
	Number	Number
Standards	20	12.5
Assurance and Enhancement	46	53
International	25	19.5
Leadership	11	9
Total average number of employees on a full-time equivalent basis	102	94
Total average number of employees on a headcount basis	121	116

**During 2022-23 due to the changes in QAAs activities a new strategy was introduced for the period 2023-27. The prior year (2022) balances have been restated to align to the new strategic areas of focus.

During the year, there were six redundancy or termination payments accounted for which amounted to 2023: £126,518 [£16,621 remains unpaid at year-end] (2022: £24,141).

The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 were:

	2023	2022
	Number	Number
£140,000 - £149,999	1	-
£130,000 - £139,999	-	1
£100,000 - £109,999	-	-
£90,000 - £99,999	3	2
£80,000 - £89,999	-	2
£70,000 - £79,999	4	2
£60,000 - £69,999	4	3

All employees earning more than £60,000 participated in the Universities Superannuation Scheme (see note 23). The aggregate amount paid to the scheme for these employees was:

	2023	2022
	£	£
Employer contributions	237,925	153,594

10 Remuneration of directors and key management personnel

The key management personnel of the charity comprise the trustees and senior executive staff (see the Directors' Report above).

There were no emoluments paid to the trustees during the year. Eleven trustees were reimbursed expenses to the value of £2,398 during the year (2022: 11 trustees, £2,031). The expenses paid related solely to travel and incidentals.

The total employee benefits (including Employer Pension contributions and Employer National Insurance contributions) received by the senior executive staff of the charity and the group was £572,111 (2022: £432,367).

The highest paid employee is the Chief Executive whose remuneration and benefits, including Employer Pension contributions and Employer National Insurance contributions, in the year were £194,275 (2022: £184,738).

During the year, QAA purchased Directors and Officers Liability Insurance (which included Trustee Indemnity Insurance).

11 Taxation

Under part II of CTA 2010 the charity is not subject to taxation on its charitable activities. The profits of the non-charitable subsidiary will normally be gift-aided to the parent charity. Therefore, the group generally suffers no Corporation Tax on its trading activities.

12 Intangible Fixed Assets

Group and charity

	Computer Software	Total
	£	£
Cost		
At 1 August 2022	647,664	647,664
Addition	5,850	5,850
As at 31 July 2023	653,514	653,514
Amortisation		
At 1 August 2022	471,806	471,806
Charge for the year	48,771	48,771
As at 31 July 2023	520,577	520,577
Net book value at 31 July 2023	132,937	132,937
Net book value at 31 July 2022	175,858	175,858

13 Tangible fixed assets

Group and charity

	Leasehold improvements	Computer equipment	Furniture and other equipment	Total
	£	£	£	£
Cost				
At 1 August 2022	1,280,210	3,836,510	546,547	5,663,267
Additions	-	7,762	3,883	11,645
Disposals	-	(8,236)	-	(8,236)
At 31 July 2023	1,280,210	3,836,036	550,430	5,666,676
Depreciation				
At 1 August 2022	1,246,561	3,769,322	546,547	5,562,430
Charge for the year	126,997	31,627	432	159,056
Disposal				
Impairment provision	(113,562)	(5,634)	-	(119,196)
At 31 July 2023	1,259,996	3,795,315	546,979	5,602,290
Net book value at 31 July 2023	20,214	40,721	3,451	64,386
Net book value at 31 July 2022	33,649	67,188	-	100,837

The directors consider that the market value of fixed assets does not differ significantly from their book value.

14 Fixed asset investments

	Quoted investments £	Unquoted investments £	Total £
Held by the group			
At 1 August 2022	5,922,837	-	5,922,837
Additions at cost	694,694	-	694,694
Disposals at opening market value or cost if bought in year	(7,921)	-	(7,921)
Net increase in cash held and settlements outstanding	(511,096)	-	(511,096)
Net loss on revaluation to year end market value	(82,183)	-	(82,183)
At 31 July 2023	<u>6,016,331</u>	<u>-</u>	<u>6,016,331</u>
Held by the charity			
At 1 August 2022	5,922,836	1	5,922,837
Additions at cost	694,694	-	694,694
Disposals at opening market value or cost if bought in year	(7,920)	-	(7,920)
Net increase in cash held and settlements outstanding	(511,096)	-	(511,096)
Net loss on revaluation to year end market value	(82,183)	-	(82,183)
At 31 July 2023	<u>6,016,331</u>	<u>-</u>	<u>6,016,332</u>

Quoted investments are revalued and stated at market value as at 31 July 2023.

Unquoted investments are stated at cost. QAA holds one ordinary £1 share (100%) in QAA Enterprises Limited, a wholly owned trading subsidiary company registered in England and Wales no. 07588108, with the principal office at Southgate House, Southgate Street, Gloucester, GL1 1UB.

14 Fixed asset investments (continued)

Quoted investments are included at market value and held as follows:

	Group and charity at 31 July 2023		Group and charity at 31 July 2022	
	Cost	Market value	Cost	Market value
	£	£	£	£
Listed on a recognised stock exchange				
- in the UK	5,888,737	6,016,325	5,201,786	5,411,731
- outside the UK				
Cash and settlements pending held as part of the investment portfolio	7	7	511,115	511,105
	<u>5,888,744</u>	<u>6,016,332</u>	<u>5,712,890</u>	<u>5,922,837</u>

15 Debtors

	Group		Charity	
	2023	2022	2023	2022
	£	£	£	£
Trade debtors	1,807,989	3,043,605	1,807,989	3,043,605
Sundry debtors	3,163	3,209	3,163	3,209
Prepayments	299,705	286,743	299,705	286,743
Accrued income	-	42,975	-	42,975
Subsidiary undertaking	-	-	-	2,576
	<u>2,110,857</u>	<u>3,376,532</u>	<u>2,110,857</u>	<u>3,379,108</u>

We are currently not holding a provision for doubtful debts (doubtful debts provision 2022: £58,481).

16 Creditors: amounts falling due within one year

	Group		Charity	
	2023	2022	2023	2022
	£	£	£	£
Trade creditors	502,563	293,539	501,861	293,539
Taxation and social security	144,890	148,503	144,890	148,503
Pension contributions	118,996	113,207	118,996	113,207
Other creditors	272,553	41,922	272,553	41,922
Accruals	559,366	945,215	558,666	945,215
Deferred income	4,211,094	6,307,623	4,211,094	6,307,623
	<u>5,809,462</u>	<u>7,850,009</u>	<u>5,808,060</u>	<u>7,850,009</u>

The movement in deferred income was as follows:

At start of year	6,307,623	4,292,548	6,307,623	4,292,548
Release income deferred in prior years	(6,235,883)	(4,268,758)	(6,235,883)	(4,268,758)
Deferred income received in current year	4,139,354	6,283,833	4,139,354	6,283,833
At end of year	<u>4,211,094</u>	<u>6,307,623</u>	<u>4,211,094</u>	<u>6,307,623</u>

Deferred income relates to contractual commitments which will not be delivered until next year. It is therefore not appropriate to recognise the income at this stage.

17 Operating lease arrangements

Total future minimum lease payments under non-cancellable operating leases were as follows:

		Group and charity	
		2023	2022
		£	£
Land and buildings			
Within one year		62,595	256,195
Between two and five years		36,524	99,109
		99,119	355,304

18 Analysis of capital commitments

		Group and charity	
		2023	2022
		£	£
Contracted for but not provided		25,410	-
Authorised but not yet contracted for		-	-
		25,410	-

19 Related party transactions

Due to the nature of QAA's operations and the composition of the QAA Board of Directors, transactions take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with QAA's financial regulations and normal procurement procedures. No transactions were identified that should be disclosed under *Financial Reporting Standard 8: Related Party Disclosures*.

The balance due to the charity from the wholly owned subsidiary undertaking QAA Enterprises Limited was written off in the year (2022: £2,576) as shown in the debtors note on page 51.

QAA is a member of Scottish Credit and Qualifications Framework Partnership, a company limited by guarantee and registered in Scotland number SC311573.

20 Provision for liabilities

Provisions have been made for the following:

Holiday pay

FRS 102 requires short-term employee benefits to be charged to the profit and loss account as the employee service is received. The provision is for the holiday pay that was earned but not taken before the year end.

The movement in the provisions during the year is:

	Holiday pay £	Total £
At 1 August 2022	147,525	147,525
Provided during the year	(26,456)	(26,456)
Utilised in the year	-	-
At 31 July 2023	<u>121,069</u>	<u>121,069</u>

Reinstatement of premises

The Reinstatement of premises provision covers the cost of returning our Gloucester and Glasgow premises to their original condition at the end of their leases.

	Reinstatement of premises £	Total £
At 1 August 2022	-	-
Provided during the year	300,000	300,000
Utilised in the year	-	-
At 31 July 2023	<u>300,000</u>	<u>300,000</u>

21 Pension liability provision

The total pension cost charged to the SOFA is:

	Group and charity	
	2023	2022
	£	£
Employer contributions payable in the year	947,027	847,035
Deficit contributions payable in the year (included in employer contributions above)	(221,658)	(79,951)
Change in expected future deficit contributions	(550,019)	2,102,636
Total pension cost charged to the SOFA	<u>175,350</u>	<u>2,869,720</u>

The movement in the provision is:

	Group and charity	
	2023	2022
	£	£
At 1 August	3,341,824	1,307,632
Charged to the SOFA - deficit contributions payable in the year	(221,658)	(79,951)
Charged to the SOFA - change in expected future deficit contributions	(550,019)	2,102,636
Unwinding of discount	110,614	11,507
At the year end	<u>2,680,761</u>	<u>3,341,824</u>

22 Analysis of charitable funds

Analysis of movements in unrestricted funds

	Funds at 1 August 2022	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2023
	£	£	£	£	£	£
Designated funds:						
Innovation and development	343,694	-	(91,973)	140,000	-	391,721
Reinstatement of premises	459,000	-	(300,000)	(159,000)	-	-
Total designated funds	802,694	-	(391,973)	(19,000)	-	391,721
General fund	1,730,140	10,110,143	(9,078,235)	19,000	(82,183)	2,698,865
Total unrestricted funds	2,532,834	10,110,143	(9,470,208)	-	(82,183)	3,090,586

	Funds at 1 August 2021	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2022
	£	£	£	£	£	£
Designated funds:						
Innovation and development	524,694	-	(181,000)	-	-	343,694
Reinstatement of premises	459,000	-	-	-	-	459,000
Restructuring						
Total designated funds	983,694	-	(181,000)	-	-	802,694
General fund	3,751,807	9,788,285	(11,525,199)	-	(284,753)	1,730,140
Total unrestricted funds	4,735,501	9,788,285	(11,706,199)	-	(284,753)	2,532,834

The purpose of the designated fund for Innovation and development (I&D) is:
'for innovation in products and services for the long-term benefit of UK higher education'.

22 Analysis of charitable funds (continued)

Analysis of group net assets between funds

	General fund	Designated funds	Total 2023
	£	£	£
Tangible fixed assets	64,386	-	64,386
Intangible fixed assets	132,937	-	132,937
Fixed asset investments	6,016,332	-	6,016,332
Cash at bank and in hand	3,285,646	391,721	3,677,367
Other net current liabilities	(3,698,605)	-	(3,698,605)
Provisions	(3,101,831)	-	(3,101,831)
Total net assets 31 July 2023	2,698,865	391,721	3,090,586

	General fund	Designated funds	Total 2022
	£	£	£
Tangible fixed assets	100,387	-	100,387
Intangible fixed assets	175,858	-	175,858
Fixed asset investments	5,463,837	459,000	5,922,837
Cash at bank and in hand	3,952,434	343,694	4,296,128
Other net current liabilities	(4,473,477)	-	(4,473,477)
Provisions	(3,489,349)	-	(3,489,349)
Total net assets 31 July 2022	1,730,140	802,694	2,532,834

23 Pensions (defined benefit schemes)

QAA participates in two defined benefit pension schemes. The employer pension contributions payable were as follows:

	Group and charity	
	2023	2022
	£	£
Universities Superannuation Scheme (USS)	734,969	698,302
Superannuation arrangements for the University of London (SAUL)	212,058	148,733
	947,027	847,035
Employer contributions outstanding at the balance sheet date (included above)	116,068	110,899

In addition to the Final Salary section within USS for current members, employees joining the Scheme after 30 September 2011 will join the Career Revalued Benefits section (subject to some transitional rules). From 1 April 2016 all USS members were moved to the Retirement Income Builder section.

Similarly, employees joining SAUL after 30 June 2012 will join the Career Average Revalued Earnings (CARE) section of that scheme (subject to some transitional rules). On 1 April 2016 all Final Salary members were moved to the CARE section.

The contribution rates as a percentage of pensionable salary are as follows:

			Employer	Employee
USS	Retirement Income Builder Section	1 April 2022 to 31 March 2024	21.60%	9.80%
		1 April 2024 to 30 April 2038	21.40%	9.80%
SAUL	Career Average Revalued Earnings Section	1 April 2022 to 31 December 2022	19.00%	6.00%
		From 1 January 2023	21.00%	6.00%

o Universities Superannuation Scheme

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2020 (the valuation date), which was carried out using the projected unit method.

23 Pensions (defined benefit schemes) (continued)

Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2020 valuation was the sixth valuation for the scheme under the scheme-specific funding regime introduced by the *Pensions Act 2004*, which requires schemes to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles.

CPI assumption	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves less: 1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long-term difference of 0.1% p.a. from 2040.
Pension increases (subject to a floor of 0%)	CPI assumption plus 0.05%
Discount rate (forward rates)	Fixed interest gilt yield curve plus: Pre-retirement: 2.75% p.a. Post-retirement: 1.00% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table

2020 valuation

101% of S2PMA 'light' for males and 95% of S3PFA for females.

Future improvements to mortality:

CMI_2019 with a smoothing parameter of 7.5, an initial addition of 0.5% pa and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	2023	2022
Males currently aged 65 (years)	24.0	23.9
Females currently aged 65 (years)	25.6	25.5
Males currently aged 45 (years)	26.0	25.9
Females currently aged 45 (years)	27.4	27.3

23 Pensions (defined benefit schemes) (continued)

A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period 1 April 2022 to 31 March 2024 at which point the rate will increase to 6.3%. The 2023 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2023	2022
Discount rate	5.50%	3.31%
Pensionable salary growth	4.00%	4.00%

p Superannuation Arrangements for the University of London

QAA participates in the Superannuation Arrangements of the University of London (SAUL), which is a centralised defined benefit scheme within the United Kingdom and was contracted out of the Second State Pension (prior to April 2016).

SAUL is an independently managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on a Career Average Revalued Earnings (CARE) basis.

QAA is not expected to be liable to SAUL for any other current participating employer's obligations under the rules of SAUL, but in the event of an insolvency of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer may be spread across the remaining participating employers and reflected in the next actuarial valuation.

q Funding policy

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the 'Technical Provisions'). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments that arise from members' accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2020. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in June 2021 and are due to be reviewed at SAUL's next formal valuation in 2023.

At the 31 March 2020 valuation, SAUL was 94% funded on its Technical Provisions basis. However, market movements following the valuation date were positive and the Trustee and the Employers agreed to allow for post-valuation experience up to 30 April 2021. As SAUL was in surplus on its Technical Provisions at that date, no deficit contributions were required.

23 Pensions (defined benefit schemes) (continued)

However, the Trustee and the employers have agreed that the ongoing Employers' contributions will continue at a rate of 16% of CARE Salaries to 19% of CARE Salaries from 1 April 2022 and 21% of CARE Salaries from 1 January 2023.

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets at 31 March 2020 was £3,612 million, representing 94% of the liabilities. The market value of SAUL's assets at 30 April 2021 was £4,369 million, representing 109% of the estimated liabilities.

It is not possible to identify an individual employer's share of the underlying assets and liabilities of SAUL. QAA's accounts for its participation in SAUL as if it were a defined contribution scheme and pension costs are based on the amounts actually paid in accordance with paragraph 28.11 of FRS 102.

Although there was a Technical Provisions deficit at 31 March 2020, allowing for post-valuation experience to 30 April 2021, SAUL had a Technical Provisions surplus. Therefore, no deficit contributions were required following the 2021 valuation and there is no defined benefit liability (the present value of any deficit contributions due to SAUL) to be recognised by QAA.

QAA participates in one defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund and were as follows:

	Group and charity	
	2023	2022
	£	£
The People's Pension	15,967	11,473
Employer contributions outstanding at the balance sheet date	2,929	2,308

24 Reconciliation of net income/(expenditure) to net cash flow from operating activities

	Group		Charity	
	2023	2022	2023	2022
	£	£	£	£
Net income / (expenditure) for the year	857,753	(2,202,667)	858,191	(2,204,233)
Adjustments for:				
Depreciation charge	207,828	217,979	207,828	217,979
Impairment provision	(110,960)	119,196	(110,960)	119,196
Losses on investments	82,183	284,753	82,183	284,753
Investment income	(229,640)	(152,912)	(229,640)	(152,912)
Decrease / (increase) in debtors	1,265,674	(1,497,787)	1,268,251	(1,445,589)
(Decrease) / increase in creditors	(2,040,547)	2,460,978	(2,041,349)	2,460,978
(Decrease) / increase in provisions	(687,518)	2,026,026	(687,518)	2,026,026
Net cash provided by operating activities	(655,227)	1,255,566	(653,014)	1,306,198

25 Analysis of cash and cash equivalents

	Group		Charity	
	2023	2022	2023	2022
	£	£	£	£
Cash at bank and in hand - liquid assets	3,677,367	4,296,128	3,674,164	4,290,712
Cash at bank - fixed asset investments	7	511,104	7	511,104
Cash at bank and in hand at the end of the year	3,677,374	4,807,232	3,674,171	4,801,816

26 Reconciliation of net debt

	At 1 August 2022	Cashflows	At 31 July 2023
	£	£	£
Cash	4,296,128	(618,761)	3,677,367
Cash equivalents	511,104	(511,097)	7
Total	4,807,232	(1,129,858)	3,677,374

Glossary

FRS 102	The Financial Reporting Standard applicable in the UK and Republic of Ireland
S2P	State Second Pension
SAUL	Superannuation Arrangements for the University of London
Charities SORP	Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)
SOFA	Statement of financial activity
USS	Universities Superannuation Scheme

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THE QUALITY ASSURANCE AGENCY FOR HIGHER EDUCATION

England & Wales - Charity number 1062746

Accounts



The Quality Assurance Agency for Higher Education

Annual Report and Financial Statements 2021-22

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Foreword from Vicki Stott, QAA Chief Executive

This was an important year for QAA. To mark the milestone of our 25th anniversary, we held a series of events asking, 'What does quality really mean in practice in a complex and rapidly changing sector?' As QAA now moves forward with a changed role in England and greater confidence across the UK and internationally, this question is as important as ever. QAA has its own answers, born of 25 years' experience and expertise, but it is in conversation with the sector that a richness and diversity of views emerges that helps us continue to respond to the challenges of this question as higher education evolves.

This year, we have been able to return to seeing in person, rather than only remotely, institutions' efforts to safeguard standards and improve quality. We've led new collaborative work across the UK in our Subject Benchmark Statements and Collaborative Enhancement Projects. In Scotland, the Enhancement Themes have continued their timely and important work on Resilient Learning Communities, helping our sector to rebuild from the pandemic and prepare for future challenges.

QAA's international team continues to engage with partners in more than 28 countries, enabling us to enhance the global reputation of UK higher education. In the last year, we have renewed or agreed memoranda of understanding with partner agencies including ANEAQ in Morocco, TKTA in Azerbaijan, and NIAD-QE in Japan. We also signed a new agreement with AACSB International in April to advance business education globally. In May, we hosted representatives of 17 countries for a dinner at the Education World Forum in London, with a range of productive discussions to further our collaborations with partners around the world. In January, we signed a new memorandum with Ukraine's national quality assurance agency, NAQA, which has done extraordinary work in barely imaginable circumstances to prepare the higher education sector for post-war reconstruction. NAQA's International Advisory Board is chaired by a QAA colleague; we have offered practical advice and support to our colleagues in and from Ukraine in this harrowing time and will continue to do so.

Closer to home, we worked with governments throughout the UK on tertiary reform, flexible credit, and pressing issues facing our sector. In April, legislation to criminalise essay mills in England received Royal Assent, after a five-year QAA campaign and work with politicians across the political spectrum. QAA's Academic Integrity Charter has now reached a milestone of 200 signatories, including every university in Wales and Scotland, and represents the sector's collective commitment to protecting and promoting academic integrity.

In June, we made the difficult decision that we could no longer consent to remain the Designated Quality Body in England (DQB) because it was not compatible with our registration on the European Quality Assurance Register for Higher Education (EQAR). QAA was briefly suspended from EQAR registration because of the non-compliance of the regulatory framework in England with the European Standards and Guidelines. We acted immediately to ensure that our own work as DQB was compliant, and QAA's suspension was quickly lifted; however, in the longer term we had no choice but to choose between EQAR registration and the DQB role.

We took a principled decision based on what we judged to be in the best interests of students of higher education in England. While some commentators have suggested that our decision sheds an uncomfortable light on the regulation of English higher education, we believe that it allows QAA to do far more to support the sector and students in England. By stepping back from the constraints of the DQB role, we can return in England to making valuable public interventions and helping shape our sector for the better, as the independent body created by the sector 25 years ago to embody its collective commitment to quality and standards, and as we continue to do in the other nations of the UK. Today, we have almost 300 members - over 98% of UK universities - and I'd like to thank every institution that continues to support QAA.

Public rhetoric about higher education can suggest a problematic sector: a system in crisis; ivory towers divorced from the needs of the economy; woke snowflakes; low-value courses. We certainly must not be complacent - we owe it to each and every student to provide learning environments that stimulate, inspire and challenge. But in providers' senior leadership teams, in quality departments and course design teams, and in students' unions, there's a different story being told. It's a positive story about the collective effort of the people working in quality, contributing to a higher education sector that is rightly admired around the world. QAA remains committed to supporting the sector in its efforts to increase transparency and understanding of this collective effort and its impacts.

Foreword from Professor Simon Gaskell, Chair of QAA Board

QAA was founded in 1997 as the UK higher education sector's own independent quality body, a position it continues to occupy across the UK, as custodian of sector reference points such as the UK Quality Code, the Framework for Higher Education Qualifications and the Subject Benchmark Statements, and with a well-established role in the assurance and enhancement of quality throughout the UK. As it marks its 25th anniversary, QAA remains a globally respected quality body, a reputation earned primarily in the UK but also crucial for QAA's growing international activities.

On this foundation QAA continues to navigate a changing UK sector. In Scotland and Wales, there is a productive trend towards closer alignment between higher education and further education, and while the approach to quality combines both quality enhancement and quality assurance, the balance between the two must be calibrated for each nation's needs. In Northern Ireland there is progress towards a new quality framework, but the changing position at Stormont has at times slowed that progress, and a resolution is still awaited.

England has been something of an exceptional case since 2017-18, when the *Higher Education and Research Act* was passed, and the Office for Students established. This led to a new and ringfenced role for QAA as the Designated Quality Body (DQB), with other services funded separately through membership. Sector confidence in our expertise in quality assurance is evidenced in the overwhelming take-up of that voluntary membership, and the service provided to members across the UK goes from strength to strength.

But the DQB role in England involved from the start a challenging compromise. Despite a strict ringfence, it inhibited QAA's ability to play its proper role in public discourse about quality and standards. It also meant working within a regulatory framework not of QAA's making. The compromise was one we thought worth making, as it served both students and the sector well for QAA's expertise to continue to contribute to the assurance of higher education provision.

However, in practice the DQB's expertise was both used and respected less than expected, while the divergence between the English regulatory framework and international norms ultimately made the position untenable. The Board was fully involved in the decision-making process throughout, and we commend the executive team for its management of difficult decisions and challenging external relationships.

QAA's decision to step away from the DQB role ushers in a new era for QAA in England, with enhanced and growing membership services in the UK and internationally, and with QAA re-finding its public voice, with a renewed confidence that is already being seen in the series of anniversary events, and which will position QAA well for further changes to come in the sector. I would like to take this opportunity to thank all who have helped QAA to flourish, not only during 2021-22, but for the last 25 years, and who take the Agency forward into this next exciting chapter.

Strategic Report

QAA works across the whole of the UK. Each country has a distinct and separate system of quality assurance, so QAA works with regulators, funding agencies, higher education institutions, students and other stakeholders across the UK to deliver tailored approaches.

Purpose of QAA

The purpose of QAA is to safeguard academic standards and ensure the quality and global reputation of UK higher education. We do this by working with higher education providers, regulatory bodies and student bodies with the shared objective of supporting students to succeed.

Considering our purpose and the changing context within which the organisation is working, the following strategic priorities will continue to guide QAA:

1 QAA is viewed as the trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK

We will achieve this by providing independent assessments of quality and standards within the relevant assurance, enhancement and regulatory frameworks of all the nations of the United Kingdom. Our assessments, and what we learn and share from them, will:

- innovate through partnership, going beyond assurance, through the Quality Enhancement Framework in Scotland
- embed the Quality Enhancement agenda for Wales
- fulfil the Agency's commitments as the Designated Quality Body in England until 31 March 2023, and continue to develop the Agency's role in England thereafter
- support government and the sector in Northern Ireland in future approaches
- remain compliant with the Standards and Guidelines for Quality Assurance in the European Higher Education Area.

2 QAA provides expert advice that secures standards and supports quality enhancement

We will both support and challenge our member institutions in enhancing the quality of UK higher education provision, to give students the best possible experience. This will be achieved through:

- keeping the UK Quality Code relevant and providing thought leadership on standards and quality to support our members in responding to contemporary challenges
- development and delivery of enhancement partnerships, sharing learning from each nation across the UK and internationally
- relevant and dynamic enhancement activities for each nation, UK-wide and informed by international practice and participation
- supporting effective student partnership in quality assurance
- providing advice to governments across the UK to partner effectively with UK PSRBs and employers in support of our members
- improving routes to higher education through the Access to HE Diploma.

3 QAA strengthens the global reputation of UK higher education

Our collaborations with governments and higher education quality agencies internationally give us a unique breadth of global expertise. We will use this breadth and depth to:

- provide confidence in the quality of UK trans-national education, to expand partnership with overseas quality agencies and governments to build trust and confidence in UK higher education
- advance UK interests in the policy agenda in the European Higher Education Area and in wider quality assurance debates
- grow participation in our capacity-building programmes for overseas higher education systems
- build our international accreditation programme and offer international associate membership to credible international institutions.

What we do

QAA's regulatory work

QAA as the Designated Quality Body (DQB) in England

1 As the Designated Quality Body (DQB) in England, QAA works to OfS's commission to assess the quality of, and the standards applied to, higher education programmes delivered by providers in England. In line with our memorandum of understanding, QAA submits a quarterly report setting out our work as the DQB, alongside an annual report (the DQB year operates April to March). These reports are considered in meetings with OfS officers and by the OfS Quality Assurance Committee (QAC).

2 In 2021-22, we received 32 assessment referrals, of which 29 were completed and sent to the Office for Students.

3 QAA also provides advice to the OfS regarding applications for degree awarding powers. This advice is formulated by QAA's Advisory Committee on Degree Awarding Powers (ACDAP), under delegated authority from the QAA Board. During 2021-22, ACDAP made recommendations about 13 providers. Subsequently, OfS has authorised degree awarding powers for all of these providers.

4 In June 2022, we launched a new method for the external quality assurance of integrated higher and degree-level apprenticeships in England, in collaboration with the Institute for Apprenticeships and Technical Education (IfATE). This method will be delivered by QAA in our capacity as DQB, on behalf of the OfS, according to the framework developed by IfATE. Arrangements under the new quality assurance method commenced from July 2022.

5 QAA will work with OfS to complete a number of assessment referrals and applications for degree awarding powers until the end of our designation in March 2023.

Access to HE Diploma

6 QAA regulates the Access to HE Diploma. The Diploma is a widely recognised Level 3 qualification that provides opportunities for adults without traditional qualifications to enter higher education; it is recognised by government as an important, nationally recognised pathway which helps widen participation. It also offers chances for adults wishing to retrain for a graduate-entry profession by delivering locally devised, flexible courses across the UK.

7 There are 11 Access Validating Agencies (AVAs) licensed by QAA to approve Access to HE courses. Currently, approximately 1,500 such courses award QAA-recognised Access to HE qualifications to students. In 2020-21, 309 providers of Access to HE delivered these courses to just over 43,400 registered learners. Statistics for the Access to HE Diploma underline the continued positive impact of this qualification in widening participation in higher education:

- 43,420 registered onto an Access to HE Diploma in 2020-21
- 23,865 AHE graduates entered higher education in September 2020
- 23,725 AHE graduates were accepted for 2021 higher education entry.

8 With the COVID-19 pandemic causing ongoing disruption in the 2021-22 academic year, QAA continued to maintain flexible arrangements for the awarding and assessment of the Diploma under the Extraordinary Regulatory Framework (ERF). The ERF helped to

ensure that Access to HE students were provided an equal opportunity to successfully complete their Diploma through flexible arrangements that ensured they were not disadvantaged by circumstances outside their control, while maintaining the necessary robustness in the qualification.

9 Our annual Access to HE conference took place virtually in May 2022, bringing together further and higher education participants to discuss the importance of access across the tertiary education system. Over 120 participants from 52 organisations participated in the two-day conference, with guest speakers including Shakira Martin, Head of Student Experience at Rose Bruford College and College of the Future Commissioner.

10 In September, we launched a Subject Descriptor for Medicine, signifying the sector-wide commitment to supporting adult learners into medicine through the AHE Diploma. The launch of the Subject Descriptor followed its successful pilot in the 2020-21 academic year, where it was rolled out across five providers and three AVAs. An evaluation report of the pilot is also available on the QAA website.

QAA's work with alternative providers

11 In 2021-22, QAA successfully completed 29 reviews of alternative providers of higher education.

12 During 2021-22, we have received two submissions to the Alternative Providers Concerns Scheme.

Facilitating collaboration between the nations

13 We continue to enjoy strong relationships with key stakeholders in the devolved nations. This has involved regular communication and meetings with civil servants, ministers and other parliamentarians, as well as staff and students within the sector. QAA will continue to write to new stakeholders in the devolved nations when they begin their posts.

14 We have continued discussions with Scottish, Welsh and Northern Irish higher education stakeholders to discuss areas of commonality regarding quality review arrangements and opportunities for sharing of best practice. Representatives from the Scottish Funding Council (SFC), Higher Education Funding Council for Wales (HEFCW), and the Department for the Economy in Northern Ireland (DfENI) have expressed a desire for QAA to facilitate further collaboration between the Scottish, Welsh and Northern Irish higher education sectors with a particular focus on the role of enhancement. Further to this, the year saw the first joint meeting with members of the QAA Scotland and Wales Strategic Advisory Committees to discuss areas of commonality, as well as a joint meeting with the Wales Quality Network and The Quality Forum in Scotland.

15 QAA has also worked across the devolved nations, as it has in England, to support efforts to protect academic integrity and combat essay mills. All universities in Wales and Scotland have now signed QAA's Academic Integrity Charter, and QAA has been working with governments in each of the nations as they consider developing their own legislation against essay mills, similar to the new regulations introduced in England in 2022.

QAA in Scotland

16 QAA has continued to work with SFC and the sector to develop the future arrangements for external quality review of higher education. The approach has been developed in two phases, with the first focusing on quality and standards and how each institution's arrangements are used to drive the enhancement of the student experience within higher education providers, following the conclusion of the fourth cycle of the

Enhancement-led Institution Review (ELIR) method in 2022. Discussions are ongoing around the longer-term Phase 2 arrangements, which will be developed in conjunction with the sector to support SFC deliver on its commitment to develop a single tertiary education quality framework, covering universities and colleges, following its [Review of the sector in 2020-21](#).

17 The final reviews of the fourth ELIR cycle were completed at Abertay University and the University of the Highlands and Islands, alongside the re-review of Glasgow School of Art following its ELIR outcome the year before. All ELIR reports have [been published](#) on the QAA website. QAA Scotland has undertaken a full evaluation of the ELIR 4 method which has drawn on the experiences of all key stakeholders. This evaluation report was [published in early 2022](#).

18 In 2021-22, work continued on the latest Enhancement Theme: Resilient Learning Communities, which included the Anti-Racist Curriculum project. The project builds on the sector-wide commitment to tackle racism in Scottish higher and further education. QAA Scotland and Advance HE are working together with the tertiary sector to develop and curate resources, learn from current practice, and recognise best practice both in Scotland and beyond. The Theme work also included a project on Valuing and Recognising Prior Learning (RPL) and Experience, which led to the development of a revised RPL Framework, as well as a project focusing on micro-credentials. The Student-Led Activity also focused on Promoting the Equity of the Student Learning Experience and considered how students and staff can support equity for diverse student communities to allow students to get maximum benefit from their learning opportunities in a more blended teaching environment.

19 The latest Enhancement Conference, titled 'Resilient Learning Communities: Inclusive, Flexible and Accessible' took place in Glasgow in June 2022, with a hybrid in-person and online event used by QAA Scotland for the first time. The event had over 400 delegates from universities and colleges attending both in person and online, with conference resources being [published online](#) shortly after the event.

QAA in Wales

20 In 2021-22 QAA completed five Quality Enhancement Reviews (QERs) and three Gateway Quality Reviews (GQRWs). QAA also published the outcomes of a review of Degree Apprenticeships on behalf of the Higher Education Funding Council for Wales (HEFCW). The report has been [published on the QAA website](#).

21 QAA reported on the [Review of Digital Learning](#), undertaken as part of a commitment to the HEFCW HEIR Fund collaborative project led by Wrexham Glyndŵr University on behalf of the Universities Wales Learning and Teaching Network, at the HEFCW HEIR-funded QAA Sharing Practice Event in September 2021. The findings contain a wealth of 'emerging practice' and suggestions for work that could be taken forward for the benefit of the sector in the future. The report was delivered to the programme team from the Learning and Teaching Network in autumn 2021.

22 The HEFCW-funded sector-owned Welsh Integrity and Assessment Network (WIAN) was established in October 2021, with all regulated providers being invited to nominate an academic and a student representative to the group. Some of the common themes have been the impact and implementation of the QAA Academic Integrity Charter, alternative assessment methods, challenges for Welsh-medium education and definitions of key terms such as *authentic assessment* and *digital assessment*.

23 QAA jointly presented with Estyn at the Learner Engagement and Student Partnership workshop on 29 November hosted jointly by HEFCW and Welsh Government. The presentation demonstrated the role of student partnerships in the UK Quality Code,

examples of student partnerships in the higher education sector and how QAA supports student partnerships through our work and governance. Following the presentations, QAA facilitated several workshops.

24 QAA also engaged proactively with the development and passage of the Tertiary Education and Research (Wales) Bill in the Welsh Parliament. QAA had submitted responses to previous consultations as the Bill developed, and QAA officers submitted evidence to the Senedd's Education Committee before attending a meeting of the committee to speak publicly on the legislation and suggest improvements. As a result of QAA's suggestions, the role of the student voice in the Bill was strengthened, clarification was provided on the future quality assurance of Degree Apprenticeships, and the proposed Commission for Tertiary Education and Research will be encouraged to select a designated quality body for higher education as soon as it can, to allow for a smooth transition to the future arrangements.

25 QAA continues to strengthen its commitment to the Welsh Language. QAA submitted an annual report for activity in 2020-21 to the Welsh Language Commissioner's office in January 2022. New sections were included in this report, including examples of QAA working with the Welsh Language Commissioner's office, how QAA is supporting the role of the Welsh language in higher education and priority areas for 2021-22. QAA's Welsh Language Working Group continues to have oversight of compliance.

QAA in Northern Ireland

26 QAA has continued to keep in contact with officers in the Northern Ireland Executive in order to prepare plans for the development of a future method of quality enhancement for the higher education sector. While plans had been delayed as a result of the suspension of the Executive due to the ongoing political situation, it is hoped that progress can be made in 2022-23.

27 Engagement with the sector has continued, with QAA developing a new bespoke Northern Ireland newsletter, as well as hosting its first large-scale online Northern Ireland conference in October 2021. The overall theme of the QAA Northern Ireland Conference was 'Contemporary Higher Education Practice' covering themes such as digital learning, Education for Sustainable Development and Apprenticeships, with almost 300 delegates registering. As a result of the excellent feedback for the event, another online conference for Northern Ireland is being planned for October 2022.

Supporting quality enhancement among QAA Members

QAA services for members

28 This was the third year of QAA membership, having first launched our voluntary membership model on 1 August 2019.

29 Interest in QAA Membership continues to grow with 255 institutions signing up for QAA Membership in England for the 2021-22 academic year. Including providers from Scotland, Wales and Northern Ireland, we had a total of 299 members across the UK. Looking ahead to the 2022-23 academic year, as of 24 October, 245 providers in England have chosen to renew or join.

30 QAA published 222 exclusive resources for members: 157 publications for core members, 40 for those subscribed to Quality Insights, and 25 for International Insights subscribers. Publications included a series of Hallmarks of Success Playbooks designed to support members in the successful delivery of hybrid and blended learning and teaching, and advice on developing inclusive learning subject communities.

31 We also held a range of successful events online for our Core and Insights members: 33 webinars, 13 training programmes, and 41 events and workshops, including our Quality Matters, Quality Insights and Evolving Student Engagement conferences, and QAA Annual Conference, were attended by more than 5,000 delegates.

32 Following positive consultation with our member community, we have reviewed the overall structure of membership and have combined Core Membership and Quality Insights into one all-inclusive package for 2022-23; this will now be known simply as QAA Membership. International Insights remains an optional enhancement package for all QAA Members. We have retained an introductory membership offer for our smallest members (those with fewer than 1,000 higher education students).

Working with QAA Members and UK higher education to address pressing sector issues

33 As QAA Members began to discuss and determine future modes of delivery, QAA undertook research to explore how the shift to digital teaching, learning and assessment during the pandemic affected student engagement and performance. This research is based on survey responses from 322 individuals from over 90 different institutions, accompanied by 17 in-depth interviews. The research found that the impact of the shift has been positive for some groups and negative for others. It includes practical ideas about what works to increase student engagement and shows how providers successfully adapted assessments and supported their students in a digital and hybrid environment.

34 This year, we launched a series of four Hallmarks of Success playbooks which provided our members with high-level guiding principles underpinning success in the delivery of hybrid and blended learning and teaching. The playbooks focused on four distinct areas:

- Student-centred Learning and Teaching
- Assessment in Digital and Blended Pedagogy
- Course Design, Approval and Management
- Supporting and Empowering Teaching Staff.

35 Each playbook is structured using success statements, conditions for achieving success, potential roadblocks and overcoming roadblocks. The series is primarily aimed at those involved in curriculum design, delivery and approval, and will also interest those with a strategic remit for learning, teaching and assessment, quality professionals and wider academic and professional services staff.

36 Following the establishment of Subject Advisory Groups in the previous academic year, we published the first 14 new and revised Subject Benchmark Statements in March 2022. The Statements describe the nature of study and the academic standards expected of graduates in specific subject areas. They show what graduates might reasonably be expected to know, do and understand at the end of their studies. They are used as reference points in the design, delivery and review of academic programmes. From 2022 onwards, statements will consider how practice within disciplines addresses wider social goals such as equality, diversity and inclusion; education for sustainable development (ESD); the requirements of disabled students; and enterprise and entrepreneurship. A further 13 Subject Benchmark Statements are being reviewed during 2022-23, and Subject Advisory Groups have been appointed for each of these reviews, including chairs and deputy chairs. These Statements will be published in 2023.

37 Students continue to influence the work QAA undertakes to support the sector. Students are embedded within our governance arrangements, with two Student Board members, as well as student members on the QAA Scotland and Wales Advisory

committees. Our Student Strategic Advisory Committee meets three times a year, enabling students from across the UK to provide valuable input across our range of activity. We delivered two student engagement-focused conferences in the 2021-22 academic year: 'Quality Matters' and 'Evolving Student Engagement'. We launched a Student Engagement Toolkit this year as part of our Membership Publications and delivered an accompanying training session, supporting members to design quality enhancement activities in collaboration with students. We also launched a new Student Quality Network to provide an informal opportunity for students and staff who support students to meet and exchange views on current topics, such as the postgraduate student experience.

38 QAA continues to support members in upholding and enhancing academic integrity through its membership work. This includes supporting institutional processes to deal with instances of academic misconduct. 'Exploring QAA Members' Approaches to Academic Misconduct Cases and Use of Penalties' aimed to establish a picture of how UK higher education providers investigate and deal with instances of academic misconduct – encompassing a range of offences, including plagiarism, collusion and contract cheating. We continue to encourage higher education providers to sign QAA's Academic Integrity Charter, demonstrating their commitment to protecting and promoting academic integrity and to taking action against academic misconduct. To date, over 200 higher education institutions have signed the Charter, including all the universities based in Wales and Scotland.

39 QAA achieved a significant step forward in the campaign against essay mills this year with the passing of the *Skills and Post-16 Education Act 2022* which introduced legislation to criminalise essay mills in England. The passing of the legislation follows years of campaigning by QAA supported by our UK Academic Integrity Advisory Group and the wider higher education sector. QAA will continue to work closely with our members, the higher education sector and with the Department for Education to address the threat posed by essay mills. We also hope to see a similar ban applied in the other nations of the UK and continue to progress this issue with key stakeholders in the other UK governments.

40 Following the successful launch of our Collaborative Enhancement Projects in December 2020, we launched a second round of funding to support groups of institutions to work together to enhance the quality of their student learning experiences and develop outputs that benefit the wider QAA Membership. We received 47 applications and awarded funding to 17 projects which included 59 individual institutions. This encompassed 49 UK higher education institutions, three further education colleges, two higher education institutions based outside the UK and one UK-based independent provider. Four charity/voluntary organisations operating within UK higher education were also involved in the suite of Collaborative Enhancement Projects. The projects range across nine diverse topics including Assessment, Education for Sustainable Development, Academic Integrity, and Equality, Diversity and Inclusivity. As the projects included in the first round have come to complete, they have produced a range of practical resources across the membership year, including those relating to supporting postgraduate research students to prepare for vivas, exploring how students read and the impact this has on their learning, and creating a social induction framework to support students' transition into higher education.

41 Micro-credentials and flexible learning continue to be an area of significant strategic interest for many QAA Members and policymakers in the UK and worldwide. This year, QAA produced a Characteristics Statement on micro-credentials on behalf of our members and the wider higher education sector, following collaboration with an advisory network. The Statement describes some of the typical features of a micro-credential, including how they differ from traditional qualifications, or 'macro-credentials'. This complements other resources QAA has produced to support members who are interested in micro-credentials and flexible learning pathways, including a series of blogs which have been published across the membership year.

42 QAA continues to offer positive approaches and practical solutions to help support student journeys into and through higher education in our Supporting Successful Student Transitions series which focuses on supporting students moving into higher education for the first time or returning to university. The series encompasses QAA-produced and curated resources, including toolkits, short papers and case studies, which address various challenges linked to ensuring students develop a sense of belonging and are supported to engage in their academic work.

43 QAA has also provided valuable guidance to providers of higher-level and Degree Apprenticeships to enhance the quality of apprenticeship provision. This has included updating the Characteristics Statement on Higher Education in Apprenticeships following a minor review in 2022 which was carried out to ensure the Statement addressed policy developments since its first publication.

44 We continue to enhance and develop how we communicate and engage with our members. This year, QAA launched its Membership Podcast series and at the time of writing we have produced eight podcasts on a range of topics, such as Inclusive Assessment, Student Transitions and Enterprise and Entrepreneurship. We continue to meet with members on a regular basis through our Network events which provides us with an opportunity to update members on QAA's work and to provide a space for sharing ideas and best practice between QAA Members. Across the membership year, we hosted 26 networking events, attended by over 1,150 members. This includes separate networks for PVC Education, PVC International, Senior Quality Contacts, College Principals, College HE Practitioners, specialist and independent providers, and student contacts.

45 Interest in QAA training events continues to grow with over 300 members engaging in more than 13 training and professional training programmes. This year, we launched two new Quality in Practice courses, equipping members with practical advice on Course Design, and Monitoring and Review. We also launched a training programme to coincide with the launch of the Student Engagement Toolkit.

Reinforcing the global reputation of UK higher education

46 QAA continues to develop collaborative agreements with international partner organisations in order to enhance mutual understanding and confidence between UK and international higher education institutions. These agreements also lead to joint collaboration across areas of mutual interest, including transnational education (TNE) and academic integrity. Over the last year, QAA has signed and renewed memoranda of understanding (MoUs) with partner organisations operating in the Netherlands and Flanders (NVAO), Morocco (ANEAQ), Azerbaijan (TKTA), Ukraine (NAQA), Kuwait (NBAQ), Thailand (ONESQA), Japan (NIAD-QE), Ireland (QQI), Singapore (SSG), the People's Republic of China (CSCSE) and Kazakhstan (IQAA). We also signed an MoU with the Association to Advance Collegiate Schools of Business (AACSB), signalling our intent to improve mutual understanding of our respective global accreditation approaches.

47 In 2021-22, QAA provided international services (accreditation, membership, training, consultancy and review services) across 22 countries. This has included a range of bespoke consultancy services such as system-level projects to support development of quality assurance and institutional review methodologies in Pakistan, Morocco and Tunisia; continued delivery of a reviewer training programme in Ukraine, and a scoping study looking at approaches to quality assurance and areas for development in Egypt.

48 QAA continues to deliver a valuable country programme which provides exclusive access to country reports and accompanying webinars to International Insights subscribers. To date this year, we have produced reports and webinars on Viet Nam and Indonesia. These reports provide an overview of the higher education and regulatory landscape in the

relevant country and offer high-level information and intelligence about regulations, challenges and opportunities relevant to UK providers wishing to develop TNE provision in these countries.

49 Alongside our PVC International Network, QAA has launched an International Partnerships Policy and Practice Network which aims to support collaboration between members through informal discussion and debate on recent developments, topics and challenges that impact international partnerships. These sessions are designed for colleagues who work in international and collaborative provision and for quality practitioners who are responsible for international partnerships.

50 QAA officially launched our scheme for the Quality Enhancement and Evaluation of Transnational Education (QE-TNE) in September 2021 in which 78 providers from across the UK signed up to participate, representing over 70% of the UK TNE student population.

51 In the first year, QAA has been working with institutions and partner agencies to prepare for and carry out virtual evaluation visits to selected institutions in Egypt, the UAE and Germany – the three countries selected for evaluation activity in the 2021-22 academic year. By the end of the evaluation period, we anticipate having involved over 20 institutions in visits and case studies in the first year. QE-TNE scheme participants will have access to publications and webinars from the first series of visits later in the year.

52 In November 2021, QAA co-hosted the inaugural China-UK Higher Education Summit alongside the China Education Association for International Exchange (CEAIE). This event brought together nearly 200 leaders from UK and Chinese higher education to share views, experiences and best practice with respect to digital pedagogy.

53 Nine international higher education institutions have successfully achieved QAA's International Quality Review (IQR) global accreditation over the last year. IQR allows international higher education providers to benchmark their quality assurance systems against the European Standards and Guidelines (ESG). Macao Institute for Tourism Studies (IFTM) became the first institution to successfully undergo IQR re-accreditation, having first undergone review in 2017.

54 We have continued to deliver IQR for ACE Impact, a bespoke version of our International Quality Review for the World Bank African Centres of Excellence project in West Africa, in Nigeria, Ghana and the Ivory Coast. This programme was delivered in both English and French.

55 QAA launched International Membership in late 2021, offering access to a comprehensive range of services and expertise for international higher education institutions who have achieved IQR accreditation. This was complemented in early 2022 with the launch of International Associate Membership, offering a valuable but less extensive range of resources for higher education institutions who don't yet have IQR accreditation but are recognised by their local quality agency. 2022-23 will see the first full year of International Membership which will encompass a comprehensive membership offering, including the provision of funding for an International Collaborative Enhancement Project.

56 In May, QAA announced a collaboration with the Council of British International Schools (COBIS) to externally quality assure the global COBIS Patron's Accreditation and Compliance Scheme (PAcc). The collaboration will initially last for five years and will include a quality assurance report of the COBIS PAcc standards, including through comparison with global best practice in quality assurance standards. This collaboration will be of interest to a wide range of stakeholders, including overseas governments, QAA Members and providers of UK transnational education.

57 In June, we welcomed over 100 delegates from across Europe to Cardiff for the European Association for Quality Assurance in Higher Education (ENQA) Members' Forum, which we are proud to have hosted. The programme focused on hot topics in quality assurance and included discussions on transnational cooperation across Europe, micro-credentials and the digitalisation of quality assurance procedures.

58 QAA's active presence within the international quality assurance community was further strengthened when our CEO Vicki Stott was elected to the Board of the International Network for Quality Assurance Agencies in Higher Education (INQAAHE) from November 2021. Vicki's role on the Board provides a platform for the interests of UK higher education to be heard on a world stage, while also ensuring QAA Members have access to key intelligence on international trends and developments in higher education quality. Vicki has also recently joined the International Advisory Board for our partner agency in Ukraine, NAQA.

Lessons learned

59 2022 was an important year for QAA, marking our 25th anniversary. We held a range of events to celebrate our quarter of a century as the leading authority on quality and standards in UK higher education. These events, delivered in collaboration with our members and UK and international partners, were structured around a 'conversation about quality' – a wide-ranging exploration of the meaning of quality in practice, in a complex and rapidly changing UK sector. We emerge with greater clarity on several aspects of a complex and relative definition. In particular, we identified that whereas quality control is about accountability and the retrospective measurement of effective outcomes, quality assurance is a prospective determination about how well the underpinning processes work; quality enhancement, meanwhile, is focused on both processes and outputs, a collective endeavour towards continuous improvement. These distinctions have provided us with a strengthened understanding of our role and vision. We continue to explore the implications for everyone in UK higher education, wider society and internationally.

60 Operationally, one of the most significant decisions taken in 2021-22 was our announcement that we will no longer consent to be the Designated Quality Body in England (DQB) after the current DQB year ends on 31 March 2023. This role is separate and discrete from our wider work for the sector (funded through membership), and the requirements made of it by the current regulatory approach in England are not consistent with standard international practice for quality bodies, as reflected in the European Standards and Guidelines (ESG). We had hoped that these tensions could have been mitigated and worked closely with our Board throughout 2021-22 on innovative solutions, including carrying out a detailed review of our strategic and operational models and a separation of governance and management developed in the winter quarter. Ultimately, these measures were not sufficient to prevent English regulatory requirements resulting in QAA's suspension on the European Quality Assurance Register for Higher Education (EQAR). QAA worked quickly to address areas of non-compliance, but long-term it would not be sustainable to meet both sets of requirements. While we had hoped to prevent this outcome, we believe we acted responsively, in tandem with our Board and in the best interests of the Agency and the sector. We look forward to the opportunities that will result for our other work, including enhancing our offer to our members in England and across the UK.

61 While the higher education sector is no longer in the urgent period of response to the COVID-19 pandemic, close sector collaboration remained of crucial importance to QAA's work this year. It was vital for our staff and Board members to continue maintaining discussions with institutional leaders, quality specialists and students in order to inform our work. Other key collaborators for QAA across the past year have included governments, professional bodies, international quality agencies and other international partners.

Looking ahead

62 On 31 March 2023, QAA's designation as Designated Quality Body (DQB) in England will end. Throughout 2022-23, we will work closely with DfE and OfS to ensure a smooth transition. We will also develop new lines of business in the intervening time, taking advantage of the opportunities arising from the separation to enhance our offer to our members in England and across the UK. In March 2023, QAA should be well-positioned to deliver as the confident, settled authority for quality and standards in the UK. This will include expanding our work with governments, agencies and institutions globally to benefit UK higher education and its international reputation and continuing to deliver for our members.

63 In 2022-23, our Membership offer spans seven interconnected themes. Cross-cutting topics inform the themes and run through all our work.

- Future approaches for learning and teaching
- Reassessing Assessment
- Flexible Pathways and Micro-credentials
- Academic Integrity
- Employability, Enterprise and Entrepreneurship
- Education for Sustainable Development
- Global Engagement

64 The themes have been informed by our horizon-scanning and co-created through engagement with members, building on learning from previous years. They are designed to support inspiring, innovative and developmental activities which will help members prepare for the future. Within this activity will be UK-wide work to secure standards and quality, as well as enhancement-facing activities, co-created with our members and responsive to their contexts.

65 QAA will continue to support the successful programme of Collaborative Enhancement Projects, with new projects aligned with the 2022-23 themes. We hope to expand upon the diverse range of 17 innovative and ambitious projects supported in 2021-22, which have involved 63 partners. We will also be reporting on, and celebrating, the achievements of these existing projects in the coming year. Funded projects will lead to the development of outputs that benefit the wider QAA Membership and higher education sector as a whole.

66 2022-23 will be the first year of QAA's International Associate Membership package, and the first full year for Full International Membership. It will also be the first year for QAA's new International Programme Accreditation review method (IPA). QAA will continue to develop international partnerships to ensure these projects are successful and deliver shared benefits for collaboration in higher education. Alongside new projects, we will continue to review UK transnational education through the QE-TNE scheme, deliver IQR accreditation and capacity-building work, and engage in international projects, for example ENQA's publication of academic integrity guidance in the spring.

67 2023 will mark the 20th anniversary of the Scottish Quality Enhancement Framework. QAA will celebrate this important milestone through collaborative work under the current Enhancement Themes in Scotland, as well as commemorative activity to explore how the QEF has influenced enhancement approaches globally.

Financial review

68 The financial statements have been prepared in accordance with the requirements of the Charities SORP. Resources expended on charitable activities are shown split between the aims of our 2020-25 strategy. The total resources expended note (note 7), page 44, splits these categories down further and includes an allocation of support costs across the aims.

Results

69 QAA's 2021-22 activities were funded primarily through fees chargeable under HERA, membership from higher education providers and contracts with the higher education funding bodies, international review activity and charges for oversight and review of alternative providers of higher education. Additional income was generated through other investment income.

70 QAA's net loss for the year ended 31 July 2022, before recognising investment gains, was £1,917,714 (2021: net income of £17,139). After recognising net losses on investments of £284,753 (2021: gains of £678,889), the net movement in funds for the year was a decrease of £2,202,667 (2021: increase of £696,028) which has decreased reserves. The accumulated funds at 31 July 2022 are £2,532,834 (2021: £4,735,501).

71 QAA's wholly owned trading subsidiary, QAA Enterprises Limited, has made a profit of £1,567 (2021: profit of £2,279) to the group surplus. No gift aid payment was made (2021: £-) to the charity in the year.

Income

72 Total income as shown in the Statement of Financial Activities (SOFA) increased by £1,488,641 (18%) to £9,788,285 between 2020-21 and 2021-22. Income from charitable activities shows a net increase of £1,452,392 (18%).

73 The increased income resulted from an increase in international contracts (£825,407) as well as increases in assessments commissioned by OfS under HERA as the Designated Quality Body (£379,672) as activity levels return to pre-pandemic levels.

74 Income from investments has increased by £37,814 (33.2%) to £152,912.

75 The investment income is interest from cash deposits, together with dividends and interest from fixed asset investments. Investment returns are discussed in the Treasury Management section below.

Expenditure

76 Total charitable expenditure, after the pension provision as shown in the SOFA, increased by £3,423,694 (41%) to £11,706,199 between 2020-21 and 2021-22.

77 The latest formal actuarial valuation of the USS-defined benefit liabilities has been carried out as at 31 March 2020 to meet the requirements of the *Pensions Act 2004*. This actuarial valuation shows a shortfall of £14.1bn in the USS with the scheme assets being sufficient to cover 83% of its 'technical provisions' liabilities. A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period 1 April 2022 to 31 March 2024 at which point the rate will increase to 6.3% until April 2038.

78 The 2022 deficit recovery liability now reflects this plan and as a result has increased by £2,034,191 in the year, in contrast to the increase in 2020-21 of £106,278.

79 Expenditure on charitable activities before the pension provision increased by £1,494,904 (18%) to £9,661,218. Delivery costs have increased in line with increases in international activity and assessment activity income.

80 A breakdown of charitable expenditure between the strategic aims is shown in note 6 on page 43.

81 An analysis of charitable expenditure between direct costs and support costs is provided in the total charitable expenditure note (note 7, page 44).

Balance sheet

82 Total funds on QAA's group balance sheet are £2,532,834 (2021: £4,735,501). The net book value of tangible fixed assets held by the group and charity shows a decrease of £209,136 with the inclusion of an impairment provision equivalent to the net book value of leasehold assets as we look to exit the premises when the lease expires in June 2023. The net book value of fixed asset investments has increased by £839,451 to £5,922,837.

83 Trade debtors have increased by £1,554,685 to £3,043,605 as a result of the earlier invoicing of membership for the period starting 1 August 2022. This, in turn, has increased deferred income by £2,015,074 to £6,307,623.

Reserves policy

84 QAA's Reserves policy establishes a target range of free reserves, taking into account the financial impact of risk; the volatility of current and future income streams; the action required in the event of income reduction; and the impact of future commitments. The resultant target range of free reserves, following the annual review, is set at £0.7-£1.7 million. The level of available free reserves is £1.4 million, which falls within this range.

85 As part of the Trustee's responsibilities of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been considered. The assumptions modelled are based on the estimated potential impact of known changes in the sector and regulations, along with our proposed responses over the course of the next 18 months.

86 On the basis of this review, these financial statements have been prepared on a going concern basis, which the Trustees consider to be appropriate based on the results for the year ending 31 July 2022 and forecasts and cash flow projections prepared for the period to 31 July 2024. The cash flow projections indicate that the group will be able to meet its liabilities as they fall due and will be able to operate within the facilities currently available. The Trustees consider that there are no material uncertainties over the charitable company's financial viability.

87 QAA holds reserves for three main reasons:

- to secure its long-term position
- to deliver the medium-term objectives in the QAA strategy, by ensuring that reserve levels provide a cushion against medium-term business risks and take full account of the costs of medium-term objectives
- to ensure that it can carry out the programme of work detailed in the next year's annual plan - for example, through meeting approved shortfalls in short-term activities that are not fully funded.

88 A designated Innovation and Development Fund is set aside 'for innovation in products and services for the long-term benefit of UK higher education'. The opening balance on the fund was £524,694 - £181,000 was expended during the year to fund activities in membership services and international services.

89 At 31 July 2022, QAA's free reserves as defined by the Charities SORP were £1,432,448 (2021: £3,371,289).

Treasury management

90 The main principles underpinning QAA's treasury management policy are to ensure that:

- QAA has adequate cash and working capital to enable it, at all times, to have sufficient funds available to achieve its business objectives
- QAA investments are secure - this is achieved by ensuring that its authorised investments reflect a risk-averse and prudent attitude towards the organisations with which funds may be deposited, and limits its investment activities to those approved
- QAA achieves the maximum return on its investments, taking into account the other key principles
- QAA minimises the risk of fraud or error in its treasury management activities - this is achieved by designing suitable systems, procedures and contingency management arrangements in order to minimise the risk of fraud or error.

91 During 2021-22, the revised investment approach agreed by the trustees continued to be followed, with available funds being notionally split into three tranches and managed as follows:

- **short-term working capital** - held by QAA's bankers, HSBC Bank plc, and managed internally
- **medium-term cash funds** - invested with HSBC Bank plc and Lloyds Bank plc and managed internally in accordance with our cash flow plan to meet short-term working capital requirements
- **longer-term reserves** - over £5 million has been placed with Rathbones Investment Management Limited (Rathbones) for discretionary investment in listed shares and gilts.

92 Funds placed with Rathbones are invested in a charity-specific fund which is subject to ethical investment constraints.

93 Investment income in the year is attributable to interest receivable of £18,211 from short-term working capital balances and medium-term cash funds, together with interest and dividends of £134,701 received from fixed-asset investments.

94 The market value of the investments is £5.9 million (2021: £5.1 million). The net unrealised loss in the market value of funds held at 31 July 2022 was £284,753 (2021: gain £678,889) reflecting the uncertainty in the stock markets worldwide. The surplus of interest and dividend receipts after paying management charges, together with net gains or losses realised, continues to be reinvested.

95 This approach is being closely monitored and managed to ensure that the principles of the treasury management policy are being met. Given the low base rate and current market conditions, QAA considers the returns on its cash and investments to be acceptable.

Directors' Report

Structure, governance and management

96 QAA is a private company limited by guarantee, and a registered charity in England, Wales and Scotland, its company number is 03344784 and its charity number is 1062746, and Scottish Charity number is SC037786. Our four company members were, as of 31 July 2022:

- GuildHE Limited
- Universities Scotland
- Universities UK
- Universities Wales.

97 In the event of winding up, the liability of our company members is limited to an amount not exceeding £1 per member.

98 We were established under a Memorandum of Association and are governed under our Articles of Association, which set out our constitution and objects. Our objects are:

- the promotion and maintenance of quality and standards in higher education in the UK and elsewhere
- the enhancement of teaching and learning, and the identification and promotion of innovation and good practice in teaching and learning
- the provision of information, and the publication of reports on quality and standards in higher education in the UK and elsewhere
- the provision of advice to governments, as requested, on Access course recognition and in relation to all or any of the above objects.

Governance

99 As part of QAA's ongoing commitment to good governance and leadership, the Board members completed a Board skills audit. One-to-one annual conversations continue to be held between the Chair and individual Board members.

100 During the year, the Board has also reviewed and agreed:

- QAA's risk appetite and tolerance levels
- policies, including: Complaints policy, Appeals and Representations policies
- SWOT analyses for the creation of the ENQA Self-Assessment report.

Recruitment and appointment to the Board

101 Our directors are also our trustees for the purposes of charity law. Under our Articles of Association, they are known as the Board. Under the requirements of the Articles, 18 trustees are appointed to the Board as follows.

- Serving a three-year term, then eligible for a second three-year term:
 - four members nominated jointly by three funding bodies for UK higher education (Department for Education (Northern Ireland), Higher Education Funding Council for Wales, and the Scottish Funding Council). The Office for Students has to date declined to take on the nominating rights previously exercised by the Higher Education Funding Council for England

- four members nominated jointly by the UK higher education representative bodies (GuildHE, Universities Scotland, Universities UK and Universities Wales)
 - one member nominated by the UK Council of Colleges and appointed by the Board
 - six independent members appointed by the Board
 - one independent member appointed by the Board who, at the time of appointment, is engaged wholly or mainly in the governance or management of an alternative provider of higher education.
- Serving a one-year term, then eligible for a second one-year term:
 - one independent member appointed by the Board who, at the time of appointment, is a registered undergraduate or postgraduate student, an elected student officer of a student union, or an elected student officer of a student representative body
 - one member nominated by the National Union of Students and appointed by the Board.

102 Our Board membership represents the diversity of UK higher education, including students, with a rich mix of skills and experience. Our six independent Board members have, in line with the requirements of our Articles, experience in industrial, commercial or financial matters, or professional practice. We advertise publicly to recruit our independent members, following an assessment of the skills we need on our Board. Our Nomination and Remuneration Committee advises the Board to ensure our selection and recruitment process is transparent and fair.

103 All Board members are non-executive directors. They give their time voluntarily and do not receive any remuneration or benefits from the charity. Expenses claimed by Board members during 2021-22 are covered in note 10 of our financial statements.

Board responsibilities

104 Our Board's principal responsibilities include:

- approving our mission and strategic vision, strategic plans, annual plans and budgets, and key performance indicators
- ensuring the establishment and monitoring of systems of control and accountability
- ensuring processes are in place to monitor and evaluate our performance and effectiveness
- appointing the Chief Executive and putting in place suitable arrangements for monitoring their performance
- acting as our principal financial and business authority
- ensuring we keep proper books of accounts
- approving our annual report and financial statements
- overall responsibility for our assets, property and estate.

105 The Board has delegated responsibility for the day-to-day management of the charity to our Chief Executive, in accordance with a scheme of delegation. In discharging these responsibilities, the Chief Executive is advised and supported by the Executive team and wider Senior Leadership team.

Board member induction

106 Newly appointed Board members are provided with the following documents, and sign a declaration to confirm that they have reviewed and understood them:

- Charity Commission publications: The Essential Trustee and the Charity Governance Code
- Office of the Scottish Charity Regulator publication: Guidance and Good Practice for Charity Trustees
- QAA publication: *Code of Best Practice for Members of the QAA Board* (including guidance on ethical conduct, statutory duties and responsibilities, and good governance).

107 All new Board members have an individual induction programme of meetings with the Chair and senior staff. This introduces them to QAA, our governance, operations and strategic plans. Our Director of Corporate Affairs (Company Secretary) and Assistant Company Secretary are available to support Board members in discharging their statutory duties, providing advice and guidance as required.

Board member activities

108 A typical year for one of our Board members is likely to include:

- attendance at four Board meetings (one day per meeting)
- a strategic away day
- attendance at the QAA annual conference
- attendance at committee meetings and working groups convened for specific purposes (as required).

Board meetings are usually held in person. Committee meetings are held virtually.

109 In addition, our Board members may have responsibility for a particular area, and work with staff to provide advice and support which, in turn, enhances Board understanding and scrutiny.

110 During the year 2021-22, the average Board meeting attendance was 93% (99% in 2020-21). Individual Board member attendance was as follows:

Name	Attendance for 2021-22 (out of four meetings)
Eve Alcock	4
Nic Beech	4
Vanessa Davies	4
Sara Drake	4
Linda Duncan	3
Simon Gaskell (Chair)	4
Hillary Gyebi-Ababio	4
Maria Hinfelaar	4
Rachid Hourizi	2 (out of 2)
David Jones	3
Angela Joyce	4
Karl Leydecker	1 (out of 1)
Craig Mahoney	2 (out of 3)
Sue Rigby	4
John Sawkins	4
Oliver Turnbull	4
Craig Watkins	3
Philip Wilson	4

Specified quorum, as detailed in our Articles of Association, was reached at all meetings.

Board committees

111 There were eight Board committees in operation during 2021-22. All committees have individual terms of reference and Board attendance at committees is reported at Nomination and Remuneration Committee.

Governance matters:

- Audit and Risk Committee
- Nomination and Remuneration Committee

Advisory:

- QAA Wales Strategic Advisory Committee
- QAA Scotland Strategic Advisory Committee
- Student Strategic Advisory Committee

Operations:

- Access Recognition and Licensing Committee
- Advisory Committee on Degree Awarding Powers
- Designated Quality Body Committee

QAA Board of Directors

112 From 1 August 2021 to 31 July 2022, the following served as directors and trustees on the QAA Board:

Independent members

Professor Simon Gaskell (Chair)	Former President and Principal, Queen Mary University of London (appointed March 2019)
Dr Vanessa Davies	Former Director General, Bar Standards Board (appointed December 2017)
Ms Sara Drake	Chief Executive, ICSA (appointed January 2018)
Ms Linda Duncan (Honorary Treasurer/Vice-Chair)	Chief Executive, Blue Star Consortium (appointed March 2017)
Professor Rachid Hourizi	Director, Institute of Coding, University of Bath (appointed March 2022)
Mr Craig Watkins	Chief Executive and Managing Director, Kantar Public UK (appointed December 2017)

Independent member: alternative provider

Mr Philip Wilson	Immediate past-Chair, Independent HE (appointed June 2017)

Independent member: student

Ms Eve Alcock	Recent SU President, University of Bath (appointed June 2020)

Appointed jointly by GuildHE Limited, Universities Scotland, Universities UK and Universities Wales

Professor Maria Hinfelaar	Vice-Chancellor, Glyndŵr University (appointed September 2016)
Professor Craig Mahoney	Vice-Chancellor, University of the West of Scotland (appointed May 2016, served to March 2022)
Professor Karl Leydecker	Senior Vice-Principal, University of Aberdeen (appointed June 2022)
Professor Sue Rigby	Vice-Chancellor, Bath Spa University (appointed October 2019)

Appointed jointly by the Department for Education (Northern Ireland), Higher Education Funding Council for Wales and the Scottish Funding Council

Professor David Jones	Pro-Vice-Chancellor (Education and Students), Professor of Biomaterial Science, Queen's University Belfast (appointed October 2020)
Professor John Sawkins	Deputy Principal (Education and Student Life), Professor of Economics, Heriot-Watt University (appointed October 2019)
Professor Oliver Turnbull	Pro-Vice-Chancellor (Teaching and Learning), Professor of Neuropsychology, Bangor University (appointed September 2019)

Nominated by the UK Council of Colleges

Ms Angela Joyce	Chief Executive, Warwickshire College Group (appointed October 2019)

Nominated by the National Union of Students

Ms Hillary Gyebi-Ababio	Vice-President (Higher Education), NUS (appointed July 2020)

Organisational structure

113 Our Executive team in 2021-22 was:

- Vicki Stott, Chief Executive
- Caroline Blackburn, Finance Director
- Alastair Delaney, Executive Director of Operations
- Tom Yates, Director of Corporate Affairs

114 The Executive team is supported by the wider Senior Leadership team.

Pay and remuneration

115 Our Nomination and Remuneration Committee advises the Board on the performance of the Chief Executive and Executive team, appropriate remuneration, and severance payments. In advising on setting the pay of the Chief Executive and Executive team, the Committee takes into account the skills and experience required for each of the roles, and the remuneration in sectors from which suitable candidates for such posts would be found. Remuneration for different jobs is validated objectively, using market comparators. This includes looking at salary survey data for comparable roles from a number of sectors, including charities, higher education and organisations within the local area. Salary increases for all staff are awarded subject to performance review.

Corporate social responsibility (CSR)

116 QAA is committed to working in an ethically and socially responsible manner across all areas of our business. Our work safeguards standards and improves the quality of UK higher education, wherever it is delivered around the world. Our business approach considers the impact of our work on the environment, our staff, suppliers, local communities,

the higher education sector, and wider society. Our most recent CSR policy (running from 2017) sets out our aims and the activities in which we engage to support them across the UK:

- to uphold an ethical, transparent approach to our work
- to reduce our impact on the environment
- to contribute to the development of our local communities
- to respect our staff and encourage their development.

117 Our CSR performance and impact are monitored by both our Executive team and the Board's Audit and Risk Committee.

Data protection

118 There were no reportable incidents involving personal data during 2021-22.

Fundraising activities

119 The charity had no fundraising activities requiring disclosure under S162A of the *Charities Act 2011*.

Equality statement

120 We are strongly committed to the principles of equality, as part of our wider commitment to quality. We demonstrate this through our internal policies and working practices. We also embed it in our work, as equality is an integral part of our approach to quality assurance and enhancement. Equality is a key element of our view of a high-quality educational experience and the expectations students can rightly have of the providers of UK higher education.

121 The Human Resources and Organisational Development team has strategic responsibility for organisational development, including equality, diversity and inclusion. The existing Equality Diversity and Inclusion Policy was reviewed, and internal practices implemented. The optional use of pronouns in email signatures and new inclusive writing guidelines for QAA publications were introduced.

Delivering public benefit

122 We have a duty, under the *Charities Act 2011*, to report on the public benefit that we deliver. Our trustees have regard to the Charity Commission's guidance on public benefit - a summary of which is issued to our Board members on appointment - and are satisfied that, through our work to support the UK higher education sector, including helping to provide access to higher education for many students and working more generally in the interests of students, our public benefit requirements have been met.

Welsh Language Compliance notice

123 QAA continues to strengthen its commitment to the Welsh language, as set out in the compliance notice with which QAA has a duty to comply. QAA continues to produce annual reports for the Welsh Language Commissioner that notes how we comply as well as steps to take to further compliance, in line with standards 152, 158 and 164. The report is considered by QAA's cross-organisational Welsh Language Working Group and approved by the Audit and Risk Committee.

Relationships with related parties

124 QAA's subsidiary, QAA Enterprises Limited - a private company limited by shares - is governed by its own Articles of Association which set out its constitution. In December 2021 it was agreed that QAA Enterprises enter dormancy.

125 All QAA Board members completed a declaration of interest on appointment and any conflicts are recorded at each meeting in the minutes.

Principal risks and uncertainties

126 Our Board is ultimately responsible for our approach to risk management, which is set out in our risk management policy. We record strategic risks in our strategic risk register, and operational risks are recorded either in our operational risk register, or in the dedicated project or activity registers to which the risks relate.

127 The strategic risk register is reviewed by our Audit and Risk Committee at each of its meetings, and a paper on risk management is sent to every Board meeting.

128 The risks considered significant at the inherent (pre-mitigation) stage included: risk of exclusion from the European Quality Assurance Register as a result of the non-compliance of the Office for Students' regulatory approach in England with the European Standards and Guidelines (ESG); the risk posed by the regulatory approach to the future of the Designated Quality Body role in England; and cyber-security. Measures considered in mitigation of the first two of those risks included the action that QAA eventually took; that is, first to announce compliance with the ESG, and then to demit the DQB role in the longer term. Cyber-security remained a significant risk even at the residual (post-mitigation) stage, despite comprehensive mitigations including annual ISO27001 audit, periodic penetration testing and the adaptation of multi-factor authentication technology across the Agency.

129 The Board is satisfied that risks and uncertainties are being appropriately monitored and managed.

Reference and administrative details

Registered name	The Quality Assurance Agency for Higher Education
Other names used by the company	QAA, QAA Scotland
Company registration number	03344784 (England and Wales)
Charity registration numbers	1062746 (England and Wales) SC037786 (Scotland)
Registered and principal office	Southgate House, Southgate Street, Gloucester, GL1 1UB
Operational addresses	Southgate House, Southgate Street, Gloucester, GL1 1UB 18 Bothwell Street, Glasgow, G2 6NL 15 Fetter Lane, London, EC4A 1BW
Company Secretary	Tom Yates, Director of Corporate Affairs
Senior management (with delegated authority)	Vicki Stott, Chief Executive
Bankers	HSBC Bank plc, The Cross, Gloucester, GL1 2AP and Lloyds Bank plc, 10 Gresham Street, London, EC2V 7AE
Investment managers	Rathbones Investment Management Limited, 1 Curzon Street, London, W1J 5FB Barclays Private Bank (Barclays Bank PLC), 40-42 Queen Square, Bristol, BS1 4QP
Solicitors	Shakespeare Martineau, No 1 Colmore Square, Birmingham, B4 6AA
Independent auditor	Crowe UK LLP, 4th Floor, St James House, St James Square, Cheltenham, GL50 3PR

Responsibilities of the trustees and directors

130 The trustees (who are also directors of The Quality Assurance Agency for Higher Education for the purposes of company law) are responsible for preparing the Trustees' Annual Report, including the Strategic Report and Directors' Report, and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

131 Company law requires the trustees to prepare financial statements for each financial year. Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group, and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charitable company will continue in business.

132 The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company, and enable them to ensure that the financial statements comply with: the *Companies Act 2006*; the *Charities and Trustee Investment (Scotland) Act 2005*; the *Charities Accounts (Scotland) Regulations 2006* (as amended); and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Information to auditor

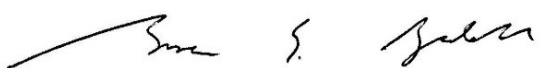
133 In the case of each of the persons who are directors of the company at the date when this report was approved:

- in so far as each of the directors of the company at the date of approval of this report is aware, there is no relevant audit information (information needed by the company's auditor in connection with preparing the audit report) of which the company's auditor is unaware
- each director has taken all the steps that they should have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

134 A resolution to reappoint Crowe UK LLP as auditor to the company was agreed at our Annual General Meeting in December 2022.

135 The Strategic Report, Directors' Report and financial statements were approved by the Board on 14 December 2022 and were signed on its behalf by:

Professor Simon Gaskell Chair of the Board of Directors 	Tom Yates Company Secretary 

Independent Auditor's Report to the Members and Trustees of The Quality Assurance Agency for Higher Education

Opinion

We have audited the financial statements of The Quality Assurance Agency for Higher Education (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 July 2022 which comprise the Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 July 2022 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the *Companies Act 2006* and the *Charities Act 2011*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

- the information given in the trustees' report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the *Companies Act 2006* requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate accounting records; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 29, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. Design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were *Companies Act 2006*; *Charities Act 2011*; The Charities (Accounts and Reports) Regulations 2008; Financial Reporting Standard 102 (FRS 102); and the Charities SORP (102) (effective 1 January 2019). In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity and the group for fraud. The laws and regulations we considered in this context for the UK operations were the *Higher Education and Research Act 2017* (HERA); General Data Protection Regulation; Health and Safety legislation; and employment legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures were designed to respond to these risks over income. In relation to management override of controls, we conducted enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, HMRC and other regulators including OfS and OSCR, and reading minutes of meetings of those charged with governance.

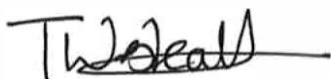
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of part 16 of the *Companies Act 2006*. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Tara Westcott
Senior Statutory Auditor

For and on behalf of

Crowe U.K. LLP
Statutory Auditor
St James House
St James Square
Cheltenham
GL50 3PR

Date: 19 December 2022

**Consolidated statement of financial activities
(including consolidated income and expenditure account)
for the year ended 31 July 2022**

	Notes	2022 £ Unrestricted funds	2021 £ Unrestricted funds
Income from:			
Charitable activities	5	9,630,938	8,178,546
Other trading activities	3	4,435	6,000
Investments	4	152,912	115,098
Total income		9,788,285	8,299,644
Expenditure on:			
Fundraising trading costs		293	311
Investment management costs		10,497	9,602
Raising funds		10,790	9,913
Charitable activities	6, 7	11,695,409	8,272,592
Total expenditure		11,706,199	8,282,505
Net (losses) / gains on investments		(284,753)	678,889
Net income and net movement in funds for the year	8	(2,202,667)	696,028
Reconciliation of funds			
Total funds brought forward		4,735,501	4,039,473
Total funds carried forward	22	2,532,834	4,735,501

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The notes on pages 37 to 65 form part of these financial statements.

Balance sheets as at 31 July 2022

(Company number: 03344784)

	Notes	Group		Charity	
		2022	2021	2022	2021
		£	£	£	£
Fixed assets:					
Intangible fixed assets*	12	175,858	70,546	175,858	70,546
Tangible assets	13	100,837	309,973	100,837	309,973
Investments	14	5,922,837	5,083,386	5,922,837	5,083,387
Total fixed assets		<u>6,199,532</u>	<u>5,463,905</u>	<u>6,199,532</u>	<u>5,463,906</u>
Current assets:					
Debtors	15	3,376,532	1,878,745	3,379,108	1,933,518
Cash at bank and in hand		4,296,128	4,245,205	4,290,712	4,189,157
Total current assets		<u>7,672,660</u>	<u>6,123,950</u>	<u>7,669,820</u>	<u>6,122,675</u>
Liabilities:					
Creditors - amounts falling due within one year	16	(7,850,009)	(5,389,031)	(7,849,409)	(5,388,431)
Net current assets		<u>(177,349)</u>	<u>734,919</u>	<u>(179,589)</u>	<u>734,244</u>
Total assets less current liabilities		6,022,183	6,198,824	6,019,943	6,198,150
Provision for liabilities	20	(147,525)	(155,691)	(147,525)	(155,691)
Pension provision liability	21	(3,341,824)	(1,307,632)	(3,341,824)	(1,307,632)
Total net assets		<u>2,532,834</u>	<u>4,735,501</u>	<u>2,530,594</u>	<u>4,734,827</u>
The funds of the group and charity:					
Designated funds	22	802,694	983,694	802,694	983,694
General funds	22	1,730,140	3,751,807	1,727,900	3,751,113
Total funds as at 31 July 2022		<u>2,532,834</u>	<u>4,735,501</u>	<u>2,530,594</u>	<u>4,734,827</u>

The deficit for the financial year dealt with in the financial statement of the parent charity was £2,204,234 (2021: surplus £693,500).

*Computer software has been separated out from Fixed assets to Intangible assets – 2021 figures have been restated.

The notes on pages 37 to 65 form part of these financial statements.

The financial statements were approved and authorised by the Board on 14 December 2022 and were signed on its behalf by:

Professor Simon Gaskell Chair of the Board of Directors



Statement of cash flows for the year ended 31 July 2022

	Notes	Group 2022 £	2021 £	Charity 2022 £	2021 £
Cash flows from operating activities:					
Net cash provided by operating activities	24	1,255,566	986,231	1,306,198	988,461
Cash flows from investing activities:					
Investment income		152,912	115,098	152,912	115,098
Proceeds from sale of investments		5,046	5,238	5,046	5,238
Purchase of investments		(618,183)	(109,418)	(618,183)	(109,418)
Purchase of intangible fixed assets*		(156,771)	(12,644)	(156,771)	(12,644)
Purchase of tangible fixed assets		(75,579)	(27,808)	(75,579)	(27,808)
Net cash (used in)/provided by investing activities		(693,575)	(29,534)	(693,576)	(29,534)
Change in cash and cash equivalents in the year		561,991	956,697	612,623	958,927
Cash and cash equivalents at the beginning of the year		4,245,241	3,288,544	4,189,193	3,230,266
Cash and cash equivalents at the end of the year	25	4,807,232	4,245,241	4,801,816	4,189,193

The notes on pages 37 to 65 form part of these financial statements.

*Computer software has been separated out from Fixed assets to Intangible assets - 2021 figures have been restated.

Notes to the financial statements for the year ended 31 July 2022

1 Legal status

The Quality Assurance Agency for Higher Education (QAA) is a charitable company limited by guarantee. QAA is registered with the Charity Commission England and Wales (registered no: 1062746) and the Scottish Charity Regulator (registered no: SC037786). The charity was incorporated as a company limited by guarantee with Companies House England and Wales (registered no: 03344784). Its registered and principal office is Southgate House, Southgate Street, Gloucester, GL1 1UB.

2 Accounting policies

Act 2006. As required by the *Charities Accounts (Scotland) Regulations 2006* (as amended), a cash flow statement for the charity is included.

a Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Judgements and key sources of estimation uncertainty that have had the most significant effect on amounts recognised in the financial statements are included with the relevant accounting policy below.

The annual depreciation charge for the tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the tangible assets.

The deficit on the defined benefit scheme is calculated by estimating the net present value of the future contribution liability needed to fund the recovery plan. In calculating the liability, the directors have made estimates for future staff changes, salary changes and discount rates.

b Fund accounting

Unrestricted funds are incoming resources received or generated for expenditure on the general objectives of QAA. Designated funds are unrestricted funds of the charity which have been set aside by the trustees to fund particular future activities of the charity.

c Income

QAA's activities are funded primarily through contracts with the higher education funding bodies and UK governments, and through subscriptions from higher education institutions; it does not raise income through fundraising. All income has been accounted for when the charity has entitlement to the funds, any performance issues attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

2 Accounting policies (continued)

d Expenditure and the basis of allocation of costs

All expenditure has been accounted for on an accruals basis and has been recorded as attributable to one of two categories - 'raising funds' (the cost of managing the charity's investments and the costs of fundraising trading incurred by the subsidiary company) and 'charitable activities' as shown in the SOFA. The charitable activities are further divided into the three strategic aims of the charity. Within charitable activities, the expenditure is classified as 'direct costs' or 'support costs' as shown in the 'total charitable expenditure' note.

Staff numbers and costs were allocated either:

- directly to one or more of the three charitable activities as 'direct costs', or
- directly to governance as 'support costs', or
- apportioned to the three charitable activities and governance as 'support costs' using the staff numbers already attributed to those activities.

Non-pay costs were allocated either:

- directly to one or more of the three charitable activities as 'direct costs', or
- directly to governance as 'direct costs' or 'support costs', or
- apportioned to the three charitable activities and governance as 'support costs' using the staff numbers already attributed to those activities.

Governance costs include the costs of meeting constitutional and statutory requirements such as audit, trustees' meetings and expenses, and legal fees. The staff and office costs associated with such costs are included in support costs. Governance costs are then apportioned to one of the three charitable activities.

e Operating leases

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred on a straight-line basis over the term of the lease.

f Intangible assets

The cost of standard computer software is written off to the SOFA as it is incurred. Software that has been designed specifically for QAA or purchased as part of a larger capital project has been capitalised and written off over a five-year period.

g Tangible fixed assets and depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset in equal instalments over its expected useful life.

The depreciation rates are as follows:

- computer equipment: three years
- office furniture and equipment: five years
- leasehold improvements: over the outstanding period of the lease.

Assets costing less than £2,000 are not capitalised unless they form part of a larger capital project.

2 Accounting policies (continued)

h Investments

Listed investments are shown at market value at the year end and any movements are recorded as unrealised gains or losses in the consolidated statement of financial activities. Surpluses or deficits on investments sold during the year are calculated by comparing net proceeds with market value at the start of the year and are recorded as realised gains or losses in the consolidated statement of financial activities. Unlisted investments are included at cost.

i Debtors

Trade debtors, other debtors and accrued income are recognised at the settlement amount due after any trade discount. Prepayments are valued at the amount prepaid net of any trade discounts due.

j Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions.

k Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of financial activity.

l Creditors and provisions

Creditors and provisions are recognised when the charity has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

QAA provides paid holiday arrangements for its employees and recognises the expense in the period in which the benefit is accrued. A provision is made for the cost of holiday accrued but not taken.

m Basic financial provisions

QAA has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

2 Accounting policies (continued)

n Pensions

Defined benefit schemes

QAA participates in the Universities Superannuation Scheme (USS) and Superannuation Arrangements for the University of London (SAUL). Throughout the current and preceding periods, both schemes were defined benefit only pension schemes and were contracted out of the State Second Pension (S2P) until 31 March 2016. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. QAA is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 'Employee benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the SOFA represents the contributions payable to the scheme in respect of the accounting period. Since QAA has entered into agreements (the Recovery Plans that determine how each employer within each scheme will fund the respective overall deficit of each scheme), QAA recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the SOFA.

Critical accounting judgements

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control, typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as those provided by USS and SAUL. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The directors are satisfied that the schemes provided by USS and SAUL meet the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plans in existence at the balance sheet date.

Defined contribution scheme

QAA also participates in a defined contribution pension scheme and the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

3 Income from other trading activities

The summary financial position of QAA's wholly owned trading subsidiary QAA Enterprises Limited is:

	2022	2021
	£	£
Turnover	4,435	6,000
Cost of sales and administrative costs	<u>(2,868)</u>	<u>(3,721)</u>
Net profit for the year	<u>1,567</u>	<u>2,279</u>

The assets and liabilities of the subsidiary were:

Current assets	5,416	62,047
Current liabilities	<u>(3,176)</u>	<u>(61,374)</u>
Total net assets	<u>2,240</u>	<u>673</u>

4 Income from investments

The group's investment income for the year is analysed by source below:

	2022	2021
	£	£
Dividend and interest income from quoted investments	134,701	113,808
Interest from cash held in interest-bearing bank accounts	<u>18,211</u>	<u>1,290</u>
Total investment income for the year	<u>152,912</u>	<u>115,098</u>

5 Income from charitable activities

	Note	2022	2021
		£	£
Memberships		3,152,487	2,852,151
Regulatory		3,258,545	2,739,981
Contracts with higher education funding bodies		1,360,353	1,377,545
Alternative providers of higher education		188,852	383,524
Other contracts and related income		1,670,701	825,345
Total income from charitable activities		9,630,938	8,178,546
Analysis by source:			
UK higher education funding councils		1,348,286	1,199,731
UK higher education institutions		4,698,535	3,499,732
UK further education institutions		1,580,140	2,868,926
UK alternative providers of higher education		577,246	1,163,854
Other		3,465,596	1,316,191
		11,669,803	10,048,434
Release income deferred in prior years	16	4,268,758	2,398,870
Defer income received in current year	16	(6,283,833)	(4,268,758)
Balance C/fwd		(23,790)	-
Total income from charitable activities		9,630,938	8,178,546

6 Expenditure on charitable activities

	Note	2022	2021
		£	£
The trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK		5,675,842	5,273,017
Providing expert advice that secures standards and supports quality enhancement		2,302,388	1,935,459
Strengthening the global reputation of UK higher education		1,682,987	957,838
Total expenditure on charitable activities before restructuring cost and pension provision		9,661,217	8,166,314
Pension provision - deficit contributions (included above)	21	(79,951)	(59,723)
Charged to the SOFA - change in expected future deficit contributions		2,102,636	134,886
Pension provision - unwinding of discount	21	11,507	31,115
Total expenditure on charitable activities		11,695,409	8,272,592

7 Analysis of expenditure on charitable activities

	Charitable activities			Governance	Total expenditure on charitable activities	
	The trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK	Providing expert advice that secures standards and supports quality enhancement	Strengthening the global reputation of UK higher education		2022	2021
	£	£	£	£	£	£
Direct costs						
Staffing costs	2,201,619	1,185,467	690,447		4,077,533	3,461,357
Other review costs	1,161,426	61,231	335,125		1,557,782	1,068,402
Other direct costs	154,656	204,566	106,377		465,599	339,720
Total direct costs	3,517,701	1,451,264	1,131,949		6,100,914	4,869,479
Support costs						
Staff costs	891,910	314,244	220,908		1,427,062	1,377,677
Premises and office costs	389,372	231,027	115,454		735,853	680,704
IT	507,527	106,046	81,867		695,440	705,330
Finance	14,424	3,970	2,849		21,243	1,052
Depreciation	175,858	105,994	55,322		337,174	270,471
HR and SD costs	66,518	48,566	45,016		160,100	181,957
Other	41,754	15,316	10,991		68,061	48,095
Governance*				115,370	115,370	31,549
Total support costs	2,087,363	825,163	532,407	115,370	3,560,303	3,296,835
Reallocate Governance	70,778	25,961	18,631	(115,370)	-	-
Total support costs by aim	2,158,141	851,124	551,038	-	3,560,303	3,296,835
Expenditure on charitable activities before restructuring and pension provision						
	5,675,842	2,302,388	1,682,987		9,661,217	8,166,314
Pension provision - net deficit contributions	1,136,730	551,074	334,881		2,022,685	75,163
Pension provision - unwinding of discount	6,467	3,135	1,905		11,507	31,115
Total charitable expenditure	6,819,039	2,856,597	2,019,773		11,695,409	8,272,592

* Includes the cost of Board meetings

8 Net income / (expenditure) for the financial year

	Note	2022 £	2021 £
Net (expenditure) / income is stated after charging/(receiving):		(2,202,667)	696,028
External auditors - audit services		21,600	21,600
- non-audit services		7,800	12,505
Internal auditors - audit services		9,114	9,800
Professional indemnity insurance		51,179	59,704
Tangible fixed assets			
Depreciation		217,979	270,471
Impairment Provision		119,196	
Operating leases			
Land and buildings		279,735	283,821
Other		1,989	1,880
Foreign exchange costs/(gains)		1,000	53
Employer pension contributions	23	847,035	739,390

9 Analysis of staff costs

	2022 £	2021 £
Total staff costs were:		
Salaries	4,416,167	3,988,621
Employers' National Insurance contributions	485,379	419,913
Pension contributions payable	847,035	739,390
	5,748,481	5,147,924
Employment agency staff	158,034	5,378
Total staff costs before restructuring and pension provision liability adjustments	5,906,615	5,153,302
Total staff costs after restructuring	5,906,615	5,153,302
Deficit contributions payable in the year (included in contributions paid above)	(79,951)	(59,723)
Increase in expected future deficit contributions	2,102,636	(134,886)
Total staff costs charged to the SOFA	7,929,300	5,228,465

9 Analysis of staff cost (continued)

	2022	2021
	Number	Number
The average number of employees, calculated on a full-time equivalent basis was as follows:		
The trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK	52	53
Providing expert advice that secures standards and supports quality enhancement	24	25
Strengthening the global reputation of UK higher education	18	13
Total average number of employees on a full-time equivalent basis	94	91
Total average number of employees on a headcount basis	116	105

During the year, there were redundancy or termination payments made which amounted to 2022: £24,141). There was nothing outstanding as the year-end (2021: £0).

The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 were:

	2022	2021
	Number	Number
£160,000 - £169,999	-	1
£130,000 - £139,999	1	-
£100,000 - £109,999	-	1
£90,000 - £99,999	2	-
£80,000 - £89,999	2	1
£70,000 - £79,999	2	4
£60,000 - £69,999	3	2

All employees earning more than £60,000 participated in the Universities Superannuation Scheme (see note 23). The aggregate amount paid to the scheme for these employees was:

	2022	2021
	£	£
Employer contributions	153,594	163,937

10 Remuneration of directors and key management personnel

The key management personnel of the charity comprise the trustees and senior executive staff (see the Directors' Report above).

There were no emoluments paid to the trustees during the year. Eleven trustees were reimbursed expenses to the value of £2,031 during the year (2021: 0 trustees, £0). The expenses paid related solely to travel and incidentals.

The total employee benefits (including Employer Pension contributions and Employer National Insurance contributions) received by the senior executive staff of the charity and the group was £432,367 (2021: £473,096).

The highest paid employee is the Chief Executive whose remuneration and benefits, including Employer Pension contributions and Employer National Insurance contributions, in the year were £184,738 (2021: £214,726).

During the year, QAA purchased Directors and Officers Liability Insurance (which included Trustee Indemnity Insurance).

11 Taxation

Under part II of CTA 2010 the charity is not subject to taxation on its charitable activities. The profits of the non-charitable subsidiary will normally be gift-aided to the parent charity. Therefore, the group generally suffers no Corporation Tax on its trading activities.

12 Intangible Fixed Assets

Group and charity

Cost	Computer Software	Total
	£	£
At 1 August 2021	490,893	490,893
Addition	156,771	156,771
As at 31 July 2022	647,664	647,664
Amortisation		
At 1 August 2021	420,347	420,347
Charge for the year	51,459	51,459
At 31 July 2022	471,806	471,806
Net book value	175,858	175,858
at 31 July 2022		
Net book value at 31 July 2021		70,546
70,546		

13 Tangible fixed assets

Group and charity

	Leasehold improvements	Computer equipment	Furniture and other equipment	Total
	£	£	£	£
Cost				
At 1 August 2021	1,280,210	3,759,931	546,547	5,586,688
Additions	-	76,579	-	76,579
At 31 July 2022	1,280,210	3,836,510	546,547	5,663,267
Depreciation				
At 1 August 2021	1,006,002	3,724,166	546,547	5,276,715
Charge for the year	126,997	39,522	-	166,519
Impairment provision	113,562	5,634	-	119,196
At 31 July 2022	1,246,561	3,769,322	546,547	5,562,430
Net book value at 31 July 2022	33,649	67,188	-	100,837
Net book value at 31 July 2021	274,208	35,765	-	309,973

The directors consider that the market value of fixed assets does not differ significantly from their book value.

14 Fixed asset investments

	Quoted investments £	Unquoted investments £	Total £
Held by the group			
At 1 August 2021	5,083,386	-	5,083,386
Additions at cost	618,183	-	618,183
Disposals at opening market value or cost if bought in year	(5,046)	-	(5,046)
Net increase in cash held and settlements outstanding	511,067	-	511,067
Net loss on revaluation to year end market value	(284,753)	-	(284,753)
At 31 July 2022	5,922,837	-	5,922,837
Held by the charity			
At 1 August 2021	5,083,386	1	5,083,387
Additions at cost	618,183	-	618,183
Disposals at opening market value or cost if bought in year	(5,046)	-	(5,046)
Net increase in cash held and settlements outstanding	511,067	-	511,067
Net loss on revaluation to year end market value	(284,753)	-	(284,753)
At 31 July 2022	5,922,836	1	5,922,837

Quoted investments are revalued and stated at market value as at 31 July 2022.

Unquoted investments are stated at cost. QAA holds one ordinary £1 share (100%) in QAA Enterprises Limited, a wholly owned trading subsidiary company registered in England and Wales no. 07588108, with the principal office at Southgate House, Southgate Street, Gloucester, GL1 1UB.

14 Fixed asset investments (continued)

Quoted investments are included at market value and held as follows:

	Group and charity at 31 July 2022		Group and charity at 31 July 2021	
	Cost	Market value	Cost	Market value
	£	£	£	£
Listed on a recognised stock exchange				
- in the UK	5,201,786	5,411,731	4,588,154	5,083,349
- outside the UK				
Cash and settlements pending held as part of the investment portfolio	511,104	511,104	36	36
	<u>5,712,890</u>	<u>5,922,835</u>	<u>4,588,190</u>	<u>5,083,385</u>

15 Debtors

	Group		Charity	
	2022	2021	2022	2021
	£	£	£	£
Trade debtors	3,043,605	1,488,919	3,043,605	1,482,919
Sundry debtors	3,209	2,005	3,209	2,005
Prepayments	286,743	300,151	286,743	300,151
Accrued income	42,975	87,670	42,975	87,670
Subsidiary undertaking	-	-	2,576	60,773
	<u>3,376,532</u>	<u>1,878,745</u>	<u>3,379,108</u>	<u>1,933,518</u>

Trade debtors are stated after provision for doubtful debts of £58,481 (2021: £72,515).

16 Creditors: amounts falling due within one year

	Group		Charity	
	2022	2021	2022	2021
	£	£	£	£
Trade creditors	293,539	147,546	293,539	147,546
Taxation and social security	148,503	150,978	148,503	150,978
Pension contributions	113,207	103,713	113,207	103,713
Other creditors	41,922	25,300	41,922	25,300
Accruals	945,215	669,246	945,215	668,346
Deferred income	6,307,623	4,292,548	6,307,623	4,292,548
	7,850,009	5,389,331	7,850,009	5,388,431
The movement in deferred income was as follows:				
At start of year	4,292,548	2,422,660	4,292,548	2,422,660
Release income deferred in prior years	(4,268,758)	(2,398,870)	(4,268,758)	(2,398,870)
Deferred income received in current year	6,283,833	4,268,758	6,283,833	4,268,758
At end of year	6,307,623	4,292,548	6,307,623	4,292,548

Deferred income relates to contractual commitments which will not be delivered until next year. It is therefore not appropriate to recognise the income at this stage.

17 Operating lease arrangements

Total future minimum lease payments under non-cancellable operating leases were as follows:

	Group and charity	
	2022	2021
	£	£
Land and buildings		
Within one year	256,195	273,795
Between two and five years	99,109	355,304
	355,304	629,099

18 Analysis of capital commitments

	Group and charity	
	2022	2021
	£	£
Contracted for but not provided	-	106,774
Authorised but not yet contracted for	-	-
	-	106,774

19 Related party transactions

Due to the nature of QAA's operations and the composition of the QAA Board of Directors, transactions take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with QAA's financial regulations and normal procurement procedures. No transactions were identified that should be disclosed under *Financial Reporting Standard 8: Related Party Disclosures*.

The balance due to the charity from the wholly owned subsidiary undertaking QAA Enterprises Limited is £2,576 (2021: £57,364) as shown in the debtors note on page 52.

QAA is a member of Scottish Credit and Qualifications Framework Partnership, a company limited by guarantee and registered in Scotland number SC311573.

20 Provision for liabilities

Provisions have been made for the following:

Holiday pay

FRS 102 requires short-term employee benefits to be charged to the profit and loss account as the employee service is received. The provision is for the holiday pay that was earned but not taken before the year end.

The movement in the provisions during the year is:

	Holiday pay £	Total £
At 1 August 2021	155,691	155,691
Provided during the year	(8,166)	(8,166)
Utilised in the year		
At 31 July 2022	147,525	147,525

21 Pension liability provision

The total pension cost charged to the SOFA is:

	Group and charity	
	2022	2021
	£	£
Employer contributions payable in the year	847,035	739,390
Deficit contributions payable in the year (included in employer contributions above)	(79,951)	(59,723)
Change in expected future deficit contributions	2,102,636	134,886
Total pension cost charged to the SOFA	<u>2,869,720</u>	<u>814,553</u>

The movement in the provision is:

	Group and charity	
	2022	2021
	£	£
At 1 August	1,307,632	1,201,354
Charged to the SOFA - deficit contributions payable in the year	(79,951)	(59,723)
Charged to the SOFA - change in expected future deficit contributions	2,102,636	134,886
Unwinding of discount	11,507	31,115
At the year end	<u>3,341,824</u>	<u>1,307,632</u>

22 Analysis of charitable funds

Analysis of movements in unrestricted funds

	Funds at 1 August 2021	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2022
	£	£	£	£	£	£
Designated funds:						
Innovation and development	524,694	-	(181,000)	-	-	343,694
Reinstatement of premises	459,000	-	-	-	-	459,000
Total designated funds	983,694	-	(181,000)	-	-	802,694
General fund	3,751,807	9,788,285	(11,525,199)	-	(284,753)	1,730,140
Total unrestricted funds	4,735,501	9,788,285	(11,706,199)	-	(284,753)	2,532,834

	Funds at 1 August 2020	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2021
	£	£	£	£	£	£
Designated funds:						
Innovation and development	24,694			500,000		524,694
Reinstatement of premises	359,000			100,000		459,000
Restructuring	23,980			(23,980)		-
Total designated funds	407,674			576,020		983,694
General fund	3,631,799	8,299,644	(8,282,505)	(576,020)	678,889	3,751,807
Total unrestricted funds	4,039,473	8,299,644	(8,282,505)	-	678,889	4,735,501

22 Analysis of charitable funds (continued)

The purpose of the designated fund for Innovation and development (I&D) is:
'for innovation in products and services for the long-term benefit of UK higher education.'

The purpose of the designated fund for Reinstatement of premises is to fund the cost of returning our Gloucester and Glasgow premises to their original condition at the end of their respective lease terms. The Gloucester office lease ends on 30 June 2023 and the Glasgow office lease ends on 1 March 2025.

Analysis of group net assets between funds

	General fund	Designated funds	Total 2022
	£	£	£
Tangible fixed assets	100,387	-	100,837
Intangible fixed assets	175,858		175,858
Fixed asset investments	5,463,837	459,000	5,922,837
Cash at bank and in hand	3,952,434	343,694	4,296,128
Other net current liabilities	(4,473,477)	-	(4,473,477)
Provisions	(3,489,349)	-	(3,489,349)
Total net assets 31 July 2022	1,730,140	802,694	2,532,834

	General fund	Designated funds	Total 2021
	£	£	£
Tangible fixed assets	380,519	-	380,519
Fixed asset investments	4,624,386	459,000	5,083,386
Cash at bank and in hand	3,720,511	524,694	4,245,205
Other net current liabilities	(3,510,286)	-	(3,510,286)
Provisions	(1,463,323)	-	(1,463,323)
Total net assets 31 July 2021	3,751,807	983,694	4,735,501

23 Pensions (defined benefit schemes)

QAA participates in two defined benefit pension schemes. The employer pension contributions payable were as follows:

	Group and charity	
	2022	2021
	£	£
Universities Superannuation Scheme (USS)	698,302	605,309
Superannuation arrangements for the University of London (SAUL)	148,733	134,081
	847,035	739,390
Employer contributions outstanding at the balance sheet date (included above)	110,899	99,388

In addition to the Final Salary section within USS for current members, employees joining the Scheme after 30 September 2011 will join the Career Revalued Benefits section (subject to some transitional rules). From 1 April 2016 all USS members were moved to the Retirement Income Builder section.

Similarly, employees joining SAUL after 30 June 2012 will join the Career Average Revalued Earnings (CARE) section of that scheme (subject to some transitional rules). On 1 April 2016 all Final Salary members were moved to the CARE section.

The contribution rates as a percentage of pensionable salary are as follows:

			Employer	Employee
USS	Retirement Income Builder Section	1 October 2019 to 30 September 2021	21.10%	9.60%
		1 October 2021 to 31 March 2022	21.40%	9.80%
		1 April 2022 to 31 March 2024	21.60%	9.80%
		1 April 2024 to 30 April 2038	21.40%	9.80%
SAUL	Career Average Revalued Earnings Section	To 31 March 2022	16.00%	6.00%
		1 April 2022 to 31 December 2022	19.00%	6.00%
		From 1 January 2023	21.00%	6.00%

a Universities Superannuation Scheme

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2020 (the valuation date), which was carried out using the projected unit method.

23 Pensions (defined benefit schemes) (continued)

Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

The 2020 valuation was the sixth valuation for the scheme under the scheme-specific funding regime introduced by the *Pensions Act 2004*, which requires schemes to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles.

CPI assumption	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves less: 1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long-term difference of 0.1% p.a. from 2040.
Pension increases (subject to a floor of 0%)	CPI assumption plus 0.05%
Discount rate (forward rates)	Fixed interest gilt yield curve plus: Pre-retirement: 2.75% p.a. Post-retirement: 1.00% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table

2020 valuation

101% of S2PMA 'light' for males and 95% of S3PFA for females.

Future improvements to mortality:

CMI 2019 with a smoothing parameter of 7.5, an initial addition of 0.5% pa and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	2022	2021
Males currently aged 65 (years)	23.9	24.7
Females currently aged 65 (years)	25.5	26.1
Males currently aged 45 (years)	25.9	26.7
Females currently aged 45 (years)	27.3	27.9

23 Pensions (defined benefit schemes) (continued)

A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period 1 April 2022 to 31 March 2024 at which point the rate will increase to 6.3%. The 2022 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2022	2021
Discount rate	3.31%	0.88%
Pensionable salary growth	4.00%	2.00%

b Superannuation Arrangements for the University of London

QAA participates in the Superannuation Arrangements of the University of London (SAUL), which is a centralised defined benefit scheme within the United Kingdom and was contracted out of the Second State Pension (prior to April 2016).

SAUL is an independently managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on a Career Average Revalued Earnings (CARE) basis.

QAA is not expected to be liable to SAUL for any other current participating employer's obligations under the rules of SAUL, but in the event of an insolvency of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer may be spread across the remaining participating employers and reflected in the next actuarial valuation.

c Funding policy

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the 'Technical Provisions'). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments that arise from members' accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2020. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in June 2021 and are due to be reviewed at SAUL's next formal valuation in 2023.

At the 31 March 2020 valuation, SAUL was 94% funded on its Technical Provisions basis. However, market movements following the valuation date were positive and the Trustee and the Employers agreed to allow for post-valuation experience up to 30 April 2021. As SAUL was in surplus on its Technical Provisions at that date, no deficit contributions were required.

23 Pensions (defined benefit schemes) (continued)

However, the Trustee and the employers have agreed that the ongoing Employers' contributions will continue at a rate of 16% of CARE Salaries to 19% of CARE Salaries from 1 April 2022 and 21% of CARE Salaries from 1 January 2023.

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets at 31 March 2020 was £3,612 million, representing 94% of the liabilities. The market value of SAUL's assets at 30 April 2021 was £4,369 million, representing 109% of the estimated liabilities.

It is not possible to identify an individual employer's share of the underlying assets and liabilities of SAUL. QAA's accounts for its participation in SAUL as if it were a defined contribution scheme and pension costs are based on the amounts actually paid in accordance with paragraph 28.11 of FRS 102.

Although there was a Technical Provisions deficit at 31 March 2020, allowing for post-valuation experience to 30 April 2021, SAUL had a Technical Provisions surplus. Therefore, no deficit contributions were required following the 2021 valuation and there is no defined benefit liability (the present value of any deficit contributions due to SAUL) to be recognised by QAA.

QAA participates in one defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund and were as follows:

	Group and charity	
	2022	2021
	£	£
The People's Pension	11,473	8,651
Employer contributions outstanding at the balance sheet date	2,308	1,622

24 Reconciliation of net income/(expenditure) to net cash flow from operating activities

	Group		Charity	
	2022	2021	2022	2021
	£	£	£	£
Net income / expenditure for the year	(2,202,667)	696,028	(2,204,233)	693,750
Adjustments for:				
Depreciation charge	217,979	270,472	217,979	270,472
Impairment provision	119,196	-	119,196	-
Losses / (gains) on investments	284,753	(678,889)	284,753	(678,889)
Investment income	(152,912)	(115,098)	(152,912)	(115,098)
(Decrease) in debtors	(1,497,787)	(1,157,659)	(1,445,589)	(1,155,068)
Increase in creditors	2,460,978	1,851,686	2,460,978	1,853,603
Increase in provisions	2,026,026	119,691	2,026,026	119,691
Net cash provided by operating activities	1,255,566	986,231	1,306,198	988,461

25 Analysis of cash and cash equivalents

	Group		Charity	
	2022	2021	2022	2021
	£	£	£	£
Cash at bank and in hand - liquid assets	4,296,128	4,245,205	4,290,712	4,189,157
Cash at bank - fixed asset investments	511,104	36	511,104	36
Cash at bank and in hand at the end of the year	4,807,232	4,245,241	4,801,816	4,189,193

26 Reconciliation of net debt

	At 1 August 2021 £	Cashflows £	At 31 July 2022 £
Cash	4,245,205	-	4,296,128
Cash equivalents	36	-	511,104
Total	4,245,241	-	4,807,232

Glossary

FRS 102	The Financial Reporting Standard applicable in the UK and Republic of Ireland
S2P	State Second Pension
SAUL	Superannuation Arrangements for the University of London
Charities SORP	Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)
SOFA	Statement of financial activity
USS	Universities Superannuation Scheme

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THE QUALITY ASSURANCE AGENCY FOR HIGHER EDUCATION

England & Wales - Charity number 1062746

Accounts



The Quality Assurance Agency for Higher Education

Annual Report and Financial Statements 2020-21

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Foreword from Vicki Stott, QAA Chief Executive (2021-)

As QAA's new Chief Executive, I'm delighted to have the opportunity to lead such a widely respected organisation whose work goes right to the heart of ensuring that students can access a high-quality education. I know that many challenges lie ahead for us, but I'm confident that we will continue to meet them, overseen and supported by our constructive and insightful Board.

Together we can build on QAA's strong track record as an independent charity working across all the nations of the UK to benefit students, safeguard standards and ensure the quality of higher education. We're lucky to be building on the strong foundations laid by my predecessor Douglas Blackstock, whom I've had the pleasure of working with since joining the agency in 2019. In this spirit, it is only fitting that I hand over to Douglas to reflect on a hugely successful year for QAA.

Foreword from Douglas Blackstock, QAA Chief Executive (2015-21)

This Annual Report covers a financial year unprecedented in QAA's 24-year history. As UK higher education continued to navigate the profound impact of the COVID-19 pandemic, so too did QAA. We had closed our offices around the UK and moved to homeworking in spring 2020; we could not have anticipated that this would be our operating model for almost the entire period covered by this report. Indeed, even as some colleagues return to our office spaces, we now operate under a new flexible working culture that encourages our staff to thrive. In this environment, we refocused our full work programme to meet the sector's needs, and began to chart a path forward for both the agency and the sector. I am incredibly proud of the response of colleagues in stepping up to this challenge. In responding to these challenges, we have been guided by our values as an independent charity and our purpose - to safeguard standards and ensure the quality and global reputation of UK higher education. It is this purpose which has allowed us to deliver for our members in an extraordinary context.

We have welcomed over 20 new members - membership numbers grew in 2019-20 and have increased again for 2021-22. Today, we have 279 members - we are the agency of choice for UK higher education quality and standards. During 2020-21, we launched innovative new projects to support the sector, from our Membership Collaborative Enhancement Projects to our new Quality Evaluation and Enhancement of UK Transnational Higher Education Provision (QE-TNE) method. We have continued to support significant tertiary sector reform in Scotland and Wales, with enhancement at the core of cooperation across institutions, agencies and governments. In Northern Ireland, we have begun development towards a tailored new enhancement-based review model. In England, we have delivered our responsibilities as designated quality body, as well as providing new sector resources such as Quality Compass and the revised Higher Education Credit Framework for England. We have been working closely and collaboratively with the four UK governments, higher education providers, funders, professional and regulatory bodies, and student organisations to develop sector-driven approaches to quality and standards.

We deepened partnerships internationally, including through new agreements in the United Arab Emirates, Malaysia and Tunisia; new capacity-building work in West Africa - in collaboration with the World Bank and the Association of African Universities; hosting the INQAAHE Conference in June; and securing key roles within ENQA - the European Association for Quality Assurance in Higher Education. Our engagement internationally allows us to share global practice and to enhance the reputation of UK higher education. This has been possible because of our flexible, effective operating model developed since 2018 - directed by our Board, delivered by our staff and expert reviewers, and driven by our members. I took over as Chief Executive in a time of great uncertainty. I believe that as QAA now moves forward with a new executive team, it does so with a renewed and strengthened culture, strong internal processes and external influence, and a clear sense of purpose.

As this Annual Report covers my last year as QAA's Chief Executive, I will conclude with a simple note of thanks. QAA is a small, but nationally and globally respected organisation through our work on behalf of UK higher education. Trust and confidence in quality and quality assurance is vital for the success of our sector. Every day that I have worked at QAA, I have been impressed by the dedication of the people working in quality - both within our agency and in institutions across UK higher education. Whether they are QAA staff, reviewers, board and committee members, or our supporters in institutions, we depend on their individual and collective effort. Our successes are testament to their hard work and unwavering focus on ensuring that students get the higher education they are entitled to expect.

Foreword from Professor Simon Gaskell, Chair of QAA Board

For almost 25 years, QAA has been working as an independent charity to safeguard standards and improve the quality of UK higher education wherever it is delivered around the world. Today, perhaps more than ever before, securing standards and supporting quality enhancement are of the utmost importance.

In 2020, as the COVID-19 pandemic began to require and to stimulate rapid change, I held a series of conversations with leaders in UK higher education about its potential lasting impacts. The discussions were revealing; there were examples of the rapidity of institutions' responses, acknowledgements of markedly accelerating trends (including the development of new models for higher education), and even questions about the fundamental purpose of higher education.

However, one of the clearest reflections was the willingness of institutions to share practice in the common interest. Several leaders made the prediction that a more collaborative sector would begin to dawn. This is where I believe our agency can add most value. The fundamental role at the heart of QAA's purpose is collaboration; with the confidence of the sector, we bring together disparate bodies, regulatory systems and stakeholders to meet the shared goal of high quality and secure academic standards. We are a trusted, independent charity which guides, convenes, advises and cooperates to support students to succeed.

I would like to take the opportunity to acknowledge the outstanding contribution of QAA's outgoing Chief Executive, Douglas Blackstock across the 20 years he has spent working for the Agency. As QAA now moves ahead with a new Chief Executive, Vicki Stott and Deputy Chief Executive, Alastair Delaney, it does so with strong foundations rooted in the sector's shared commitment to quality and standards. It is a confident, internationally-trusted voice for quality, providing impartial services to regulatory bodies, alongside thought leadership and dynamic member-focused enhancement activities. On behalf of the Board, I would like to thank all those who have helped QAA to succeed during 2020-21, and helped our sector to enhance quality and maintain secure standards.

In the coming months and years, QAA will continue to respond to the impact of COVID-19, and to the demands of regulatory change. These large-scale changes are coupled with the continued importance of issues such as academic integrity, access to education, the climate of external trust, and many others. Each presents multifaceted challenges for UK higher education, but I believe that QAA can meet its strategic priorities and explore new opportunities for collaboration. It is able to do so because of the confidence placed in it by regulatory bodies and by the sector; and, in turn, it is committed to continuing to justify that confidence.

Strategic Report

QAA is the only higher education body with a remit operating in regulatory systems across the whole of the UK. Each country has a distinct and separate system of quality assurance, so QAA works with regulators, funding agencies, higher education institutions, students and other stakeholders across the UK to deliver tailored approaches.

Purpose of QAA

The purpose of QAA is to safeguard academic standards, and ensure the quality and global reputation of UK higher education. We do this by working with higher education providers, regulatory bodies and student bodies with the shared objective of supporting students to succeed.

Considering our purpose and the changing context within which the organisation is working, the following strategic priorities will guide QAA until 2025:

1 QAA is viewed as the trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK

We will achieve this by providing independent assessments of standards and quality within the relevant assurance, enhancement and regulatory frameworks of all the nations of the UK. Our assessments, and what we learn and share from them, will:

- deliver principles-based regulation through our responsibilities as the Designated Quality Body in England
- innovate through partnership, going beyond assurance, through the Quality Enhancement Framework in Scotland
- embed the quality enhancement agenda for Wales
- support government and the sector in Northern Ireland in future approaches.

2 QAA provides expert advice that secures standards and supports quality enhancement

We will both support and challenge our member institutions in enhancing the quality of UK higher education provision, to give students the best possible experience. This will be achieved through:

- keeping the UK Quality Code for Higher Education relevant and providing thought leadership on standards and quality to support our members in responding to contemporary challenges
- development and delivery of enhancement partnerships, sharing learning from each nation across the UK and internationally
- relevant and dynamic enhancement activities for each nation, UK-wide and informed by international practice and participation
- supporting effective student partnership in quality assurance
- providing advice to governments across the UK
- partner effectively with UK PSRBs and employers in support of our members
- improving routes to higher education through the Access to HE Diploma.

3 QAA strengthens the global reputation of UK higher education

Our collaborations with governments and higher education quality agencies internationally give us a unique breadth of global expertise. We will use this breadth and depth to:

- provide confidence in the quality of UK transnational education
- expand partnership with overseas quality agencies and governments to build trust and confidence in UK higher education
- advance UK interests in the policy agenda in the European Higher Education Area and in wider quality assurance debates
- host INQAAHE 2021 in Glasgow and ENQA 2022 in Cardiff
- grow participation in our capacity-building programmes for overseas higher education systems
- build our international accreditation programme and open membership to credible international institutions.

What we do

Supporting the sector's response to the COVID-19 pandemic

1 The COVID-19 pandemic has continued to have a profound impact on the UK higher education sector and on QAA activity across the UK. QAA staff have continued to work from home with office spaces reopening in line with the respective government guidance. Colleagues have been supported to work remotely throughout the pandemic with individual evaluations being completed to ensure all colleagues had access to the required resources to enable them to carry out their duties safely and comfortably.

2 Reviews undertaken across the UK have successfully been moved online with all reviews that had previously been postponed being completed during the year. QAA staff supported both providers and reviewers to engage in the online review process and ensure that it provided the required level of rigour expected of QAA reviews.

3 We are beginning to move beyond the programme of publicly-available COVID-19 supporting resources, which has been QAA's priority over the last 18 months. In total, we have published over 85 individual resources via our COVID-19 advice and guidance online hub, as well as organising almost 40 events with over 1,300 participants. This is in addition to deeper analysis and insight for members, as well as a range of supportive liaison meetings and several roundtable discussions between the Minister for Universities in England and professional bodies to support practical learning and assessment.

4 We continue to receive positive feedback from both members and colleagues in the respective UK governments for our work with professional, statutory and regulatory bodies (PSRBs). We continue to convene meetings of PSRB colleagues on a biannual basis to discuss a range of topics including assessment, COVID-19 contingency measures and specialist QAA advice and published new advice for PSRBs on emerging from lockdown in June 2021.

QAA's regulatory work

QAA as the Designated Quality Body (DQB) in England

5 As the designated quality body (DQB) in England, QAA works to OfS's commission to assess the quality of, and the standards applied to, higher education programmes delivered by providers in England. In line with our memorandum of understanding, QAA submits a quarterly report setting out our work as the DQB, alongside an annual report (the DQB year operates April to March). These reports are considered in meetings with OfS officers and by the OfS Quality Assurance Committee (QAC).

6 The OfS responded to the challenges of COVID-19 by minimising the regulatory burden on providers and pivoting the bulk of its regulatory activity to focus on the consumer protection elements of the regulatory framework. This, in turn, was reflected in a marked reduction in the number of assessments QAA were commissioned to undertake as the DQB. In 2020-21, we received 18 assessment referrals and completed 24 assessments including commissions carried forward from the previous year.

7 QAA also provides advice to the OfS regarding applications for degree awarding powers. This advice is formulated by QAA's Advisory Committee on Degree Awarding Powers (ACDAP), under delegated authority from the QAA Board. During 2020-21, ACDAP provided advice about nine providers. Subsequently, OfS have authorised degree awarding powers for four of these providers.

8 In May 2021, QAA issued Statutory Fee Notices to providers, confirming the final level of DQB fees in England for 2020-21 and estimated fees for 2021-22. DQB fees are cost neutral and QAA generates no surplus from this work. We have published a statement confirming a reduction in the cost of providing the DQB function by 8% in real terms over that period. Additionally, an increase in the number of registered providers means that, over the two-year period since 2019-20, we have reduced fees per provider by 12.5% in real terms, subject to reconciliation in May 2022. In total, QAA is refunding £249,863 to the sector.

Access to HE Diploma

9 QAA regulates the Access to HE Diploma. The Diploma is a widely-recognised Level 3 qualification that provides opportunities for adults without traditional qualifications to enter higher education. The Diploma was recognised in the Government's 2019 review of post-18 education and funding as an important, nationally-recognised pathway which helps widen participation. It also offers chances for adults wishing to retrain for a graduate-entry profession by delivering locally-devised, flexible courses across the UK.

10 There are 11 Access Validating Agencies (AVAs) licensed by QAA to approve Access to HE courses. Currently, approximately 1,500 such courses award QAA-recognised Access to HE qualifications to students. In 2019-20,¹ 277 providers of Access to HE delivered these courses to just over 40,500 registered learners. Statistics for the Access to HE Diploma this year underline the positive impact of this qualification in widening participation in higher education:

- 40,500 registered onto an Access to HE (AHE) Diploma in 2019-20
- 22,635 AHE graduates entered higher education in September 2019
- 24,465 AHE graduates were accepted for 2020 higher education entry.

11 During the 2020-21 academic year, all Access Validating Agencies (AVAs) and providers implemented modified arrangements for the award of the Access to HE Diploma. These were encapsulated in the Extraordinary Regulatory Framework (ERF) which was announced in September 2020, having been developed in response to COVID-19. The ERF was designed to ensure that Access students affected by the pandemic would be given flexibility so they would not be disadvantaged, while retaining the necessary robustness in the qualification.

12 We hosted our annual Access to HE Conference in May 2021, to coincide with the annual QAA conference, providing opportunities for further and higher education participants to meet virtually and discuss the importance of access across the tertiary education system. Over 100 delegates from 69 organisations participated in the event with guest speakers including Sir Philip Augar, former Chair of the Post-18 Education and Funding Panel.

QAA's work with alternative providers

13 In light of COVID-19 restrictions in England, outstanding Alternative Provider (AP) reviews were rescheduled from the 2019-20 year to be completed in 2020-21. This allowed QAA the opportunity to hold discussions with providers to identify their programme of delivery and put in place mitigations to allow successful implementation of online reviews.

¹ QAA statistics on Access to HE are reported one academic year in arrears. This reflects the need to receive validated data from AVAs after an academic year has been completed and certificated. We receive published data from the Education and Skills Funding Agency (ESFA), UCAS and the Higher Education Statistics Agency (HESA); these datasets are published by these organisations after an academic year has completed and are not normally available until after the publication of QAA's annual report. This combined dataset informs our statistics, publications and analysis.

All 15 reviews from 2019-20 have been successfully completed in the 2020-21 academic year. Reviews scheduled for 2020-21 have continued to operate successfully online.

14 QAA celebrated a decade of undertaking external oversight of alternative providers of higher education in 2021. In March 2021, to mark the occasion, we published a report breaking down key themes, good practices and areas for improvement from over 1,700 reviews of providers that have been carried out during this time.

15 In July 2021, we published a Higher Education Toolkit, aimed at supporting colleges and independent providers of higher education to engage with the UK Quality Code for Higher Education. The toolkit is intended to be used by providers in reviewing and enhancing their own practices by identifying how the principles of the Quality Code can be applied and integrated within their institutional context.

Facilitating collaboration between the nations

16 We continue to enjoy strong relationships with key stakeholders in the devolved nations. New ministers have assumed responsibility for higher education in Scotland and Wales following elections in spring 2021, and in Northern Ireland following changes to the DUP leadership in June 2021. The Director for Scotland, Wales and Northern Ireland has written to newly-appointed Ministers and committee members to introduce QAA's work in the respective nation and outline our intention to continue the productive relationships we have enjoyed in recent years.

17 We have facilitated a number of discussions between Scottish, Welsh and Northern Irish higher education stakeholders to discuss areas of commonality regarding quality review arrangements and opportunities for sharing of best practice. Representatives from the Scottish Funding Council, Higher Education Funding Council for Wales, and the Department for the Economy in Northern Ireland have expressed a desire for QAA to facilitate further collaboration between the Scottish, Welsh and Northern Irish higher education sectors with a focus on enhancement.

QAA in Scotland

18 The Scottish Funding Council (SFC) Review of Coherent Provision and Sustainability was developed in three phases, with the final report being published in July 2021. QAA has engaged with the SFC throughout the process and set out a willingness to work more closely across the tertiary sector in the long term. In terms of quality, the report recommends the development of a single quality assurance and enhancement framework for tertiary education, to uphold academic standards, and enhance the learning experience of all students. QAA will engage with the Scottish Government, SFC and Scottish higher education stakeholders in the implementation of the review.

19 Responding swiftly to the pivot to remote learning and teaching in March 2020, QAA Scotland rescheduled four Enhancement-led Institutional Reviews (ELIR) that were due to take place in spring 2020. In consultation with the SFC and each of the institutions affected, the review visits for ELIR took place online in November 2020, with minor adjustments made to the method to better support reviewers engaging in this process online for the first time. Following the completion of these reviews, three more reviews were conducted online in spring 2021. We will finish the current ELIR 4 cycle in autumn 2021 with the final two institutions - these reviews will take place online. Of those who were reviewed during the year, six were deemed 'fully effective', with one receiving a 'limited effectiveness' judgement, none received a 'not effective' judgement. We are also embarking on a full review of the ELIR 4 process to help us to understand what has worked well and what we might want to amend for future quality arrangements.

20 QAA Scotland hosted its International Enhancement Conference in November 2020, bringing together 450 delegates from 26 countries to share innovative learning, tools and practice from the Scottish Enhancement Themes and across the globe. The event focused on discussing how evidence can be used to build resilient learning communities during rapidly changing external environments.

21 As we drew the 2017-20 Enhancement Theme to a close, we have launched the new 2020-23 theme entitled 'Resilient Learning Communities'. This new theme has begun with seven collaborative projects based on online discussion. We held our first online Theme Leaders' Group meeting at the end of January 2021, and institutions have begun submitting their Year 1 plans.

QAA in Wales

22 QAA completed three Quality Enhancement Reviews (QER) and two Gateway Quality Reviews (GQR) during the year. All reviews were successfully completed online and resulted in positive outcomes for all of the institutions reviewed.

23 QAA published the handbook for the Review of Degree Apprenticeships in Wales for the 2020-21 academic year in October 2020. The review was commissioned by the Higher Education Funding Council for Wales (HEFCW) and followed extensive consultation across the Welsh tertiary education sector. The review covers three priority areas: Digital, Engineering and Advanced Manufacturing, and complements the Welsh Government's evaluation of the HEFCW Degree Apprenticeships pilot scheme. Following successful completion of the review, QAA has prepared a sector-wide report which provides an anonymised summary of the provision and findings for all the reviews, along with recommendations for the future delivery of apprenticeship programmes. The report was published in September 2021.

24 Following discussions with Welsh providers and HEFCW, QAA Wales prepared and published an addendum to the QER Handbook, to reduce the scope of institutional reviews to focus on HEFCW's statutory responsibility - to be assured of the quality of education provided by, or on behalf of regulated providers. This change was implemented to reduce regulatory burden and enable providers to focus on responding to the COVID-19 pandemic. Quality enhancement continues to be a key component of HEFCW's Quality Assessment Framework and, while enhancement will continue to form part of QAA's regular engagement with providers scheduled for QER in 2021-22, this activity will not result in published outcomes or judgements. QAA will work with these providers to maintain their engagement in, and contribution to, quality enhancement activities in Wales.

25 The Welsh Government continues to progress the draft Tertiary Education and Research Bill through the Senedd. QAA has engaged with the proposals, which will see the creation of a new Commission for Tertiary Education and Research and met with Welsh Government representatives in May to discuss the draft bill. One of the main changes to quality arrangements expected to come from the Bill is that the Commission will formally designate a quality body to undertake reviews of quality and standards.

QAA in Northern Ireland

26 QAA has led discussions with sector stakeholders in Northern Ireland as we seek to develop a new bespoke enhancement-led approach to quality assessment. QAA has commissioned two projects to consider the needs of the sector. The Department for the Economy in Northern Ireland has indicated interest in QAA undertaking a formal review of quality in Northern Ireland, and potentially implementing the new approach through a contractual arrangement.

Supporting quality enhancement among QAA Members

QAA services for members

27 QAA has been operating a voluntary membership model since 1 August 2019; therefore, the 2020-21 academic year was the second year of QAA Membership.

28 The overriding focus this year has been working in partnership with our members to maintain quality and standards in response to the COVID-19 pandemic. Our Covid guidance is funded by our members' fees but is publicly available in recognition of the extraordinary pressures on the wider sector arising from the pandemic. Across the year, we have published 11 COVID-19 guidance publications, which builds on the 29 guidance documents and supporting resources we published in 2019-20 as members began to pivot to meet the challenges of the pandemic.

29 Interest in QAA Membership was strong with 236 institutions signing up for QAA Membership in England for the 2020-21 academic year. With providers from Scotland, Wales and Northern Ireland included, there has been a total of 279 members across the UK. Looking ahead to the 2021-22 academic year, as of September 2021 - 241 providers in England have chosen to renew or join.

30 QAA published 138 exclusive resources for members - 94 publications for core members, 23 for those subscribed to Quality Insights, and 21 for International Insights subscribers. Publications ranged from a toolkit on understanding and engaging with the student-value journey to research on QAA Members' approaches to academic misconduct. We also held a range of successful events online for our members: over 40 webinars, 12 training programmes, and 31 events and workshops - including our Quality Insights and Evolving Student Engagement conferences, and QAA Annual Conference, were attended by more than 3,900 delegates from over 300 organisations.

Working with QAA Members and UK higher education to address pressing sector issues

31 On 26 May, QAA formally launched the second edition of the Higher Education Credit Framework for England, first developed in 2008. The two revised publications are facilitative rather than prescriptive and aim to support providers in England to develop a flexible, transparent and consistent academic credit system, with learners at the centre. We believe this provides alignment with the recently published Skills and Post-16 Education Bill and related flexible learning reforms in England. We are grateful to Professor Sue Rigby for her work chairing our advisory group over the last year, which engaged members in the review of the Credit Framework and associated advice.

32 We recruited participants from among our member bodies to join subject advisory groups for Subject Benchmark Statements which are due to undergo review in the next year. Subject Benchmark Statements describe the nature of study and the academic standards expected of graduates in specific subject areas. They show what graduates might reasonably be expected to know, do and understand at the end of their studies. They are used as reference points in the design, delivery and review of academic programmes. From this year onwards, a revised approach to Equality, Diversity and Inclusion (EDI); Education for Sustainable Development (ESD); enterprise and entrepreneurship; and accessibility for disabled students will be adopted within the remit of these reviews. 14 Subject Benchmark Statements will be reviewed in 2021.

33 Engaging with students and ensuring their views and opinions feed into QAA's activity is key to ensuring we are delivering effective services for the sector. Students are

embedded in our governance, with two student Board members as well as student members on the QAA Scottish and Welsh Advisory Committees. We also have a Student Strategic Advisory Committee which meets three times a year. We have held two student focused events this year - 'Quality Matters' and 'Evolving Student Engagement' - each attracting student representation from across the UK.

34 QAA continues to be at the forefront of the higher education sector's response to threats to academic integrity and hosts the UK Academic Integrity Advisory Group, which is made up of sector experts, agencies and government representatives from across the UK. In October 2020, we launched an Academic Integrity Charter to coincide with the International Day of Action Against Contract Cheating. The charter has been developed with input from the Academic Integrity Advisory Group and was endorsed by England's Universities Minister, Michelle Donelan MP and Scotland's then Higher Education Minister, Richard Lochhead MSP. It sets out a series of principles demonstrating the commitment of Charter signatories to the protection and promotion of academic integrity. The Charter was launched in the media in April 2021, attracting significant coverage in national and sector press. As of August 2021, 172 institutions and bodies have signed up to the Charter and we will be working with our members to assess the impact that signing the Charter has had on institutional activity to promote and protect academic integrity.

35 QAA also continues to work with sector representatives and politicians to pursue a legislative ban on essay mills. This campaign received a boost in June 2021 when the English Secretary of State for Education, Gavin Williamson MP announced at a HEPI conference that the Government would work with Lord Storey, a member of the Academic Integrity Advisory Group, and Liberal Democrat peer in England, to introduce legislation outlawing this practice. QAA continues to work closely with Lord Storey, other political stakeholders and sector experts to advance this work and ensure its impact is not limited to England alone.

36 In December, we launched a new programme of Collaborative Enhancement Projects. The funding QAA provides to these projects allows small groups of member institutions to work together to enhance the quality of their student learning experiences, and develop outputs that benefit the wider QAA Membership. We received 32 applications, with a good spread across different types of institution; Funding was awarded to 13 projects which included 49 higher education institutions, seven further education colleges, one students' union, and at least one local authority. While only one students' union is named as a collaborating partner, all of the projects indicate ways of engaging students. We have now confirmed approximately £100,000 funding across 13 projects over two years. Projects cover a range of priority topics including inclusive assessment, flexible pathways, and digital/blended delivery.

37 In March 2021, we published revised guidance on Education for Sustainable Development (ESD), in partnership with Advance HE. The publication is exclusively available to members of QAA and Advance HE, and is designed to help providers enable ESD across all curricula. It provides guidance for embedding ESD as part of curriculum design, teaching, learning and assessment. The guidance also emphasises the importance of strategic, institution-level commitment and support when looking to progress ESD, and how ESD can frame and reinforce other institutional objectives.

38 As part of its membership offering, QAA actively engages with policy issues and developments across the UK. Included in this, we respond to public consultations on behalf of QAA Members and the wider higher education sector. Responses submitted during the year include: the Office for Students' consultations on quality and standards, and digital teaching and learning; the Department for Education's consultation on Post-Qualification admissions; the Scottish Funding Council's review of coherent provision and sustainability;

the Welsh Government's consultation on the Draft Tertiary Education and Research Bill; and the review of English Level 3 qualifications.

Supporting our members and UK higher education internationally

39 QAA continues to develop strong partnerships with international partner organisations in order to support the UK higher education sector. During the year we have signed a memorandum of understanding with the Commission for Academic Accreditation (CAA) in the United Arab Emirates. This important partnership allows us to share information and collaborate on agreed programmes of activity in order to support cooperation across our respective nations.

40 Transnational education (TNE) plays a significant role in helping to maintain the world-class reputation of UK higher education. In 2019-20, 156 UK universities reported TNE activity in over 225 countries and territories - with over 453,000 students studying for UK awards outside of the UK.

41 QAA has continued to produce country reports as part of our offering to our International Insights Members. These reports provide an overview of the higher education and regulatory landscape in the relevant country and offer high-level information and intelligence about regulations, challenges and opportunities relevant to UK TNE providers looking to expand operations. During the year, we published country reports on the People's Republic of China, United Arab Emirates, Republic of India and Japan. Each of these reports was also accompanied by a webinar run in collaboration with relevant higher education agencies and organisations in the respective country.

42 QAA launched its new Quality Enhancement and Evaluation of Transnational Education (UK QE-TNE) review method in May 2021, commissioned by Universities UK and GuildHE on behalf of the UK higher education sector. The method was developed in consultation with the sector with participation from more than 100 representatives from over 20 countries, including all the nations of the UK.

43 QE-TNE consists of a programme of scheduled in-country quality enhancement activity - normally three countries/territories per academic year - comprising a major host country of TNE activity and two locations with smaller or developing TNE provision. UK degree-awarding bodies with TNE provision in those countries, and who have signed up to the scheme by 18 September, will undergo review as part of this in-country activity. Participating institutions will also have access to a range of resources including visit reports, case studies and country reports which help to enhance their TNE provision, with QAA Members having access to additional outputs. The three countries selected for review for the 2021-22 academic year are United Arab Emirates (UAE), Egypt and Germany, while those for the 2022-23 academic year are the People's Republic of China, Sri Lanka and the Kingdom of Saudi Arabia. The scheme will run for five years - until 2025-26, and there are over 70 UK institutions participating, representing over 70% of the overall TNE student population.

44 In April 2021, QAA formally launched 'IQR for ACE Impact', our bespoke version of International Quality Review for the World Bank African Centres of Excellence project in West Africa and Djibouti. As of September 2021, one institution has signed up to the project with others currently in discussion with QAA about the project.

45 QAA's outgoing Chief Executive, Douglas Blackstock was elected President of the European Association for Quality Assurance in Higher Education (ENQA) in April 2021. This represents a continuation of an almost unbroken period of senior QAA representation at ENQA since the association was founded in 2004. This role will be of significant benefit to

QAA and UK higher education, allowing us to share international practice and continue to strengthen relationships within the European Higher Education Area (EHEA). Other QAA staff have been invited by ENQA to play important roles - Alastair Delaney, Director of Scotland, Wales and Northern Ireland, as a member of the ENQA Reviews Committee and Gareth Crossman, Head of Policy and Communications, as the chair of the ENQA Academic Integrity working group.

46 We hosted the biennial conference of the International Network for Quality Assurance Agencies in Higher Education (INQAAHE) in June 2021. Although we were unable to physically host delegates in Glasgow as originally planned, we were able to attract over 212 delegates from 53 countries to the online conference themed 'Re-Imagining Higher Education Quality in an Age of Uncertainty'.

Lessons learned

47 We have carried out a project over the last year on how we can better support our members in Northern Ireland. We look forward to responding to the findings of that project through our work with Northern Irish higher education institutions over the course of the next year.

48 The COVID-19 pandemic has continued to pose significant challenges for higher education providers, staff and students. Institutions have continued to develop and adapt their provision in line with restrictions. As detailed above, throughout this period, QAA has developed extensive guidance to support the sector in continuing to deliver a high-quality learning experience for students. Collaboration has continued to play a central role in QAA's work with our staff and Board members having extensive conversations with institutional leaders, quality specialists and students in order to inform the guidance we produce. Other key collaborators for QAA across the past year have included governments, professional bodies, international quality agencies and other international partners.

49 Sector collaboration was of crucial importance in supporting students and providers of Access to Higher Education programmes throughout the pandemic and helped to ensure the successful delivery and management of the Extraordinary Regulatory Framework (ERF) which oversaw the delivery of the Access to HE Diploma. We are grateful for the support and collaboration of numerous partners including the Department for Education, Ofqual, Qualifications Wales, Association of Colleges, Black FE Leadership Group, UCAS, Access to HE providers, our Access Validating Agencies (AVAs) and, of course, students.

50 Having had the opportunity to reflect on the impact the pandemic and subsequent move to remote working had for QAA's working culture, QAA's 'Ways of Working' group has worked together to identify permanent beneficial changes to working practices. In July 2021, QAA launched the new 'Flex+' working philosophy. The new arrangements provide additional flexibility to QAA staff on their working location and working hours in agreement with their line manager and wider team. The new Flex+ guidelines demonstrate QAA's commitment to everyday flexibility and adopting a culture based on trust and fairness.

Looking ahead

51 In 2021-22, our membership offer spans five interconnected themes. These include UK-wide work to secure standards and quality, as well as enhancement-facing activities, co-created with our members to ensure our activities are responsive to the different contexts in which members operate. These five themes are underpinned by a range of events, networking, and training and development activity. The five themes are:

- Beyond COVID-19: The Future of Digital and Blended Learning

- Creating Inclusive Learning Communities - Flexible Pathways and Pedagogies
- Global Engagement and TNE
- Evaluation and Data-based Decision Making
- Securing Academic Standards.

Each theme will include a range of practical resources, ensuring that members have access to high-quality information. This will be further supported by events and workshops which bring together QAA Members to network and share practice. QAA is currently working on the development of an International Membership model which will offer all of the benefits of QAA Membership to international higher education providers.

52 Higher education remains high on the policy agendas of UK governments. In addition to the proposals being consulted on by the Office for Students regarding quality and standards, the UK Government is progressing its Skills and Post-16 Education Bill which aims to revolutionise the further education and post-16 sector and introduce a Lifelong Loan Entitlement which it will consult on later this year. Work continues on the implementation of changes to the way higher education is regulated and funded in both Scotland and Wales, while Northern Ireland remains committed to a review of quality assessment arrangements. QAA will continue to engage in policy development across all nations over the coming year and will continue to support QAA Members to engage in these discussions.

53 Autumn 2021 sees the departure of our current Chief Executive, Douglas Blackstock after 20 years of service at QAA. Douglas is succeeded in the role by our Executive Director of Operations and Deputy Chief Executive, Vicki Stott, who was appointed as the new Chief Executive earlier this year. We look forward to celebrating Douglas's outstanding contribution to the work of QAA, and to the future work of the organisation under Vicki's leadership.

54 2021-22 will be the first year of QAA's Quality Enhancement and Evaluation of Transnational Education (QE-TNE) programme. As of September 2021, 78 higher education institutions had signed up to QE-TNE. The first year of the programme will see country-based activity taking place in Egypt, Germany and the United Arab Emirates (UAE). The QE-TNE scheme aims to develop greater mutual trust, understanding and recognition between the UK and TNE host nations while enhancing the quality of transnational education.

55 QAA will also celebrate its 25th anniversary in 2022, marking a quarter of a century as the leading authority on quality and standards in UK higher education. We will be planning a number of events to mark the occasion, in collaboration with our members and UK and international partners.

Financial review

56 The financial statements have been prepared in accordance with the requirements of the Charities SORP. Following the publication of our 2020-25 strategy with its three strategic aims, resources expended on charitable activities are shown split between these aims. The total resources expended note (note 7, page 45) splits these categories down further and includes an allocation of support costs across the aims.

Results

57 QAA's 2020-21 activities were funded primarily through contracts with the higher education funding bodies, membership from higher education providers, fees chargeable under HERA, and charges for oversight and review of alternative providers of higher education. Additional income was generated through other international review activity, advisory services, contributions from AVAs and investment income.

58 QAA's net income for the year ended 31 July 2021, before recognising investment gains, was £17,139 (2020: net income of £1,078,515). After recognising net gains on investments of £678,889 (2020: losses of £337,220), the net movement in funds for the year was an increase of £696,028 (2020: increase of £741,295) which has increased reserves. The accumulated funds at 31 July 2021 are £4,735,501 (2020: £4,039,473).

59 QAA's wholly owned trading subsidiary, QAA Enterprises Limited, has made a profit of £2,279 (2020: loss of (£21,651)) to the group surplus. No gift aid payment was made (2020: £20,044) to the charity in the year.

Income

60 Total income as shown in the Statement of Financial Activities (SOFA) decreased by £927,932 (10%) to £8,299,644 between 2019-20 and 2020-21. Income from charitable activities shows a net decrease of £888,216 (9.8%).

61 The reductions in the number of assessments commissioned by OfS under HERA as the Designated Quality Body (see paragraph 6) caused a decrease in regulatory income of £1,341,013; 32.9%.

62 This decrease was partially offset by an overall increase in membership, contracts with higher education funding bodies and alternative providers of higher education.

63 Income from investments has decreased by £45,716 (28.4%) to £115,098.

64 The investment income is interest from cash deposits, together with dividends and interest from fixed asset investments. Investment returns are discussed in the Treasury Management section below.

Expenditure

65 Total expenditure, as shown in the SOFA, increased by £133,444 (1.6%) to £8,282,805 between 2019-20 and 2020-21.

66 Expenditure on charitable activities before restructuring cost and pension provision decreased £1,093,477 (11.8%) to £8,166,314, as direct delivery costs decreased in line with the reduction in the number of assessments commissioned and the ongoing pandemic restrictions gave reductions in expenditure on office and travel costs.

67 Total expenditure on charitable activities, however, increased by £131,354 (1.6%) as 2020-21 saw an increase in the pension deficit of £106,278 in contrast to the decrease in 2019-20 of £1,267,259, giving an overall increase in pension deficit expenditure of £1,373,537. The increase in the pension provision represents the cost of the increase in the deficit funding liability of £134,886, offset by a reduction for deficit contributions made of £59,723 (2020; £48,395) payable to the Universities Superannuation Scheme (USS).

68 Following changes to the USS, this scheme now comprises two parts: USS Retirement Income Builder which is a defined benefit arrangement; and USS Investment Builder which is a defined contribution arrangement. The latest formal actuarial valuation of the USS-defined benefit liabilities has been carried out as at 31 March 2018 to meet the requirements of the *Pensions Act 2004*. This actuarial valuation shows a shortfall of £3.6bn in the USS with the scheme assets being sufficient to cover 95% of its 'technical provisions' liabilities.

69 A breakdown of charitable expenditure between the strategic aims is shown in note 6 on page 44.

70 An analysis of charitable expenditure between direct costs and support costs is provided in the total charitable expenditure note (note 7, page 45).

Balance sheet

71 Total funds on QAA's group balance sheet are £4,735,501 (2020: £4,039,473). The net book value of tangible fixed assets held by the group and charity shows a decrease of £230,019 with depreciation exceeding the £40,453 spent on additions (see note 12 on page 50). The net book value of fixed asset investments has increased by £783,095 to £5,083,386.

72 Trade debtors have increased by £1,026,137 to £1,488,919 as a result of the earlier invoicing of membership for the period starting 1 August 2021. This, in turn, has increased deferred income by £1,869,889 to £4,292,548.

Reserves policy

73 QAA's Reserves policy establishes a target range of free reserves, taking into account: the financial impact of risk; the volatility of current and future income streams; the action required in the event of income reduction; and the impact of future commitments. The resultant target range of free reserves, following the annual review, is set at £3.1-£4.0 million. The level of available free reserves is £3.3 million, which falls within this range.

74 As part of the Trustee's responsibilities of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been considered. The assumptions modelled are based on the estimated potential impact of known changes in the sector and any effect of COVID-19 restrictions and regulations, along with our proposed responses over the course of the next 18 months.

75 On the basis of this review, these financial statements have been prepared on a Going Concern basis, which the Trustees consider to be appropriate based on the results for the year ending 31 July 2021 and forecasts and cash flow projections prepared for the period to 31 July 2023. The cash flow projections indicate that the Group will be able to meet its liabilities as they fall due and will be able to operate within the facilities currently available. The Trustees consider that there are no material uncertainties over the charitable company's financial viability.

76 QAA holds reserves for three main reasons:

- to secure its long-term position
- to deliver the medium-term objectives in the QAA strategy, by ensuring that reserve levels provide a cushion against medium-term business risks and take full account of the costs of medium-term objectives
- to ensure that it can carry out the programme of work detailed in the next year's annual plan - for example, through meeting approved shortfalls in short-term activities that are not fully funded.

77 A designated Innovation and Development Fund is set aside 'for innovation in products and services for the long-term benefit of UK higher education'. The opening balance on the fund was £24,694. In both October 2020 and June 2021, consideration was given to replenishment of this reserve and a further £500,000 was transferred to the fund for the purposes of providing additional services to QAA Members and development of additional international products and services. This expenditure is budgeted to start in 2021-22.

78 A designated fund for restructuring was created in 2018-19 to cover restructuring costs crystallising in 2019-20. The remaining unutilised balance of £23,980 was released back to free reserves in 2020-21.

79 At 31 July 2021, QAA's free reserves as defined by the Charities SORP were £3,371,290 (2020: £3,021,261).

Treasury management

80 The main principles underpinning QAA's treasury management policy are to ensure that:

- QAA has adequate cash and working capital to enable it, at all times, to have sufficient funds available to achieve its business objectives
- QAA investments are secure - this is achieved by ensuring that its authorised investments reflect a risk-averse and prudent attitude towards the organisations with which funds may be deposited, and limits its investment activities to those approved
- QAA achieves the maximum return on its investments, taking into account the other key principles
- QAA minimises the risk of fraud or error in its treasury management activities - this is achieved by designing suitable systems, procedures and contingency management arrangements in order to minimise the risk of fraud or error.

81 During 2020-21, the revised investment approach agreed by the trustees continued to be followed, with available funds being notionally split into three tranches and managed as follows:

- **short-term working capital** - held by QAA's bankers, HSBC Bank plc, and managed internally
- **medium-term cash funds** - invested with HSBC Bank plc and Lloyds Bank plc and managed internally in accordance with our cash flow plan to meet short-term working capital requirements
- **longer-term reserves** - over £5 million has been placed with Rathbones Investment Management Limited (Rathbones) for discretionary investment in listed shares and gilts.

82 Funds placed with Rathbones are invested in a charity-specific fund which is subject to ethical investment constraints.

83 Investment income in the year is attributable to interest receivable of £1,290 from short-term working capital balances and medium-term cash funds, together with interest and dividends of £113,808 received from fixed-asset investments.

84 The market value of the investments is £5.1 million (2020: £4.3 million). The net unrealised gain in the market value of funds held at 31 July 2021 was £678,888 (2020: loss £337,220) reflecting the return of stock markets worldwide to pre-pandemic levels. The surplus of interest and dividend receipts after paying management charges, together with net gains or losses realised, continues to be reinvested.

85 This approach is being closely monitored and managed to ensure that the principles of the treasury management policy are being met. Given the low base rate and current market conditions, QAA considers the returns on its cash and investments to be acceptable.

Directors' Report

Structure, governance and management

86 QAA is a private company limited by guarantee, and a registered charity in England, Wales and Scotland. Our four company members were, as of 31 July 2021:

- GuildHE Limited
- Universities Scotland
- Universities UK
- Universities Wales.

87 In the event of winding up, the liability of our company members is limited to an amount not exceeding £1 per member.

88 We were established under a Memorandum of Association and are governed under our Articles of Association, which set out our constitution and objects. Our objects are:

- the promotion and maintenance of quality and standards in higher education in the UK and elsewhere
- the enhancement of teaching and learning, and the identification and promotion of innovation and good practice in teaching and learning
- the provision of information, and the publication of reports on quality and standards in higher education in the UK and elsewhere
- the provision of advice to governments, as requested, on Access course recognition and in relation to all or any of the above objects.

Governance

89 In line with recommended practice, QAA commissioned an external governance review which took place in July 2019 and reported to the Board in December 2019. Actions from this review were agreed in March 2020; all approved recommendations have now been completed. The final step was an amendment to QAA's Articles of Association, which changed how some Board members were appointed. As part of QAA's ongoing commitment to good governance and leadership, the Board members completed a Board skills audit.

90 One-to-one annual conversations continue to be held between the Chair and individual Board members.

91 During the year, the Board has also reviewed and agreed:

- QAA's risk appetite and tolerance levels
- policies including: Whistleblowing Policy (now renamed 'Freedom to Speak Up'); Conflicts of Interest - Board Members; Matters Reserved for the Board; Health and Safety Policy; Approach to Risk Management; and the Equality, Diversity and Inclusion Policy
- revised terms of reference for the Nominations and Remuneration Committee, DQB Committee, and Audit and Risk Committee.

Recruitment and appointment to the Board

92 Our directors are also our trustees for the purposes of charity law. Under our Articles of Association, they are known as the Board. Under the requirements of the Articles, 18 trustees are appointed to the Board as follows.

- Serving a three-year term, then eligible for a second three-year term:
 - four members nominated jointly by three funding bodies for UK higher education (Department for Education (Northern Ireland), Higher Education Funding Council for Wales, and the Scottish Funding Council). The Office for Students has to date declined to take on the nominating rights previously exercised by the Higher Education Funding Council for England
 - four members nominated jointly by the UK higher education representative bodies (GuildHE, Universities Scotland, Universities UK and Universities Wales)
 - one member nominated by the UK Council of Colleges and appointed by the Board
 - six independent members appointed by the Board
 - one independent member appointed by the Board who, at the time of appointment, is engaged wholly or mainly in the governance or management of an alternative provider of higher education.
- Serving a one-year term, then eligible for a second one-year term:
 - one independent member appointed by the Board who, at the time of appointment, is a registered undergraduate or postgraduate student, an elected student officer of a student union, or an elected student officer of a student representative body
 - one member nominated by the National Union of Students and appointed by the Board.

93 Our Board membership represents the diversity of UK higher education, including students, with a rich mix of skills and experience. Our six independent Board members have, in line with the requirements of our Articles, experience in industrial, commercial or financial matters, or professional practice. We advertise publicly to recruit our independent members, following an assessment of the skills we need on our Board. Our Nomination and Remuneration Committee advises the Board to ensure our selection and recruitment process is transparent and fair.

94 All Board members are non-executive directors. They give their time voluntarily and do not receive any remuneration or benefits from the charity. Expenses claimed by Board members during 2020-21 are covered in note 10 of our financial statements.

Board responsibilities

95 Our Board's principal responsibilities include:

- approving our mission and strategic vision, strategic plans, annual plans and budgets, and key performance indicators
- ensuring the establishment and monitoring of systems of control and accountability
- ensuring processes are in place to monitor and evaluate our performance and effectiveness
- appointing the Chief Executive and putting in place suitable arrangements for monitoring their performance
- acting as our principal financial and business authority

- ensuring we keep proper books of accounts
- approving our annual report and financial statements
- overall responsibility for our assets, property and estate.

96 The Board has delegated responsibility for the day-to-day management of the charity to our Chief Executive, in accordance with a scheme of delegation. In discharging these responsibilities, the Chief Executive is advised and supported by the Executive team and wider Senior Leadership Team.

Board member induction

97 Newly-appointed Board members are provided with the following documents, and sign a declaration to confirm that they have reviewed and understood them:

- Charity Commission publications: The Essential Trustee and the Charity Governance Code
- QAA publication: *Code of Best Practice for Members of the QAA Board* (including guidance on ethical conduct, statutory duties and responsibilities, and good governance).

98 All new Board members have an individual induction programme of meetings with the Chair and senior staff. This introduces them to QAA, our governance, operations and strategic plans. Our Director of Corporate Affairs (Company Secretary) and Governance Officer are available to support Board members in discharging their statutory duties, providing advice and guidance as required.

Board member activities

99 A typical year for one of our Board members is likely to include:

- attendance at four Board meetings (one day per meeting and an additional strategic away day)
- attendance at the QAA annual conference (two days)
- attendance at committee meetings and working groups convened for specific purposes (as required).

(Due to Covid restrictions throughout the year, all of these meetings/events have been held online.)

100 In addition, our Board members may have responsibility for a particular area, and work with staff to provide advice and support which, in turn, enhances Board understanding and scrutiny.

101 During the year 2020-21, the average Board meeting attendance was 99% (90% in 2019-20). Individual Board member attendance was as follows:

Name	Attendance for 2020-21 (out of four meetings)
Professor Andrew Wathey	4
Professor Simon Gaskell	4
Professor Craig Mahoney	4
Mr Craig Watkins	4
Professor David Jones	3
Ms Linda Duncan	4
Professor Maria Hinfelaar	4
Ms Eve Alcock	4
Mr Oliver Johnson	4
Professor Oliver Turnbull	4
Professor Philip Wilson	4
Ms Sara Drake	4
Dr Vanessa Davies	4
Ms Hillary Gyebi-Ababio	4
Professor John Sawkins	4
Professor Sue Rigby	4
Ms Angela Joyce	4

Specified quorum, as detailed in our Articles of Association, was reached at all meetings.

Board committees

102 There were eight Board committees in operation during 2020-21. All committees have individual terms of reference published in our Code of Best Practice.

Governance matters:

- Audit and Risk Committee
- Nomination and Remuneration Committee

Advisory:

- QAA Wales Strategic Advisory Committee
- QAA Scotland Strategic Advisory Committee
- Student Strategic Advisory Committee

Operations:

- Access Recognition and Licensing Committee
- Advisory Committee on Degree Awarding Powers
- Designated Quality Body Committee

QAA Board of Directors

103 From 1 August 2020 to 31 July 2021, the following served as directors and trustees on the QAA Board:

Independent members

Professor Simon Gaskell (Chair)	Former President and Principal, Queen Mary University of London (appointed March 2019)
Dr Vanessa Davies	Former Director General, Bar Standards Board (appointed December 2017)
Ms Sara Drake	Chief Executive, ICSA (appointed January 2018)
Ms Linda Duncan (Honorary Treasurer/Vice-Chair)	Chief Executive, Blue Star Consortium (appointed March 2017)
Mr Oliver Johnson	Former Chief Executive, Durrell Wildlife Conservation Trust (appointed December 2016)
Mr Craig Watkins	Chief Executive and Managing Director, Kantar Public UK (appointed December 2017)

Independent member: alternative provider

Mr Philip Wilson	Immediate past-Chair, Independent HE (appointed June 2017)

Independent member: student

Ms Eve Alcock	Recent SU President, University of Bath (appointed June 2020)

Appointed jointly by GuildHE Limited, Universities Scotland, Universities UK and Universities Wales

Professor Maria Hinfelaar	Vice-Chancellor, Glyndŵr University (appointed September 2016)
Professor Craig Mahoney	Vice-Chancellor, University of the West of Scotland (appointed May 2016)
Professor Andrew Wathey CBE	Vice-Chancellor, Northumbria University (appointed September 2015)
Professor Sue Rigby	Vice-Chancellor, Bath Spa University (appointed October 2019)

Appointed jointly by the Department for Education (Northern Ireland), Higher Education Funding Council for Wales and the Scottish Funding Council

Professor Denise McAlister	Emeritus Professor, University of Ulster (appointed October 2014 to October 2020)
Professor David Jones	Pro-Vice-Chancellor (Education and Students), Professor of Biomaterial Science, Queen's University Belfast (appointed October 2020)
Professor John Sawkins	Deputy Principal (Education and Student Life), Professor of Economics, Heriot-Watt University (appointed October 2019)
Professor Oliver Turnbull	Pro-Vice-Chancellor (Teaching and Learning), Professor of Neuropsychology, Bangor University (appointed September 2019)

Nominated by the UK Council of Colleges

Ms Angela Joyce	Chief Executive, Warwickshire College Group (appointed October 2019)

Nominated by the National Union of Students

Ms Hillary Gyebi-Ababio	Vice-President (Higher Education), NUS (appointed July 2020)

Organisational structure

104 Our Executive team in 2020-21 was:

- Douglas Blackstock, Chief Executive
- Caroline Blackburn, Finance Director
- Vicki Stott, Executive Director of Operations

105 The Executive team is supported by the wider Senior Leadership Team.

Pay and remuneration

106 Our Nomination and Remuneration Committee advises the Board on the performance of the Chief Executive and Executive team, appropriate remuneration, and severance payments. In advising on setting the pay of the Chief Executive and Executive team, the Committee takes into account the skills and experience required for each of the roles, and the remuneration in sectors from which suitable candidates for such posts would be found. Remuneration for different jobs is validated objectively, using market comparators. This includes looking at salary survey data for comparable roles from a number of sectors, including charities, higher education and organisations within the local area. Salary increases for all staff are awarded subject to performance review.

Corporate social responsibility (CSR)

107 QAA is committed to working in an ethically and socially responsible manner across all areas of our business. Our work safeguards standards and improves the quality of UK

higher education, wherever it is delivered around the world. Our business approach considers the impact of our work on the environment, our staff, suppliers, local communities, the higher education sector, and wider society. Our most recent CSR policy (running from 2017) sets out our aims and the activities in which we engage to support them across the UK:

- to uphold an ethical, transparent approach to our work
- to reduce our impact on the environment
- to contribute to the development of our local communities
- to respect our staff and encourage their development.

108 Our CSR performance and impact are monitored by both our Executive team and the Board's Audit and Risk Committee.

Data protection

109 There were no reportable incidents involving personal data during 2020-21.

Fundraising activities

110 The charity had no fundraising activities requiring disclosure under S162A of the *Charities Act 2011*.

Equality statement

111 We are strongly committed to the principles of equality, as part of our wider commitment to quality. We demonstrate this through our internal policies and working practices. We also embed it in our work, as equality is an integral part of our approach to quality assurance and enhancement. Equality is a key element of our view of a high-quality educational experience and the expectations students can rightly have of the providers of UK higher education.

Delivering public benefit

112 We have a duty, under the *Charities Act 2011*, to report on the public benefit that we deliver. Our trustees have regard to the Charity Commission's guidance on public benefit - a summary of which is issued to our Board members on appointment - and are satisfied that, through our work to support the UK higher education sector, including helping to provide access to higher education for many students and working more generally in the interests of students, our public benefit requirements have been met.

Relationships with related parties

113 QAA's subsidiary, QAA Enterprises Limited - a private company limited by shares, is governed by its own Articles of Association which set out its constitution. The objects of QAA Enterprises Limited are:

- to provide a range of services, including consultancy, training, research, sponsorship, review and accreditation, for the sole purpose of generating income to support the objects of QAA
- to promote and maintain the quality and standards of higher education in the UK and overseas
- all matters that the company deems ancillary, necessary or related to those objects.

Principal risks and uncertainties

114 Our Board is ultimately responsible for our approach to risk management, which is set out in our risk management policy. We record strategic risks in our strategic risk register, and operational risks are recorded either in our operational risk register, or in the dedicated project or activity registers to which the risks relate.

115 The strategic risk register is reviewed by our Audit and Risk Committee at each of its meetings, and a paper on risk management is sent to every Board meeting.

116 In 2020-21, we significantly updated our strategic risk register, moving to a format which more clearly sets out the inherent, residual and target levels of risk (reflecting both probability and impact). The number of risks considered at the strategic level increased from four to 12.

117 The risks considered significant at the residual (post-mitigation) stage included: the financial pressures on the sector and their potential impact on QAA's business model; regulatory or policy decisions that might affect the Designated Quality Body in England; the impact of policy and regulatory developments on the UK sector's international standing, particularly in Europe; and cyber-security.

118 The Board is satisfied that risks and uncertainties are being appropriately monitored and managed.

Reference and administrative details

Registered name	The Quality Assurance Agency for Higher Education
Other names used by the company	QAA, QAA Scotland
Company registration number	03344784 (England and Wales)
Charity registration numbers	1062746 (England and Wales) SC037786 (Scotland)
Registered and principal office	Southgate House, Southgate Street, Gloucester, GL1 1UB
Operational addresses	Southgate House, Southgate Street, Gloucester, GL1 1UB 18 Bothwell Street, Glasgow, G2 6NL 15 Fetter Lane, London, EC4A 1BW Cambrian Buildings, Mount Stuart Square, Cardiff Bay, CF10 5FL [vacated 31 July 2021]
Company Secretary	Tom Yates, Director of Corporate Affairs
Senior management (with delegated authority)	Vicki Stott, Chief Executive
Bankers	HSBC Bank plc, The Cross, Gloucester, GL1 2AP and Lloyds Bank plc, 10 Gresham Street, London, EC2V 7AE
Investment managers	Rathbones Investment Management Limited, 1 Curzon Street, London, W1J 5FB Barclays Private Bank (Barclays Bank PLC), 40-42 Queen Square, Bristol, BS1 4QP
Solicitors	Shakespeare Martineau, No 1 Colmore Square, Birmingham, B4 6AA
Independent auditor	Crowe U.K. LLP, 4 th Floor, St James House, St James Square, Cheltenham, GL50 3PR

Responsibilities of the trustees and directors

119 The trustees (who are also directors of The Quality Assurance Agency for Higher Education for the purposes of company law) are responsible for preparing the Trustees' Annual Report, including the Strategic Report and Directors' Report, and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

120 Company law requires the trustees to prepare financial statements for each financial year. Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group, and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charitable company will continue in business.

121 The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company, and enable them to ensure that the financial statements comply with: the *Companies Act 2006*; the *Charities and Trustee Investment (Scotland) Act 2005*; the Charities Accounts (Scotland) Regulations 2006 (as amended); and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Information to auditor

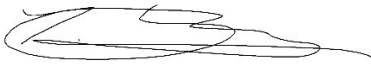
122 In the case of each of the persons who are directors of the company at the date when this report was approved:

- in so far as each of the directors of the company at the date of approval of this report is aware, there is no relevant audit information (information needed by the company's auditor in connection with preparing the audit report) of which the company's auditor is unaware
- each director has taken all the steps that they should have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

123 A resolution to reappoint Crowe U.K. LLP as auditor to the company was agreed at our Annual General Meeting in December 2021.

124 The Strategic Report, Directors' Report and financial statements were approved by the Board on 15 December 2021 and were signed on its behalf by:

Professor Simon Gaskell Chair of the Board of Directors 	Tom Yates Company Secretary 

Independent Auditor's Report to the Members and Trustees of The Quality Assurance Agency for Higher Education

Opinion

We have audited the financial statements of The Quality Assurance Agency for Higher Education (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 July 2021 which comprise the Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 July 2021 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the *Companies Act 2006* and the *Charities Act 2011*.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit:

- the information given in the trustees' report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the *Companies Act 2006* requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate accounting records; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 28, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. Design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were *Companies Act 2006*; *Charities Act 2011*; The Charities (Accounts and Reports) Regulations 2008; Financial Reporting Standard 102 (FRS 102); and the Charities SORP (102) (effective 1 January 2019). In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity and the group for fraud. The laws and regulations we considered in this context for the UK operations were the *Higher Education and Research Act 2017* (HERA); General Data Protection Regulation; Health and Safety legislation; and employment legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures were designed to respond to these risks over income. In relation to management override of controls, we conducted enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, HMRC and other regulators including OfS and OSCR, and reading minutes of meetings of those charged with governance.

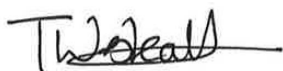
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of part 16 of the *Companies Act 2006*. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Tara Westcott
Senior Statutory Auditor

For and on behalf of

Crowe U.K. LLP
Statutory Auditor
St James House
St James Square
Cheltenham
GL50 3PR

17 December 2021

**Consolidated statement of financial activities
(including consolidated income and expenditure account)
for the year ended 31 July 2021**

	Notes	2021 £ Unrestricted funds	2020 £ Unrestricted funds
Income from:			
Charitable activities	5	8,178,546	9,066,762
Other trading activities	3	6,000	-
Investments	4	115,098	160,814
Total income		8,299,644	9,227,576
Expenditure on:			
Fundraising trading costs		311	1,607
Investment management costs		9,602	6,216
Raising funds		9,913	7,823
Charitable activities	6, 7	8,272,592	8,141,238
Total expenditure		8,282,505	8,149,061
Net gains / (losses) on investments		678,889	(337,220)
Net income and net movement in funds for the year	8	696,028	741,295
Reconciliation of funds			
Total funds brought forward		4,039,473	3,298,178
Total funds carried forward	22	4,735,501	4,039,473

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The notes on pages 37 to 65 form part of these financial statements.

Balance sheets as at 31 July 2021

(Company number: 03344784)

	Notes	Group		Charity	
		2021	2020	2021	2020
		£	£	£	£
Fixed assets:					
Tangible assets	12	380,519	610,538	380,519	610,538
Investments	14	5,083,386	4,300,291	5,083,387	4,300,292
Total fixed assets		5,463,905	4,910,829	5,463,906	4,910,830
Current assets:					
Debtors	15	1,878,745	721,086	1,933,518	778,450
Cash at bank and in hand		4,245,205	3,288,534	4,189,157	3,230,256
Total current assets		6,123,950	4,009,620	6,122,675	4,008,706
Liabilities:					
Creditors - amounts falling due within one year	16	(5,389,031)	(3,537,345)	(5,388,431)	(3,534,825)
Net current assets		734,919	472,275	734,244	473,881
Total assets less current liabilities		6,198,824	5,383,104	6,198,150	5,384,711
Provision for liabilities	20	(155,691)	(142,277)	(155,691)	(142,277)
Pension provision liability	21	(1,307,632)	(1,201,354)	(1,307,632)	(1,201,354)
Total net assets		4,735,501	4,039,473	4,734,827	4,041,080
The funds of the group and charity:					
Designated funds	22	983,694	407,674	983,694	383,694
General funds	22	3,751,807	3,631,798	3,751,113	3,657,386
Total funds as at 31 July 2021		4,735,501	4,039,473	4,734,827	4,041,080

The surplus for the financial year dealt with in the financial statement of the parent charity was £693,500 (2020: £762,946).

The notes on pages 37 to 65 form part of these financial statements.

The financial statements were approved and authorised by the Board on 15 December 2021 and were signed on its behalf by:



Professor Simon Gaskell

Chair of the Board of Directors

Statement of cash flows for the year ended 31 July 2021

	Notes	Group 2021 £	2020 £	Charity 2021 £	2020 £
Cash flows from operating activities:					
Net cash provided by operating activities	25	986,231	269,736	988,461	291,386
Cash flows from investing activities:					
Investment income		115,098	160,814	115,098	160,814
Proceeds from sale of investments		5,238	3,752	5,238	3,752
Purchase of investments		(109,418)	(151,907)	(109,418)	(151,907)
Purchase of tangible fixed assets		(40,452)	(9,404)	(40,452)	(9,404)
Net cash (used in)/provided by investing activities		(29,534)	3,255	(29,534)	3,255
Change in cash and cash equivalents in the year		956,697	272,991	958,927	294,641
Cash and cash equivalents at the beginning of the year		3,288,544	3,015,553	3,230,266	2,935,625
Cash and cash equivalents at the end of the year	26	<u>4,245,241</u>	<u>3,288,544</u>	<u>4,189,193</u>	<u>3,230,266</u>

The notes on pages 37 to 65 form part of these financial statements.

Notes to the financial statements for the year ended 31 July 2021

1 Legal status

The Quality Assurance Agency for Higher Education (QAA) is a charitable company limited by guarantee. QAA is registered with the Charity Commission England and Wales (registered no: 1062746) and the Scottish Charity Regulator (registered no: SC037786). The charity was incorporated as a company limited by guarantee with Companies House England and Wales (registered no: 03344784). Its registered and principal office is Southgate House, Southgate Street, Gloucester, GL1 1UB.

2 Accounting policies

The principal accounting policies, judgements and key sources of estimation uncertainty adopted in the preparation of the financial statements are as follows:

a Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the *Companies Act 2006*.

The financial statements have been prepared under the historical cost convention. QAA meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

b Preparation of the accounts on a going concern basis

As part of the Trustee's responsibilities of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been considered. The assumptions modelled are based on the estimated potential impact of known changes in the sector and any effect of COVID-19 restrictions and regulations, along with our proposed responses over the course of the next 18 months.

On the basis of this review, these financial statements have been prepared on a Going Concern basis, which the Trustees consider to be appropriate based on the results for the year ending 31 July 2021 and forecasts and cash flow projections prepared for the period to 31 December 2022. The cash flow projections indicate that the Group will be able to meet its liabilities as they fall due and will be able to operate within the facilities currently available. The Trustees consider that there are no material uncertainties over the charitable company's financial viability.

c Group financial statements

The financial statements consolidate the results of the charity and its wholly owned subsidiary on a line-by-line basis. The financial statements are prepared in sterling, which is the functional currency of the group. A separate Statement of Financial Activities (SOFA), and income and expenditure account, for the charity itself are not presented because the charity has taken advantage of the exemptions afforded by section 408 of the *Companies*

Act 2006. As required by the Charities Accounts (Scotland) Regulations 2006 (as amended), a cash flow statement for the charity is included.

2 Accounting policies (continued)

d Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Judgements and key sources of estimation uncertainty that have had the most significant effect on amounts recognised in the financial statements are included with the relevant accounting policy below.

The annual depreciation charge for the tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the tangible assets.

The deficit on the defined benefit scheme is calculated by estimating the net present value of the future contribution liability needed to fund the recovery plan. In calculating the liability, the directors have made estimates for future staff changes, salary changes and discount rates.

e Fund accounting

Unrestricted funds are incoming resources received or generated for expenditure on the general objectives of QAA. Designated funds are unrestricted funds of the charity which have been set aside by the trustees to fund particular future activities of the charity.

f Income

QAA's activities are funded primarily through contracts with the higher education funding bodies and UK governments, and through subscriptions from higher education institutions; it does not raise income through fundraising. All income has been accounted for when the charity has entitlement to the funds, any performance issues attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

g Expenditure and the basis of allocation of costs

All expenditure has been accounted for on an accruals basis and has been recorded as attributable to one of two categories - 'raising funds' (the cost of managing the charity's investments and the costs of fundraising trading incurred by the subsidiary company) and 'charitable activities' as shown in the SOFA. The charitable activities are further divided into the three strategic aims of the charity. Within charitable activities, the expenditure is classified as 'direct costs' or 'support costs' as shown in the 'total charitable expenditure' note.

2 Accounting policies (continued)

Staff numbers and costs were allocated either:

- directly to one or more of the three charitable activities as 'direct costs', or
- directly to governance as 'support costs', or
- apportioned to the three charitable activities and governance as 'support costs' using the staff numbers already attributed to those activities.

Non-pay costs were allocated either:

- directly to one or more of the three charitable activities as 'direct costs', or
- directly to governance as 'direct costs' or 'support costs', or
- apportioned to the three charitable activities and governance as 'support costs' using the staff numbers already attributed to those activities.

Governance costs include the costs of meeting constitutional and statutory requirements such as audit, trustees' meetings and expenses, and legal fees. The staff and office costs associated with such costs are included in support costs. Governance costs are then apportioned to one of the three charitable activities.

h Operating leases

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred on a straight-line basis over the term of the lease.

i Restructuring and redundancy costs

Restructuring costs are recognised when the Charity has a legal obligation at the reporting date to carry out the restructuring. It is the trustees' policy to minimise the impact of organisational change. Redundancy payments only occur when absolutely necessary and are accounted for on an accruals basis when the commitment to terminate a post on the grounds of redundancy has been made.

j Tangible fixed assets and depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset in equal instalments over its expected useful life.

The depreciation rates are as follows:

- computer equipment: three years
- specialised computer software: five years
- office furniture and equipment: five years
- leasehold improvements: over the outstanding period of the lease.

The cost of standard computer software is written off to the SOFA as it is incurred. Software that has been designed specifically for QAA or purchased as part of a larger capital project has been capitalised and written off over a five-year period. Assets costing less than £2,000 are not capitalised unless they form part of a larger capital project.

2 Accounting policies (continued)

k Investments

Listed investments are shown at market value at the year end and any movements are recorded as unrealised gains or losses in the consolidated statement of financial activities. Surpluses or deficits on investments sold during the year are calculated by comparing net proceeds with market value at the start of the year and are recorded as realised gains or losses in the consolidated statement of financial activities. Unlisted investments are included at cost.

l Debtors

Trade debtors, other debtors and accrued income are recognised at the settlement amount due after any trade discount. Prepayments are valued at the amount prepaid net of any trade discounts due.

m Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions.

n Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of financial activity.

o Creditors and provisions

Creditors and provisions are recognised when the charity has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

QAA provides paid holiday arrangements for its employees and recognises the expense in the period in which the benefit is accrued. A provision is made for the cost of holiday accrued but not taken.

p Basic financial provisions

QAA has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value (see note 18).

2 Accounting policies (continued)

q Pensions

Defined benefit schemes

QAA participates in the Universities Superannuation Scheme (USS) and Superannuation Arrangements for the University of London (SAUL). Throughout the current and preceding periods, both schemes were defined benefit only pension schemes and were contracted out of the State Second Pension (S2P) until 31 March 2016. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. QAA is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 'Employee benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the SOFA represents the contributions payable to the scheme in respect of the accounting period. Since QAA has entered into agreements (the Recovery Plans that determine how each employer within each scheme will fund the respective overall deficit of each scheme), QAA recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the SOFA.

Critical accounting judgements

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control, typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as those provided by USS and SAUL. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The directors are satisfied that the schemes provided by USS and SAUL meet the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plans in existence at the balance sheet date.

Defined contribution scheme

QAA also participates in a defined contribution pension scheme and the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

3 Income from other trading activities

The summary financial position of QAA's wholly owned trading subsidiary QAA Enterprises Limited is:

	2021	2020
	£	£
Turnover	6,000	-
Cost of sales and administrative costs	(3,721)	(21,651)
Net profit / (loss) for the year	2,279	(21,651)

The assets and liabilities of the subsidiary were:

Current assets	62,047	58,277
Current liabilities	(61,374)	(59,884)
Total net (liabilities) / assets	673	(1,607)

4 Income from investments

The group's investment income for the year is analysed by source below:

	2021	2020
	£	£
Dividend and interest income from quoted investments	113,808	147,788
Interest from cash held in interest bearing bank accounts	1,290	13,026
Total investment income for the year	115,098	160,814

5 Income from charitable activities

	Note	2021	2020
		£	£
Memberships		2,852,151	2,792,997
Regulatory		2,739,981	4,080,994
Contracts with higher education funding bodies		1,377,545	1,087,505
Alternative providers of higher education		383,524	194,775
Other contracts and related income		825,345	910,491
Total income from charitable activities		8,178,546	9,066,762
Analysis by source:			
UK higher education funding councils		1,199,731	1,244,784
UK higher education institutions		3,499,732	4,137,983
UK further education institutions		2,868,926	387,841
UK alternative providers of higher education		1,163,854	1,138,705
Other		1,316,191	1,071,709
		10,048,434	7,981,022
Release income deferred in prior years	16	2,398,870	3,409,859
Defer income received in current year	16	(4,268,758)	(2,324,119)
Total income from charitable activities		8,178,546	9,066,762

6 Expenditure on charitable activities

	Note	2021 £	*2020 restated £
The trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK		5,273,017	6,434,976
Providing expert advice that secures standards and supports quality enhancement		1,935,459	1,586,209
Strengthening the global reputation of UK higher education		957,838	1,238,605
Total expenditure on charitable activities before restructuring cost and pension provision		8,166,314	9,259,791
Restructuring costs		-	148,705
Pension provision - deficit contributions (included above)	21	(59,723)	(48,395)
Charged / (credited) to the SOFA - change in expected future deficit contributions		134,886	(1,279,098)
Pension provision - unwinding of discount	21	31,115	60,234
Total expenditure on charitable activities		8,272,592	8,141,238

7 Analysis of expenditure on charitable activities

	Charitable activities				Total expenditure on charitable activities	
	The trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK	Providing expert advice that secures standards and supports quality enhancement	Strengthening the global reputation of UK higher education	Governance	2021	2020*
	£	£	£	£	£	£
Direct costs						
Staffing costs	2,074,438	1,030,570	356,349		3,461,357	3,527,704
Other review costs	882,058	81,025	105,319		1,068,402	1,331,799
Other direct costs	148,448	138,329	52,943		339,720	404,465
Total direct costs	3,104,944	1,249,924	514,611		4,869,479	5,263,968
Support costs						
Staff costs	791,970	223,847	149,105	212,755	1,377,677	1,717,715
Premises and office costs	406,693	187,725	86,286	-	680,704	671,478
IT	533,609	90,261	81,460	-	705,330	705,886
Finance	589	24	439	-	1,052	130,114
Depreciation	155,661	74,608	40,202	-	270,471	341,121
HR and SD costs	84,051	50,254	47,652	-	181,957	177,967
Other	32,157	9,674	6,264	-	48,095	151,242
Governance**	-	-	-	31,549	31,549	100,568
Total support costs	2,004,730	636,393	411,408	244,304	3,296,835	3,996,091
Reallocate Governance	163,343	49,141	31,820	(244,304)	-	-
Total support costs by aim	2,168,073	685,534	443,228	-	3,296,835	3,996,091
Expenditure on charitable activities before restructuring and pension provision	5,273,017	1,935,458	957,839		8,166,314	9,259,791
Restructure - staffing costs	-	-	-		-	148,705
Pension provision - net deficit contributions	-	-	-		106,278	(1,267,258)
Pension provision - unwinding of discount	-	-	-		-	-
Total charitable expenditure	5,273,017	1,935,458	957,839		8,272,592	8,141,238

* A new strategy was launched in August 2020 and expenditure for the prior year 2019-20 has been restated against each of the new strategic aims

** Includes the cost of Board meetings and audit fees

8 Net income / (expenditure) for the financial year

	Note	2021 £	2020 £
Net income / (expenditure) is stated after charging/(receiving):		696,028	741,295
External auditors - audit services		21,600	22,200
- non-audit services		12,505	13,080
Internal auditors - audit services		9,800	24,179
Professional indemnity insurance		59,704	52,140
Tangible fixed assets			
Depreciation		270,471	341,121
Operating leases			
Land and buildings		283,821	298,248
Other		1,880	22,082
Foreign exchange costs/(gains)		53	(5,664)
Employer pension contributions	23	739,390	682,285

9 Analysis of staff costs

	2021 £	*2020 Restated £
Total staff costs were:		
Salaries	3,988,621	3,876,849
Employers' National Insurance contributions	419,913	404,346
Pension contributions payable	739,390	682,285
	5,147,924	4,963,480
Employment agency staff	5,378	334,519
Total staff costs before restructuring and pension provision liability adjustments	5,153,302	5,297,999
Restructuring costs	-	148,705
Total staff costs after restructuring	5,153,302	5,446,704
Deficit contributions payable in the year (included in contributions paid above)	(59,723)	(48,395)
Increase in expected future deficit contributions	134,886	(1,279,098)
Total staff costs charged to the SOFA	5,228,465	4,119,211

*Prior year pension figures have been updated to reflect the correct split within the staff cost note

9 Analysis of staff costs (continued)

	2021	2020 *Restated
	Number	Number
The average number of employees, calculated on a full-time equivalent basis was as follows:		
The trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK	53	48
Providing expert advice that secures standards and supports quality enhancement	25	21
Strengthening the global reputation of UK higher education	13	9
Total average number of employees on a full-time equivalent basis	91	78

*A new strategy was launched in August 2020 and staff numbers have been restated against each of the new strategic aims.

Total average number of employees on a headcount basis	105	102

The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 were:

	2021 Number	2020 Number
£160,000 - £169,999	1	1
£100,000 - £109,999	1	-
£90,000 - £99,999	-	1
£80,000 - £89,999	1	2
£70,000 - £79,999	4	1
£60,000 - £69,999	2	3

All employees earning more than £60,000 participated in the Universities Superannuation Scheme (see note 23). The aggregate amount paid to the scheme for these employees was:

	2021 £	2020 £
Employer contributions	163,937	134,334

10 Remuneration of directors and key management personnel

The key management personnel of the charity comprise the trustees and senior executive staff (see the Directors' Report above).

There were no emoluments paid to the trustees during the year. 0 trustees were reimbursed expenses to the value of £0 during the year (2020: 21 trustees, £6,180). The expenses paid related solely to travel and incidentals.

The total employee benefits (including Employer Pension contributions and Employer National Insurance contributions) received by the senior executive staff of the charity and the group was £473,096 (2020: £437,874).

The highest paid employee is the Chief Executive whose remuneration and benefits, including Employer Pension contributions and Employer National insurance contributions in the year were £214,726 (2020: £216,901).

During the year, QAA purchased Directors and Officers Liability Insurance (which included Trustee Indemnity Insurance).

11 Taxation

Under part II of CTA 2010 the charity is not subject to taxation on its charitable activities. The profits of the non-charitable subsidiary will normally be gift-aided to the parent charity. Therefore, the group generally suffers no Corporation Tax on its trading activities.

12 Tangible fixed assets

Group and charity

	Leasehold improvements	**Computer equipment	Furniture and other equipment	Total
	£	£	£	£
Cost				
At 1 August 2020	1,280,210	4,210,371	546,547	6,037,128
Additions	-	40,453	-	40,453
At 31 July 2021	1,280,210	4,250,824	546,547	6,077,581
Depreciation				
At 1 August 2020	879,005	4,002,890	544,695	5,426,590
Charge for the year	126,997	141,623	1,852	270,472
At 31 July 2021	1,006,002	4,144,513	546,547	5,697,062
Net book value at 31 July 2021	274,208	106,311	-	380,519
Net book value at 31 July 2020	401,205	207,481	1,852	610,538

The directors consider that the market value of fixed assets does not differ significantly from their book value.

** Computer equipment includes intangible software with a net book value of £70,546 (2020 : £142,828)

13 Analysis of capital commitments

	Group and charity	
	2021	2020
	£	£
Contracted for but not provided	106,774	7,440
Authorised but not yet contracted for	-	-
	106,774	7,440

14 Fixed asset investments

	Quoted investments £	Unquoted investments £	Total £
Held by the group			
At 1 August 2020	4,300,291	-	4,300,291
Additions at cost	109,418	-	109,418
Disposals at opening market value or cost if bought in year	(4,611)	-	(4,611)
Net increase in cash held and settlements outstanding	26	-	26
Net gain on revaluation to year end market value	678,262	-	678,262
At 31 July 2021	5,083,386	-	5,083,386
Held by the charity			
At 1 August 2020	4,300,291	1	4,300,292
Additions at cost	109,418	-	109,418
Disposals at opening market value or cost if bought in year	(4,611)	-	(4,611)
Net increase in cash held and settlements outstanding	26	-	26
Net gains on revaluation to year end market value	678,262	-	678,262
At 31 July 2021	5,083,386	1	5,083,387

Quoted investments are revalued and stated at market value as at 31 July 2021.

Unquoted investments are stated at cost. QAA holds one ordinary £1 share (100%) in QAA Enterprises Limited, a wholly owned trading subsidiary company registered in England and Wales no. 07588108, with the principle office at Southgate House, Southgate Street, Gloucester, GL1 1UB.

14 Fixed asset investments (continued)

Quoted investments are included at market value and held as follows:

	Group and charity at 31 July 2021		Group and charity at 31 July 2020	
	Cost	Market value	Cost	Market value
	£	£	£	£
Listed on a recognised stock exchange				
- in the UK	4,588,154	5,083,349	4,483,544	4,300,281
- outside the UK				
Cash and settlements pending held as part of the investment portfolio	36	36	10	10
	<u>4,588,190</u>	<u>5,083,385</u>	<u>4,483,554</u>	<u>4,300,291</u>

15 Debtors

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Trade debtors	1,488,919	462,782	1,482,919	462,782
Sundry debtors	2,005	9,426	2,005	9,426
Prepayments	300,151	206,028	300,151	206,028
Accrued income	87,670	42,850	87,670	42,850
Subsidiary undertaking		-	60,773	57,364
	<u>1,878,745</u>	<u>721,086</u>	<u>1,933,518</u>	<u>778,450</u>

Trade debtors are stated after provision for doubtful debts of £72,515 (2020: £97,646).

16 Creditors: amounts falling due within one year

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Trade creditors	147,546	205,766	147,546	205,766
Taxation and social security	150,978	150,898	150,978	150,898
Pension contributions	103,713	90,899	103,713	90,899
Other creditors	25,300	33,031	25,300	31,411
Accruals	669,246	634,091	668,346	633,191
Deferred income	4,292,548	2,422,660	4,292,548	2,422,660
	<u>5,389,331</u>	<u>3,537,345</u>	<u>5,388,431</u>	<u>3,534,825</u>

The movement in deferred income was as follows:

At start of year	2,422,660	3,520,715	2,422,660	3,520,715
Release income deferred in prior years	(2,398,870)	(3,422,174)	(2,398,870)	(3,422,174)
Defer income received in current year	4,268,758	2,324,119	4,268,758	2,324,119
	<u>4,292,548</u>	<u>2,422,660</u>	<u>4,292,548</u>	<u>2,422,660</u>
At end of year	4,292,548	2,422,660	4,292,548	2,422,660

Deferred income relates to contractual commitments which will not be delivered until next year. It is therefore not appropriate to recognise the income at this stage.

17 Operating lease arrangements

Total future minimum lease payments under non-cancellable operating leases were as follows:

		Group and charity	
		2021	2020
		£	£
Land and buildings			
Within one year		273,795	272,317
Between two and five years		355,304	594,692
After five years		-	-
Other			
Within one year		-	-
		629,099	867,009

18 Financial instruments

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Financial assets measured at amortised cost	5,823,930	3,803,675	5,822,655	3,802,760
Financial liabilities measured at amortised cost	(945,504)	(963,788)	(944,904)	(961,268)

Financial assets measured at amortised cost comprise cash, trade and other debtors, accrued income and amounts owed from subsidiary undertakings.

Financial liabilities measured at amortised cost comprise trade and other creditors, pension contributions due and accruals.

19 Related party transactions

Due to the nature of QAA's operations and the composition of the QAA Board of Directors, transactions take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with QAA's financial regulations and normal procurement procedures. No transactions were identified that should be disclosed under *Financial Reporting Standard 8: Related Party Disclosures*.

The balance due to the charity from the wholly owned subsidiary undertaking QAA Enterprises Limited is £60,525 (2020: £57,364) as shown in the debtors note on page 52.

QAA is a member of Scottish Credit and Qualifications Framework Partnership, a company limited by guarantee and registered in Scotland number SC311573.

20 Provision for liabilities

Provisions have been made for the following:

Holiday pay

FRS 102 requires short-term employee benefits to be charged to the profit and loss account as the employee service is received. The provision is for the holiday pay that was earned but not taken before the year end.

The movement in the provisions during the year is:

	Holiday pay £	Total £
At 1 August 2020	142,277	142,277
Provided during the year	13,414	13,414
Utilised in the year		
At 31 July 2021	155,691	155,691

21 Pension liability provision

The total pension cost charged to the SOFA is:

	Group and charity	
	2021	2020
	£	£
Employer contributions payable in the year	739,390	682,285
Deficit contributions payable in the year (included in employer contributions above)	(59,723)	(48,395)
Change in expected future deficit contributions	134,886	(1,279,098)
Total pension cost charged to the SOFA	<u>814,553</u>	<u>(645,208)</u>

The movement in the provision is:

	Group and charity	
	2021	2020
	£	£
At 1 August	1,201,354	2,468,613
Charged to SOFA - deficit contributions payable in the year	(59,723)	(48,395)
(Credited)/charged to the SOFA - change in expected future deficit contributions	134,886	(1,279,098)
Unwinding of discount	31,115	60,234
At the year end	<u>1,307,632</u>	<u>1,201,354</u>

22 Analysis of charitable funds

Analysis of movements in unrestricted funds

	Funds at 1 August 2020	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2021
	£	£	£	£	£	£
Designated funds:						
Innovation and development	24,694			500,000		524,694
Reinstatement of premises	359,000			100,000		459,000
Restructuring	23,980			(23,980)		-
Total designated funds	407,674			576,020		983,694
General fund	3,631,799	8,299,644	(8,282,505)	(576,020)	678,889	3,751,807
Total unrestricted funds	4,039,473	8,299,644	(8,282,505)	-	678,889	4,735,501

	Funds at 1 August 2019	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2020
	£	£	£	£	£	£
Designated funds:						
Innovation and development	58,000	-	(33,306)	-	-	24,694
Reinstatement of premises	359,000	-	-	-	-	359,000
Restructuring	323,000	-	(299,020)	-	-	23,980
Total designated funds	740,000	-	(332,326)	-	-	407,674
General fund	2,558,178	9,227,576	(7,816,735)	-	(337,220)	3,631,799
Total unrestricted funds	3,298,178	9,227,576	(8,149,061)	-	(337,220)	4,039,473

22 Analysis of charitable funds (continued)

The purpose of the designated fund for *Innovation and development (I&D)* is: 'for innovation in products and services for the long-term benefit of UK higher education.'

The purpose of the designated fund for *Reinstatement of premises* is to fund the cost of returning our Gloucester and Glasgow premises to their original condition at the end of their respective lease terms. The Gloucester office lease ends on 30 June 2023 and the Glasgow office lease ends on 1 March 2025.

The purpose of the designated fund for *Restructuring* was to fund the remainder of costs that were, and will be, incurred in completing the business restructure in 2020-21. This has now been completed and the remaining reserve was transferred back to the general fund in 2020-21.

Analysis of group net assets between funds

	General fund	Designated funds	Total 2021
	£	£	£
Tangible fixed assets	380,519	-	380,519
Fixed asset investments	4,624,386	459,000	5,083,386
Cash at bank and in hand	3,720,511	524,694	4,245,205
Other net current liabilities	(3,510,286)	-	(3,510,286)
Provisions	(1,463,323)	-	(1,463,323)
Total net assets 31 July 2021	3,751,807	983,694	4,735,501

	General fund	Designated funds	Total 2020
	£	£	£
Tangible fixed assets	610,538	-	610,538
Fixed asset investments	3,941,291	359,000	4,300,291
Cash at bank and in hand	3,263,840	24,694	3,288,534
Other net current liabilities	(2,816,259)	-	(2,816,259)
Provisions	(1,343,631)	-	(1,343,631)
Total net assets 31 July 2020	3,655,779	383,694	4,039,473

23 Pensions (defined benefit schemes)

QAA participates in two defined benefit pension schemes. The employer pension contributions payable were as follows:

	Group and charity	
	2021	2020
	£	£
Universities Superannuation Scheme (USS)	605,309	559,971
Superannuation arrangements for the University of London (SAUL)	134,081	122,314
	<u>739,390</u>	<u>682,285</u>
Employer contributions outstanding at the balance sheet date (included above)	<u>99,388</u>	<u>90,899</u>

In addition to the Final Salary section within USS for current members, employees joining the Scheme after 30 September 2011 will join the Career Revalued Benefits section (subject to some transitional rules). From 1 April 2016 all USS members were moved to the Retirement Income Builder section.

Similarly, employees joining SAUL after 30 June 2012 will join the Career Average Revalued Earnings (CARE) section of that scheme (subject to some transitional rules). On 1 April 2016 all Final Salary members were moved to the CARE section.

The contribution rates as a percentage of pensionable salary are as follows:

		Employer	Employee
USS	Retirement Income Builder Section	21.10%	9.60%
SAUL	Career Average Revalued Earnings Section	<u>16.00%</u>	<u>6.00%</u>

a Universities Superannuation Scheme

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2021 is underway but not yet complete.

Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

23 Pensions (defined benefit schemes) (continued)

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the *Pensions Act 2004*, which requires schemes to adopt a statutory funding objective - to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% pa
Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI -0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI +1.55% Years 21 +: CPI +1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	2018 valuation
Pre-retirement:	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females
Post retirement:	97.6% of SAPS S1NMA 'light' for males and 102.7% of RFV00 for females
Future improvements to mortality:	CMI_2017 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies on retirement at age 65 are:

	2021	2020
Males currently aged 65 (years)	24.6	24.4
Females currently aged 65 (years)	26.1	25.9
Males currently aged 45 (years)	26.6	26.3
Females currently aged 45 (years)	27.9	27.7

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2020 to 30 September 2021 at which point the rate will increase to 6%. The 2021 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2021	2020
Discount rate	0.88%	2.59%
Pensionable salary growth	2.00%	4.20%

23 Pensions (defined benefit schemes) (continued)

b Superannuation Arrangements for the University of London

QAA participates in the Superannuation Arrangements of the University of London (SAUL), which is a centralised defined benefit scheme within the United Kingdom and was contracted-out of the Second State Pension (prior to April 2016).

SAUL is an independently managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on a Career Average Revalued Earnings (CARE) basis.

QAA is not expected to be liable to SAUL for any other current participating employer's obligations under the Rules of SAUL, but in the event of an insolvency of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

Funding policy

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the 'Technical Provisions'). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments that arise from members' accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2020. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in June 2021 and are due to be reviewed at SAUL's next formal valuation in 2023.

At the 31 March 2017 valuation, SAUL was 94% funded on its Technical Provisions basis. However, market movements following the valuation date were positive and the Trustee and the Employers agreed to allow for post-valuation experience up to 30 April 2021. As SAUL was in surplus on its Technical Provisions at that date, no deficit contributions were required. However, the Trustee and the Employers have agreed that the ongoing Employers' contributions will continue at a rate of 16% of CARE Salaries to 19% of CARE Salaries from 1 April 2022 and 21% of CARE Salaries from 1 January 2023.

Accounting policy

QAA is a Participating Employer in SAUL. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets at 31 March 2020 was £3,612 million representing

94% of the liabilities. The market value of SAUL's assets at 30 April 2021 was £4,369 million representing 109% of the estimated liabilities.

It is not possible to identify an individual Employer's share of the underlying assets and liabilities of SAUL. QAA's accounts for its participation in SAUL as if it were a defined contribution scheme and pension costs are based on the amounts actually paid in accordance with paragraph 28.11 of FRS 102.

Although there was a Technical Provisions deficit at 31 March 2020, allowing for post valuation experience to 30 April 2021, SAUL had a Technical Provisions surplus. Therefore, no deficit contributions were required following the 2020 valuation and there is no defined benefit liability (the present value of any deficit contributions due to SAUL) to be recognised by QAA.

24 Pensions (defined contribution scheme)

QAA participates in one defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund and were as follows:

	Group and charity	
	2020	2020
	£	£
The People's Pension	8,651	20,357
Employer contributions outstanding at the balance sheet date	1,622	2,078

25 Reconciliation of net income/(expenditure) to net cash flow from operating activities

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Net income / expenditure for the year	696,028	741,296	693,750	762,945
Adjustments for:				
Depreciation charge	270,472	341,121	270,472	341,121
(Gains)/Losses on investments	(678,889)	337,220	(678,889)	337,220
Investment income	(115,098)	(160,814)	(115,098)	(160,814)
Increase/(Decrease) in debtors	(1,157,659)	2,011,185	(1,155,068)	2,011,185
Increase/(Decrease) in creditors	1,851,686	(1,202,099)	1,853,603	(1,202,099)
Increase/(Decrease) in provisions	119,691	(1,798,173)	119,691	(1,798,172)
Net cash provided by operating activities	986,231	269,736	988,461	291,386

26 Analysis of cash and cash equivalents

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Cash at bank and in hand - liquid assets	4,245,205	3,288,534	4,189,157	3,230,256
Cash at bank - fixed asset investments	36	10	36	10
Cash at bank and in hand at the end of the year	4,245,241	3,288,544	4,189,193	3,230,266

27 Reconciliation of net debt

	At 1 August 2020 £	Cashflows £	At 31 July 2021 £
Cash	3,288,534	956,671	4,245,205
Cash equivalents	10	26	36
Total	3,288,544	956,697	4,245,241

Glossary

FRS 102	The Financial Reporting Standard applicable in the UK and Republic of Ireland
S2P	State Second Pension
SAUL	Superannuation Arrangements for the University of London
Charities SORP	Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)
SOFA	Statement of financial activity
USS	Universities Superannuation Scheme

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THE QUALITY ASSURANCE AGENCY FOR HIGHER EDUCATION

England & Wales - Charity number 1062746

Accounts



The Quality Assurance Agency for Higher Education

Annual Report and Financial Statements 2019-20

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Foreword from Douglas Blackstock, QAA Chief Executive

We ended the financial year in unprecedented times, as we began to navigate the profound impact that the COVID-19 pandemic has had on the higher education sector and on QAA activity across the UK. In March 2020, QAA moved to an operating model with all staff based at home. We refocused our full work programme to meet the sector's needs arising from the pandemic and from the restrictions imposed to tackle it (detailed on page 10). I am incredibly proud of the response of colleagues in stepping up to this challenge, and I would like to reiterate our gratitude for their work.

This was made possible because of the evolution QAA underwent in 2018 and 2019, ensuring that we were organisationally and strategically equipped to provide services aligned to the changing needs of the sector. Our new operating model and senior leadership team have ensured a flexible, effective operation to support the sector across the UK and internationally, driven by input from our members. We have been working closely and collaboratively with the four UK governments, higher education providers, funders, professional and regulatory bodies and student organisations to develop sector-driven approaches to quality and standards.

Outside our COVID-19 response, our principal purpose remains the same - to safeguard academic standards and ensure the quality and global reputation of UK higher education. In this, we have much to celebrate. In 2019-20, we saw the first year of QAA Membership, with 275 QAA Members supporting QAA activity across the UK. In England, we performed the first reviews as the Designated Quality Body. In Wales, we engaged actively with the Welsh Government's proposals on building a reformed post-compulsory education and training (PCET) system. In Northern Ireland, we saw the welcome restoration of power-sharing in the Assembly, and we welcomed Northern Ireland's Regional Colleges and University Colleges into membership. In Scotland, our Enhancement Theme on 'Evidence for Enhancement' came to its conclusion, with the 'Focus On' project on Technology Enhanced Learning proving timely and relevant. Outside the UK, our international work has seen global engagement with governments and partners across the globe. Outside higher education, we remain particularly proud of our stewardship of the Access to HE Diploma, which prepares people without traditional qualifications for university study. Over 23,000 Access students were accepted into universities in the 2019 intake.

QAA's revised work programme in the latter part of the year was focused on establishing guidance and sharing practice to ensure that institutions moving online could maintain quality, standards and student outcomes. A task group, established in early March, began working closely with sector and student bodies, regulators and funders. Guidance and webinars on maintaining quality and standards began being released on 20 March, the week before the UK Government announced lockdown measures. Although we are a membership body, we made the decision that all our COVID-19 resources should be publicly available to serve the needs of the wider society at this time. Further details about our COVID-19 response can be found on page 10.

Securing standards and supporting quality enhancement are more important than ever. As we embark on our new strategy, and in a changed environment, we are committed to this purpose. I am confident that, thanks to the hard work and commitment of QAA's Board, staff and our many hundreds of expert reviewers, QAA is better positioned than ever to serve the needs of UK higher education and its students.

Foreword from Professor Simon Gaskell, Chair of QAA Board

In last year's Annual Report, I wrote about how becoming QAA's Chair in March 2019 would be both a privilege and a challenge. It was a privilege to be invited by QAA's Board to Chair an organisation with the highest reputation, both in the UK and internationally, for safeguarding the quality of higher education. I anticipated the challenge lying in the rapidly changing higher education landscape, and helping QAA, its staff and Board adapt to it.

The stimulus to change and its subsequent pace have, however, been far greater than anticipated. As UK higher education shifts from its emergency response to the COVID-19 pandemic into a new and changed sector, we face renewed questions concerning the fundamental nature of higher education, as well as the social and economic role the sector plays in society. Many trends were apparent prior to the pandemic: the financial challenges ahead, the changing climate of external trust, concerns about academic integrity and essay mills, degree classifications, drop-out rates, expectations of more technical and vocational education including micro-credentials, grade inflation, a new regulatory environment in England, and strong interest in tertiary reform in Wales and Scotland. Others are new - the unique forms of blended learning, for example, or the exceptional student support needs.

It is in guiding and collaborating in these areas where I believe we can add huge value to the sector. QAA is internationally-recognised for its expertise in quality assurance. We are trusted by higher education providers and regulatory bodies to maintain and enhance quality and standards. We provide expert services to our UK higher education members, so that they can give their students the best possible experience. We work with governments, agencies and institutions globally to benefit UK higher education and its international reputation. Over the last year, QAA has sought to meet its obligations and strategic priorities while also undertaking a complete reorganisation of activities, in order to ensure that it meets the needs of higher education across the whole of the UK. In serving higher education as it faces both continuing and new challenges in the coming year, QAA is gratified by the confidence placed in it by the sector - and committed to continuing to justify that confidence.

Strategic Report

Purpose of QAA

The purpose of QAA is to safeguard academic standards and ensure the quality and global reputation of UK higher education. We do this by working with higher education providers, regulatory bodies and student bodies with the shared objective of supporting students to succeed.

Our vision

World-leading and independently assured UK higher education.

Our values

Expertise

- We provide expert advice to the governments of the UK.
- We use our expertise to strengthen quality assurance internationally.
- We use our knowledge and expertise to benefit providers, students and stakeholders.

Innovation

- We deliver innovative new approaches, services and events to enhance practice and support providers.
- We are reviewing our internal systems and processes to innovate and deliver cost-effective quality services.

Collaboration

- We have a Board that embodies co-regulation, representing broad student, provider and stakeholder interests - collaborating to lead QAA.
- We work with funders, regulators, sector agencies and professional bodies, collaborating for the benefit of the sector, as well as with agencies and governments overseas.
- We work in collaboration with students and student organisations to engage students and enhance their learning experiences.
- We collaboratively support the distinctive requirements of the UK's home nations.

Accountability

- We are accountable to our stakeholders through our governance structures.
- We have complaints and appeals processes in place to ensure we are held accountable for our decisions.

Integrity

- We have integrity and, as a registered charity, act in the interests of the public and our beneficiaries.
- We are fair and transparent in our operations, acting with integrity at all times.

QAA's strategy

QAA is the UK's independent quality body for higher education. We safeguard standards and improve the quality of UK higher education wherever it is delivered around the world. We check that students get the higher education they are entitled to expect, and we ensure that students are involved with all aspects of our work. We work across all four nations of the UK. We also build international partnerships to enhance and promote the reputation of UK higher education worldwide.

This year, QAA's 2017-20 strategy came to its conclusion, with its [successor](#) launching in July 2020. This provides an important milestone to assess delivery against our previous strategic priorities:

Building on World-class Quality

QAA will be recognised and valued by student bodies, institutions and governments as:

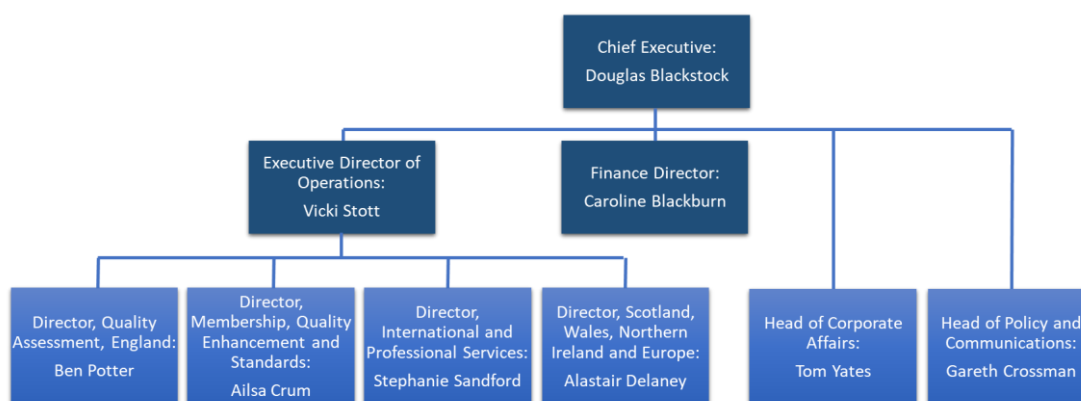
The expert independent quality body supporting a diverse system of co-regulation of UK higher education.
(priorities 1 and 2)

Delivering valued services that provide assurance and drive quality enhancement.
(priorities 3 and 4)

Using our international reputation and partnerships to benefit UK higher education.
(priorities 5 and 6)

We measured delivery through detailed termly monitoring of performance against our annual plans, oversight by senior internal committees and our Board, and publication of annual reports. In order to deliver the final year of the strategy, a Transformation, Capability and Change programme managed by a Board task and finish group, designed QAA's new organisational and senior management structure (shown below), which came into operation on 1 August 2019.

QAA's Senior Leadership Team, including Executive



Each area of QAA's operations was overseen by a new Director in order to meet strategic priorities. The following section highlights the impact our work has had on UK higher education, and what we have delivered for our stakeholders.

The UK's independent quality body for higher education

1 QAA is the only higher education body with a remit operating in regulatory systems across the whole of the UK. Each country has a distinct and separate system of quality assurance, so QAA works with regulators, funding agencies, higher education institutions, students and other stakeholders across the UK to deliver tailored approaches.

Membership, Quality Enhancement and Standards

QAA services for members

2 Recent years have seen changes in models of higher education regulation and funding across the UK, accompanied by increasing political devolution and divergence in national policy. Alongside these changes, QAA has transitioned from an organisation predominantly funded through mandatory subscription and funding council grants, to a combination of statutory regulatory fees, voluntary institutional membership and a provider of services. This model came into operation on 1 August 2019, and 2019-20 has therefore been the first year of QAA Membership.

3 Initial take-up was strong and grew through the year - 237 providers in England signed up for QAA Membership. With universities and colleges from Scotland, Wales and Northern Ireland, there has been a total of 275 QAA Members across the UK in 2019-20. Membership renewal for 2020-21 has also been successful; as of 19 October 2020, 223 higher education providers in England have chosen to renew or join, despite a challenging economic context for the sector.

4 QAA published 127 exclusive resources for members - 76 for Core Membership, 32 for Quality Insights, and 19 for International Insights. We also held a range of successful events for members over the year. 22 events, 51 online webinars, and 2 new training programmes were attended by more than 3,550 delegates from over 300 organisations. In addition to our physical events, such as the Quality Insights conference in February 2020, our online events were particular highlights in the calendar.

Addressing issues affecting our members across UK higher education

5 QAA has remained at the forefront of the higher education sector's response to threats to academic integrity, primarily arising from the growth of commercial essay mills. We host an Academic Integrity Advisory Group, consisting of sector experts, agencies and government representatives from England, Wales and Scotland. In June 2020, we published updated second edition guidance for the higher education sector on combatting essay mills, following consultation with QAA Members. The updated guidance was endorsed by Kirsty Williams, Wales' Minister for Education; Richard Lochhead, Scotland's Minister for Further Education, Higher Education and Science; and Michelle Donelan, Universities Minister in the Westminster government. QAA is campaigning for the introduction of legislation to criminalise essay mills. In an answer to a Parliamentary Question in June 2020, the Westminster Government said it would be willing to consider supporting legislation.

6 We have also been at the forefront of the sector's response to other issues affecting UK higher education. Concerns about perceptions of grade inflation have generated significant political and public interest in recent years. Working with the sector and in partnership with Universities UK (UUK) and GuildHE, QAA developed policy on Degree Algorithms and Degree Outcomes Statements, followed by workshops and webinars attended by 395 delegates. Grade descriptors for 1st, 2:1, 2:2 and 3rd class honours have been included for the first time as an annex to the *Framework for Higher Education*

Qualifications (FHEQ). We also drafted new reference documents, including five new or updated Characteristic Statements and 55 updated Subject Benchmark Statements.

7 QAA is also leading a review of the higher education credit framework for England, with a new working group having met in March 2020 and a consultation launched in August 2020. The credit framework, last updated in 2008, provides a benchmark for providers to reference when designing programmes. The review will account for current academic practice, the changed regulatory environment, and the economic impact of the COVID-19 pandemic - including new technical qualifications, the emerging use of micro-credentials, and experiential learning. The working group for the project is chaired by Professor Sue Rigby, Vice-Chancellor of Bath Spa University, and comprises a diverse group of members and mission groups.

8 We continue to manage and develop the UK Quality Code for Higher Education (the Quality Code) on behalf of the sector. The Quality Code is a key reference point for UK higher education - protecting the public and student interest, and championing UK higher education's world-leading reputation for quality. It enables providers to understand what is expected of them and what to expect from each other. As the UK sector's shared expression of quality and standards, the Quality Code offers a UK-wide reference point while simultaneously meeting the needs of each home nation. It is a key element in safeguarding the UK's world-class reputation for higher education and has provided an important touchstone in helping institutions plan provision around COVID-19.

9 Engaging with students and ensuring their views and opinions feed into QAA's activity is key to ensuring we are delivering effective services for the sector. Students are embedded in our governance, with two student Board members as well as student members on the QAA Scottish and Welsh Advisory Committees. We also have a Student Strategic Advisory Committee which meets three times a year. We have held two student focused events this year - 'Quality Matters' and 'Evolving Student Engagement' - each attracting student representation from across the UK.

Scotland, Wales and Northern Ireland

QAA in Scotland

10 The 2017-20 Enhancement Theme - Evidence for Enhancement - in Scotland, concluded successfully with a range of legacy resources produced at sector level, through collaborative clusters, and within institutions. Students made an active contribution towards resources, notably the highly regarded 'Student Guide to Using Evidence' report, which has been highlighted by the Office for Students (OfS) in England and organisations internationally. In June, we held our International Enhancement Conference online, bringing together nearly 400 delegates from around 20 countries to focus on the lessons arising from a period of disruption, and how they might shape the future of higher education. The Focus On project this year - Technology Enhanced Learning - proved timely and relevant to the needs of the sector in response to the COVID-19 pandemic. Resources on transitioning online, student co-creation via technology, and sense of belonging in online distance learning became important elements of QAA's COVID-19 sector guidance (see page 10). We will deliver the new Enhancement Theme - Resilient Learning Communities - in Scotland for 2020-23.

11 Throughout the year we have strengthened relationships with the sector and sought to increase our strategic influence, with the Director of Scotland, Wales and Northern Ireland building strong relationships with key personnel. We have engaged directly with the Scottish Funding Council on its review of the models of funding, governance and delivery of tertiary

education. We will continue to collaborate on this in 2020-21, along with the scheduled review of the Enhancement-led Institutional Review process.

12 In June 2020, the Scottish Funding Council was asked by the Scottish Government to consider how best to achieve coherence and sustainability in the delivery of further and higher education during the COVID-19 crisis, EU exit transition, and beyond while maintaining and enhancing quality. QAA is a key stakeholder as part of this review, and responded to the call for evidence in the first phase of the review in August 2020. QAA is committed to supporting the higher education sector in enhancing the student experience and supporting Scotland's recovery following the pandemic.

QAA in Wales

13 In 2019, the Quality Assessment Framework for Wales (QAF) was reviewed by the Higher Education Funding Council for Wales (HEFCW), with revised guidance on external quality assurance review published in July 2019. QAA Wales published a revised Handbook for Quality Enhancement Review (QER) in April 2020, reflecting the updated QAF and other continuing developments in the QER method.

14 QAA's Wales Quality Network has rapidly established itself as a valuable practitioner-led forum for discussion among sector staff. It meets three times a year to discuss policy, practices and challenges relating to quality in learning and teaching, quality assurance, and quality enhancement.

15 The Welsh Government is continuing to progress its proposals to enact the Hazelkorn Review, which would replace HEFCW with the independent Welsh Government sponsored Commission for Tertiary Education and Research by 2023. QAA has engaged actively with the Welsh Government's proposals on building a reformed post-compulsory education and training (PCET) system and designated quality body since the consultation in October 2017, including through the PCET Change Board established in January 2020. The QAA Wales Strategic Advisory Committee in October 2020 will provide comments on the draft legislation, which is currently expected before the Senedd, soon after the 2021 elections.

QAA in Northern Ireland

16 In the period 2017-20, the absence of a government meant that there was limited activity in relation to higher education policy and regulation in Northern Ireland. In January 2020, the Northern Ireland executive was restored following a new power-sharing agreement. We remain in touch with existing and new contacts in Northern Ireland, and have continued to progress dialogue and developments with senior officials during the COVID-19 pandemic.

17 This year, we welcomed Northern Ireland's regional colleges and university colleges into membership. We are in discussions about supporting the delivery of a tertiary conference in Northern Ireland in 2020-21, focused on the enhancement-led approach to quality. We aim to work with the sector to develop a new enhancement-oriented review method, tailored for Northern Ireland and drawing on the experience of enhancement review in similar sectors.

Quality Assessment, England (QAE)

18 As the designated quality body (DQB) in England, QAA undertakes the role of assessing the quality of, and the standards applied to, higher education programmes delivered by providers in England when commissioned to do so by the OfS. In 2019-20, we

launched two new streams of assessment work, with QAA teams using six of the seven assessment method variations. These methods were developed to enable QAA to provide OfS with judgements about the quality of provider's programmes or provider's readiness to be awarded degree awarding powers. To deliver this work, a number of key appointments to the QAE team have been made, including a new Director of Quality Assessment England, three new Quality Specialists, a new Continuous Improvement team and a Deputy Operations Manager.

19 In 2019-20 we received 63 assessment referrals, of which 55 were completed during the year and eight were carried forward into 2020-21 (the DQB operating year operates April to March). As this was a new method in a new regulatory arrangement, we have worked closely with colleagues to evolve methods in light of lessons learned. In March 2020, the OfS paused assessment referrals to QAA in response to the COVID-19 pandemic. When pandemic response measures were introduced, QAA was in continuous contact with colleagues at the OfS to ensure that all assessments that were underway were either continued to completion, where circumstances allowed, or paused.

20 QAA also provides advice to the OfS regarding degree awarding powers. We made positive recommendations on four providers in England for degree awarding powers under the Department for Education (DfE)'s criteria. We also made one negative recommendation. One detailed scrutiny was placed into abeyance and has since been reactivated - this is the only ongoing scrutiny under the DfE's criteria and is being conducted under pandemic measures.

International and Professional Services

Supporting our members and UK higher education internationally

21 Transnational education (TNE) plays a significant role in UK higher education and helps maintain its world-class reputation. In 2018-19, 142 UK universities reported TNE activity in 226 countries and territories - more than ever before - with over 660,000 students studying for UK awards outside of the UK.

22 QAA has undertaken extensive international and TNE engagement. In April 2020, QAA published a new assessment report on TNE in Malaysia, which is the second largest host country for UK TNE. Alongside this, QAA published a country report analysing the Malaysian higher education landscape, and seven case studies led by providers; this is in addition to country reports for Sri Lanka and Ukraine. We have been promoting UK higher education and TNE through international liaison and events across the globe including USA, UAE, Turkey, Nigeria, Northern Africa and the UK.

23 We have also worked successfully with UUK and GuildHE to secure sector support for the future approach to the external assurance of UK TNE - both organisations approving QAA's proposals to develop a new method of in-country TNE enhancement review. QAA will consult on the new model in 2020-21, with the view to deliver reviews in 2021-22. QAA has also been invited to join a cross-sector Universities UK International (UUKi) Task and Finish Group on Transnational Online Higher Education. This will see QAA continuing to play a key role in reassuring international stakeholders about the quality of UK TNE and higher education.

24 Despite travel restrictions arising from COVID-19, QAA has delivered international networking opportunities, providing a platform for colleagues to discuss quality, standards and opportunities for UK higher education with ministers and representatives from countries around the world. We hosted an International Networking Event at the Education World Forum with ministers and officials from 11 countries in January 2020, and an International

Partners Forum with 25 overseas agencies in May 2020. The Partners Forum provided a valuable discussion about responses to the impact of COVID-19 and reflections on what the future higher education landscape will look like; a summary report was published for the UK sector, providing intelligence about global trends.

25 We have continued to engage fully with the European Association for Quality Assurance in Higher Education (ENQA) and with individual agencies throughout the European Higher Education Area (EHEA). This has included hosting and joining international events and working on an individual basis with specific agencies. In October 2019, QAA's Chief Executive was elected to the Board of ENQA, the representative body for European quality assurance agencies. Together with continued registration on the European Quality Assurance Register for Higher Education (EQAR), ENQA membership allows QAA to maintain its position in the European Higher Education Area.

26 Throughout 2019-20, QAA delivered capacity building work overseas to benefit UK higher education. Demand for QAA services was high, with a number of capacity building projects delivered, including collaboration with the Association of African Universities and the World Bank to provide opportunities between UK and African universities. In November 2019, we ran our International Quality Assurance Programme (IQAP) - an event designed to help quality professionals from non-UK institutions to learn more about quality assurance in the UK. This year's IQAP was the fastest selling in the decade-long history of the programme, with delegates attending from UAE, Spain, China, Macau and Hong Kong, Nigeria, Cyprus and Jamaica.

27 Based on demand from institutions for an alternative to accreditation from US and German agencies, we launched a new global accreditation mark in November 2019. This provides a route for international institutions to be accredited through our International Quality Review (IQR) process, which is mapped against the European Standards and Guidelines. We published three IQR reports in 2019-20 and have a number currently in train.

28 We have also strengthened partnerships with UK government departments and agencies, such as the British Council, Department of International Trade, and the Foreign, Commonwealth and Development Office. Building on the strength of our relationship with the British Council we have developed partnership working in China, Sri Lanka, MENA region, Central and South America, Turkey, Azerbaijan, Ukraine, Jordan and Pakistan, as well as commissions for Tunisia and Morocco.

Access to HE Diploma

29 QAA regulates the Access to HE Diploma. The Diploma is a widely recognised Level 3 qualification that provides opportunities for adults to transition to enter higher education and helps higher education institutions meet their widening participation objectives. The Diploma was recognised by the government's 2019 review of post-18 education and funding as an important, nationally-recognised pathway which helps widen participation. It also offers chances for adults wishing to retrain for a second graduate-entry profession by delivering locally-devised, flexible courses across the UK.

30 There are currently 11 Access Validating Agencies (AVAs) licensed by QAA to approve Access to HE courses and to award QAA-recognised Access to HE qualifications to students - which apply to approximately 1,400 courses. In 2018-19, 350 providers of Access to HE delivered courses to just over 37,000 registered learners. Our Access to HE Key Statistics (2018-19) report this year underlined the continued positive impact of this qualification in widening participation in higher education:

- 37,240 registered onto an Access to HE Diploma

- 23,310 entered higher education in 2019
- 23,240 were accepted for 2019 higher education entry.

31 In terms of outcomes and progression:

- in 2018-19, 93% of students completing the programme were awarded the diploma
- 77% of Access to HE students stayed in their local area to study in higher education
- 22.9% of Access to HE learners graduated from university with a first-class honours degree

32 In February 2020, AVAs and QAA agreed to work in partnership on a shared growth strategy for Access to HE. In February and June 2020, QAA hosted the Access to HE Forum, focusing on current issues and opportunities for improvement for providers. Speakers and attendees gave positive feedback on the content, value and organisation of the event.

33 QAA has been working closely with the Access Validating Agencies (AVAs), DfE, Welsh Government, Ofqual and other organisations to produce and implement a fair and consistent approach to assessment for the award of Access to HE Diplomas for 2019-20. On 3 April 2020, we announced that students who were due to complete their Access to HE Diploma by 31 July would receive calculated grades for all remaining assessments with submission dates after 20 March. In order to facilitate this, we implemented an extraordinary regulatory framework in collaboration with AVAs, held daily AVA clinics, and met with DfE and Ofqual on a weekly basis to ensure consistency in approach. Throughout April and May, we provided over 30 webinars with over 1500 attendees from students and providers.

34 As part of the framework, we implemented robust quality assurance mechanisms to test both the grades achieved and those calculated to ensure fairness for Access to HE students. The national distribution of pass, merit and distinction grades awarded in 2019-20 was broadly in line with that of previous years, with fewer than 1% of students appealing. The QAA-regulated qualification did not receive the negative media attention given to other Level 3 qualifications.

QAA's work with alternative providers

35 QAA has continued to review and annually monitor alternative providers in Wales, Scotland and Northern Ireland on behalf of the Home Office (for Educational Oversight of providers wishing to recruit students domiciled outside the European Union). From August 2020, QAA will also provide external quality assessment for alternative providers in Northern Ireland and Wales for specific course designation.

36 During 2019-20, we have received zero submissions to the Alternative Providers Concerns Scheme.

Supporting our members' responses to the COVID-19 pandemic

37 The COVID-19 pandemic and the policy responses to it have had a profound impact on the higher education sector and on QAA activity across the UK. In March 2020, QAA moved to an operating model with all staff based at home and refocused our work programme to meet the sector's needs.

38 All review programmes have either continued to completion where circumstances allow or been postponed. A cross-QAA working group chaired by the Director for Scotland, Wales and Northern Ireland was established shortly after lockdown to ensure consistency and share approaches across all QAA reviews work during the crisis.

39 QAA immediately began working with our members to produce emergency advice and guidance on priority topics. Since 20 March 2020, QAA has published nine guidance documents and over 20 further resources in the public domain. QAA engaged closely with our members as well as the wider higher education community, including student bodies, regulators and funders across the UK in producing these. On 25 March, QAA launched the Quality Discussion Forum, which now has over 400 members. This interactive platform provides a virtual meeting space for discussions and knowledge exchange between peers, direct access to QAA expertise on key topics, and exclusive access to quality assurance resources.

40 QAA has delivered regular member webinars to support the sector in sharing practice; as of September 2020, a series of 28 webinars and online briefings accompanying the published guidance have been delivered. Participation rates have been very high with over 2,000 delegates from 276 organisations attending. Additional support has been provided to individual member institutions by the Quality and Standards team, through increased numbers of scheduled Quality Clinics.

41 Throughout March 2020, QAA held discussions with professional, statutory and regulatory bodies (PSRBs), to encourage flexibility in their requirements. QAA coordinated with DfE and UUK, providing information about 169 PSRBs and publishing a report for the sector.

42 On behalf of our members, QAA remains in regular contact with governments, regulators and funders. In March 2020, QAA met with the new Universities Minister in England, Michelle Donelan MP. The Minister praised QAA's quick response to the needs of universities and colleges for advice and support for students, and expressed gratitude for QAA's work with PSRBs, which she reiterated in a follow-up meeting in July 2020. In May 2020, QAA met with the Education Minister in Wales, Kirsty Williams MS; the Minister expressed interest in our international guidance and gave praise for QAA working well with HEFCW. The Welsh Government has drafted a pandemic recovery plan - the Skills, Higher Education and Lifelong Learning (SHELL) Continuity of Learning Plan, to which QAA Wales has contributed through the Post-Compulsory Education and Training (PCET) Change Board. QAA Scotland has similarly participated in the fortnightly Scottish Government ministerial working group. We wrote to the House of Commons Education Select Committee to offer copies of all published and forthcoming guidance.

43 In April 2020, QAA entered a future planning phase - convening discussion groups with senior leaders in institutions and mission groups to consider the impact of the disruption on future academic years. In June, QAA published new guidance to support the sector through next year and into the future, as well as taking forward new workstreams, for example, the credit review work. Early themes emerging from responses include micro-credentials, student complaints, real-time or asynchronous delivery, and returning to campus with mixed or hybrid learning approaches. QAA will be contributing to a Jisc initiative, also involving UUK, Advance HE and Emerge Education, to look at the technological enabling of the campus experience for future academic years.

Lessons learned

44 QAA is a reflective organisation, seeking to learn from experience. In a year involving so much organisational, political and economic change there are a number of areas where we can learn to inform future activity.

45 As a result of the COVID-19 pandemic, the year 2019-20 has been unique for QAA, as it has been for the higher education sector and wider society. While COVID-19 has

presented many challenges, it has also necessitated change, much of which will be positively incorporated into organisational policy and practice in the longer term.

46 In March 2020, all QAA staff moved to homeworking. Shortly before this we had carried out an exercise in staff homeworking on a specified date in anticipation of the need to make changes. This exercise was immensely beneficial in anticipating some of the logistical and technical issues that might arise and demonstrated the importance of organisational scenario planning and risk management. More generally, remote working has had some positive benefits. For example, it gives staff greater flexibility to manage their work/life balance, while many colleagues have found it helps with active engagement in meetings, particularly in situations where they would previously have been the only remote attendee.

47 The COVID-19 pandemic has had a huge impact on higher education and students. Institutions have developed and adapted their provision effectively in the wake of the pandemic, and this work left the sector well-equipped to begin a new academic year. As detailed above, during this time QAA has produced extensive guidance to support the sector. Key to this has been collaboration, with QAA staff and Board members having detailed conversations with institutional leaders and quality specialists, to share emerging practice to inform our guidance. Our conversations have extended beyond the sector to include governments, professional bodies and international quality agencies. QAA has always prioritised collaboration and partnership, but the work undertaken this year has clearly demonstrated to us the value it brings in responding to the most difficult challenges.

48 Given the relative newness of the regulatory arrangements in England, we have worked closely with colleagues in the OfS to ensure that there is effective communication and liaison between our organisations, and that approaches to our review work in England provide information to support regulatory decision making and can evolve in light of experience.

Looking ahead

49 As identified above, QAA's move to remote working in response to COVID-19 has had some positive impact to operational practice and elements of staff welfare. We have established a 'Ways of Working' group to identify permanent beneficial changes to organisational operations and working practices. These will be introduced during the academic year 2020-21

50 QAA launched a new strategy in 2020. It identifies three strategic purposes to guide our work until 2025. These are:

- the trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK
- providing expert advice that secures standards and supports quality enhancement
- strengthening the global reputation of UK higher education.

51 QAA has a wide-ranging work programme in place for 2020-21. The overarching theme for UK-wide membership activities in 2020-21 is 'Resilience, Innovation, Enhancement'; helping members to develop organisational resilience through innovative approaches to quality assurance and enhancement. We will work jointly with all our members and partners across the UK, sharing learning from devolved nations and international partners, supporting new ideas and models for innovation, and providing opportunities to network and share practice. We will also continue to develop international relationships, developing new strategic partnerships and engaging stakeholders across the globe in the development of a new evaluation method for UK transnational education.

52 Higher education continues to remain high on the policy agendas of UK governments. The Conservative Party 2019 general election manifesto committed to tackling what it sees as 'low quality courses', and there is a white paper on further education and skills and a policy paper on higher education expected from the Westminster Government during the winter of 2021. Governments in Scotland and Wales are undertaking reviews of the way higher education is regulated and funded, while the government in Northern Ireland will be reviewing its approach to quality assessment. QAA will be engaging with policy development and proposed reforms in all nations over the coming year.

Financial review

53 The financial statements have been prepared in accordance with the requirements of the Charities SORP. Following the publication of our 2017-20 strategy with its three strategic aims (which are reported on above), resources expended on charitable activities are shown split between these aims. The **total resources expended** note (note 7, page 43) splits these categories down further and includes an allocation of support costs across the aims.

Results

54 QAA's 2019-20 activities were funded primarily through fees chargeable under HERA, contracts with the higher education funding bodies, membership from higher education providers, and charges for oversight and review of alternative providers of higher education. Additional income was generated through other international review activity, advisory services, degree awarding powers applications, contributions from AVAs, conferences and investment income.

55 QAA's net income for the year ended 31 July 2020, before recognising investment losses, was £1,078,515, (2019: net expenditure of £2,794,026). After recognising net losses on investments of £337,220 (2019: gains of £35,414), the net movement in funds for the year was an increase of £741,295 (2019: decrease of £2,758,612) which has increased reserves. The accumulated funds at 31 July 2020 are £4,039,473 (2019: £3,298,178).

56 QAA's wholly owned trading subsidiary, QAA Enterprises Limited, has made a loss of (£21,651), (2019: (£6,270)) to the group surplus, after a gift aid donation of £20,044, (2019: £26,214) to the charity in the year. QAA continues to develop new activities and, when appropriate, these are channelled through the subsidiary.

Income

57 Total income as shown in the Statement of Financial Activities (SOFA) decreased by £1,518,509 (14.1%) to £9,227,576 between 2018-19 and 2019-20.

58 Income from charitable activities shows a net decrease of £1,493,571 (14.1%) due to changes in the funding structure in England:

- **memberships** (£1,753,379; 38.6%, due to the introduction of voluntary membership in England to replace the mandatory subscriptions).

59 The decreases are offset by an overall increase in:

- **regulatory, contracts with higher education funding bodies and alternative providers of higher education** (£529,754; 11.0%, as England regulation work as the DQB starts and moves to being funded by providers, including most alternative providers).

60 Income from investments has increased by £12,662 (8.5%) to £160,814.

61 The investment income is interest from cash deposits, together with dividends and interest from fixed asset investments. Investment returns are discussed in the Treasury Management section below.

Expenditure

62 Total expenditure, as shown in the SOFA, decreased by £5,391,049 (39.8%) to £8,149,061 between 2018-19 and 2019-20. Expenditure on charitable activities decreased by £5,368,817 (39.7%) to £8,141,238, as savings in support costs following the Transformation, Change and Capability project completed at the end of 2018-19 were further increased by a reduction in the Universities Superannuation Scheme (USS) pension deficit provision of £1,267,259 (2019; increase of £1,486,783). The decrease in the pension provision represents a reduction for deficit contributions made of £48,395 (2019; £51,169) payable to the USS together with the cost of the decrease in the deficit funding liability between the opening and closing balance sheet dates of £1,218,864.

63 Following changes to the USS, this scheme now comprises two parts, USS Retirement Income Builder which is a defined benefit arrangement and USS Investment Builder which is a defined contribution arrangement. The latest formal actuarial valuation of the USS defined benefit liabilities has been carried out as at 31 March 2018 to meet the requirements of the Pensions Act 2004. This actuarial valuation shows a shortfall of £3.6bn in the USS with the scheme assets being sufficient to cover 95% of its 'technical provisions' liabilities.

64 A breakdown of charitable expenditure between the strategic aims is shown in note 6 on page 42.

65 An analysis of charitable expenditure between direct costs and support costs is provided in the **total charitable expenditure** note (note 7, page 43).

Balance sheet

66 Total funds on QAA's group balance sheet are £4,039,473 (2019: £3,298,178). The net book value of tangible fixed assets held by the group and charity shows a decrease to £610,538 with depreciation exceeding the £9,404 spent on additions (see note 12 on page 48). The net book value of fixed asset investments has decreased by £195,647 to £4,300,291.

67 Trade debtors have decreased by £1,974,010 to £462,782 as a result of the earlier collection of the Designated Quality Body annual fee for the year from April 2020 and the delay in invoicing membership for the period starting 1 August 2020. As a result of the latter, deferred income has reduced by £1,098,055 to £2,422,660.

Reserves policy

68 QAA's Reserves policy establishes a target range of free reserves, taking into account: the financial impact of risk; the volatility of current and future income streams; the action required in the event of income reduction; and the impact of future commitments. The resultant target range of free reserves, following the annual review, is set at £2.4-£2.9 million. The level of available free reserves, after the adjustment approved by the Board in 2020-21 (see paragraphs 70 and 71) is £2.7 million, which falls within this range.

69 As part of the Trustee's responsibilities of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been considered. The assumptions modelled are based on the estimated potential impact of known changes in the sector and any effect of COVID-19 restrictions and regulations, along with our proposed responses over the course of the next 18 months.

70 On the basis of this review, these financial statements have been prepared on a Going Concern basis, which the Trustees consider to be appropriate based on the results for the year ending 31 July 2020 and forecasts and cash flow projections prepared for the period to 31 July 2022. The cash flow projections indicate that the Group will be able to meet its liabilities as they fall due and will be able to operate within the facilities currently available. The Trustees consider that there are no material uncertainties over the charitable company's financial viability.

71 QAA holds reserves for three main reasons:

- to secure its long-term position
- to deliver the medium-term objectives in the QAA strategy, by ensuring that reserve levels provide a cushion against medium-term business risks and take full account of the costs of medium-term objectives
- to ensure that it can carry out the programme of work detailed in the next year's annual plan, for example, through meeting approved shortfalls in short-term activities that are not fully funded.

72 A designated Innovation and Development Fund is set aside 'for innovation in products and services for the long-term benefit of UK higher education'. The opening balance on the fund was £58,000. During the year, £33,306 was used to cover expenditure relating to the development of the new QAA Membership model, leaving a balance of £24,694. In October 2020, consideration was given to replenishment of this reserve and a further £300,000 will be transferred to the fund for the purposes of providing additional services to QAA Members.

73 A designated fund of £323,000 for restructuring was created in 2018-19 to cover the remaining restructuring costs crystallising in 2019-20. During the year, £299,020 was used to cover the remaining expenditure and the remaining balance of £23,980 will be released back to free reserves in 2020-21.

74 At 31 July 2020, QAA's free reserves as defined by the Charities SORP were £3,021,261 (2019: £1,615,923).

Treasury management

75 The main principles underpinning QAA's treasury management policy are to ensure that:

- QAA has adequate cash and working capital to enable it, at all times, to have sufficient funds available to achieve its business objectives
- QAA investments are secure - this is achieved by ensuring that its authorised investments reflect a risk-averse and prudent attitude towards the organisations with which funds may be deposited, and limits its investment activities to those approved
- QAA achieves the maximum return on its investments, taking into account the other key principles
- QAA minimises the risk of fraud or error in its treasury management activities - this is achieved by designing suitable systems, procedures and contingency management arrangements in order to minimise the risk of fraud or error.

76 During 2019-20, the revised investment approach agreed by the trustees continued to be followed, with available funds being notionally split into three tranches and managed as follows:

- **short-term working capital** - held by QAA's bankers, HSBC Bank plc, and managed internally
- **medium-term cash funds** - invested with HSBC Bank plc, Barclays Bank plc and Lloyds Bank plc and managed internally in accordance with our cash flow plan to meet short-term working capital requirements
- **longer-term reserves** - over £4.3 million has been placed with Rathbones Investment Management Limited (Rathbones) for discretionary investment in listed shares and gilts.

77 Investment income in the year is attributable to interest receivable of £13,026 from short-term working capital balances and medium-term cash funds, together with interest and dividends of £147,788 received from fixed-asset investments.

78 The market value of the investments is £4.3 million (2019: £4.5 million). The net unrealised loss in the market value of funds held at 31 July 2020 was £(337,045) (2019: gain £153,782) following a sharp decrease in stock markets worldwide in reaction to the COVID-19 pandemic. The surplus of interest and dividend receipts after paying management charges, together with net gains or losses realised, continues to be reinvested.

79 This approach is being closely monitored and managed to ensure that the principles of the treasury management policy are being met. Given the low base rate and current market conditions, QAA considers the returns on its cash and investments to be acceptable.

Directors' Report

Structure, governance and management

80 QAA is a private company limited by guarantee, and a registered charity in England, Wales and Scotland. Our four company members were, as at 31 July 2020:

- GuildHE Limited
- Universities Scotland
- Universities UK
- Universities Wales.

81 In the event of winding up, the liability of our members is limited to an amount not exceeding £1 per member.

82 We were established under a Memorandum of Association and are governed under our Articles of Association, which set out our constitution and objects. Our objects are:

- the promotion and maintenance of quality and standards in higher education in the UK and elsewhere
- the enhancement of teaching and learning, and the identification and promotion of innovation and good practice in teaching and learning
- the provision of information, and the publication of reports on quality and standards in higher education in the UK and elsewhere
- the provision of advice to governments, as requested, on Access course recognition and in relation to all or any of the above objects.

Governance

83 As part of our ongoing commitment to good governance and leadership, this year we have carried out a Board skills audit and, in line with recommended practice, commissioned an external governance review which took place in July 2019 and reported to the Board in December 2019. Actions from this review were agreed in March 2020, and we have begun to implement the approved recommendations, including the introduction of a consultative board for stakeholders.

84 One-to-one annual conversations continue to be held between the Chair and individual Board members.

85 During the year, the Board has also reviewed and agreed:

- QAA's risk appetite and tolerance levels
- revised terms of reference for the Nominations and Remuneration committee, DQB Committee and Audit and Risk Committee.

Recruitment and appointment to the Board

86 Our directors are also our trustees for the purposes of charity law. Under our Articles of Association, they are known as the Board. Under the requirements of the Articles, 18 trustees are appointed to the Board as follows.

- Serving a three-year term, then eligible for a second three-year term:
 - four members appointed jointly by three funding bodies for UK higher education (Department for Education (Northern Ireland), Higher Education Funding Council for Wales and the Scottish Funding Council). The Office for Students has to date declined to take on the nominating rights previously exercised by the Higher Education Funding Council for England
 - four members appointed jointly by the UK higher education representative bodies (GuildHE, Universities Scotland, Universities UK and Universities Wales)
 - one member nominated by the UK Council of Colleges and appointed by the Board
 - six independent members appointed by the Board
 - one independent member appointed by the Board who, at the time of appointment, is engaged wholly or mainly in the governance or management of an alternative provider of higher education.
- Serving a one-year term, then eligible for a second one-year term:
 - one independent member appointed by the Board who, at the time of appointment, is a registered undergraduate or postgraduate student, an elected student officer of a student union, or an elected student officer of a student representative body
 - one member nominated by the National Union of Students and appointed by the Board.

87 Our Board membership represents the diversity of UK higher education, including students, with a rich mix of skills and experience. Our six independent Board members have, in line with the requirements of our Articles, experience in industrial, commercial or financial matters, or professional practice. We advertise publicly to recruit our independent members, following an assessment of the skills we need on our Board. Our Nomination and Remuneration Committee advises the Board to ensure our selection and recruitment process is transparent and fair.

88 All Board members are non-executive directors. They give their time voluntarily and do not receive any remuneration or benefits from the charity. Expenses claimed by Board members during 2019-20 are covered in note 10 of our financial statements.

Board responsibilities

89 Our Board's principal responsibilities include:

- approving our mission and strategic vision, strategic plans, annual plans and budgets, and key performance indicators
- ensuring the establishment and monitoring of systems of control and accountability
- ensuring processes are in place to monitor and evaluate our performance and effectiveness
- appointing the Chief Executive and putting in place suitable arrangements for monitoring their performance
- acting as our principal financial and business authority

- ensuring we keep proper books of accounts
- approving our annual report and financial statements
- overall responsibility for our assets, property and estate.

90 The Board has delegated responsibility for the day-to-day management of the charity to our Chief Executive, in accordance with a scheme of delegation. In discharging these responsibilities, the Chief Executive is advised and supported by the Executive team and wider Senior Leadership Team, as listed below.

Board member induction

91 Newly-appointed Board members are provided with the following documents, and sign a declaration to confirm that they have reviewed and understood them:

- Charity Commission publications: *The Essential Trustee* and the *Charity Governance Code*
- QAA publication: *Code of Best Practice for Members of the QAA Board* (including guidance on ethical conduct, statutory duties and responsibilities, and good governance).

92 All new Board members have an individual induction programme of meetings with the Chair and senior staff. This introduces them to QAA, our governance, operations and strategic plans. Our Head of Corporate Affairs (Company Secretary) and Governance Officer are available to support Board members in discharging their statutory duties, providing advice and guidance as required.

Board member activities

93 A typical year for one of our Board members is likely to include:

- attendance at four Board meetings (one day per meeting and an additional strategic away day)
- attendance at the QAA annual conference (two days)
- attendance at committee meetings and working groups convened for specific purposes (as required).

94 In addition, our Board members may have responsibility for a particular area, and work with staff to provide advice and support, which in turn enhances Board understanding and scrutiny.

95 During the year 2019-20, the average Board meeting attendance was 90% (83% in 2018-19). Individual Board member attendance was as follows;

Name	Attendance for 2019-20 (out of four meetings)
Professor Andrew Wathey	1
Professor Simon Gaskell	4
Professor Craig Mahoney	3
Mr Craig Watkins	4
Professor Denise McAlister	3
Ms Linda Duncan	4
Professor Maria Hinfelaar	4
Mr Matt Adie	4
Mr Oliver Johnson	4
Professor Oliver Turnbull	4
Professor Philip Wilson	4
Ms Sara Drake	4
Dr Vanessa Davies	4
Ms Claire Sosienski Smith	3
Professor John Sawkins	4
Professor Sue Rigby	4
Ms Angela Joyce	3

Specified quorum, as detailed in our Articles of Association, was reached at all meetings.

Board committees

96 There were eight Board committees in operation during 2019-20. All committees have individual terms of reference published in our Code of Best Practice.

Governance matters:

- Audit and Risk Committee
- Nomination and Remuneration Committee

Advisory:

- QAA Wales Strategic Advisory Committee
- QAA Scotland Strategic Advisory Committee
- Student Strategic Advisory Committee

Operations:

- Access Recognition and Licensing Committee
- Advisory Committee on Degree Awarding Powers
- Designated Quality Body Committee

QAA Board of Directors

97 From 1 August 2019 to 16 December 2020, the following served as directors and trustees on the QAA Board:

Independent members

Professor Simon Gaskell (Chair)	Former President and Principal, Queen Mary University of London (appointed March 2019)
Dr Vanessa Davies	Former Director General, Bar Standards Board (appointed December 2017)
Ms Sara Drake	Chief Executive, ICSA (appointed January 2018)
Ms Linda Duncan (Honorary Treasurer/Vice-Chair)	Chief Executive, Blue Star Consortium (appointed March 2017)
Mr Oliver Johnson	Former Chief Executive of Durrell Wildlife Conservation Trust (appointed December 2016)
Mr Craig Watkins	Chief Executive and Managing Director of Kantar Public UK (appointed December 2017)

Independent member: alternative provider

Mr Philip Wilson	Immediate past-Chair, Independent HE (appointed June 2017)

Independent member: student

Mr Matt Adie	Recent student, University of Stirling (appointed June 2018 to June 2020)
Ms Eve Alcock	Recent SU President, University of Bath (appointed June 2020)

Appointed jointly by GuildHE Limited, Universities Scotland, Universities UK and Universities Wales

Professor Maria Hinfelaar	Vice-Chancellor, Glyndŵr University (appointed September 2016)
Professor Craig Mahoney	Vice-Chancellor, University of the West of Scotland (appointed May 2016)
Professor Andrew Wathey CBE	Vice-Chancellor, Northumbria University (appointed September 2015)
Professor Sue Rigby	Vice-Chancellor of Bath Spa University (appointed October 2019)

Appointed jointly by the Department for Education (Northern Ireland), Higher Education Funding Council for Wales and the Scottish Funding Council

Professor Denise McAlister	Emeritus Professor, University of Ulster (appointed October 2014 to October 2020)

Professor David Jones	Pro-Vice-Chancellor (Education and Students), Professor of Biomaterial Science, Queen's University Belfast (appointed October 2020)
Professor Philip Winn	Research Professor of Neuroscience, Strathclyde Institute of Pharmacy and Biomedical Sciences (appointed October 2013 to October 2019)
Professor John Sawkins	Deputy Principal (Learning and Teaching), Professor of Economics, Herriot Watt University (appointed October 2019)
Professor Oliver Turnbull	Pro Vice-Chancellor (Teaching and Learning) Professor of Neuropsychology, Bangor University (appointed September 2019)

Nominated by the UK Council of Colleges

Ms Angela Joyce	Chief Executive, Warwickshire College Group (appointed October 2019)

Nominated by the National Union of Students

Ms Claire Sosienski Smith	Vice-President (Higher Education), NUS (appointed from July 2019 to July 2020)
Ms Hillary Gyebi-Ababio	Vice-President (Higher Education), NUS (appointed July 2020)

Organisational structure

98 Our Executive team in 2019-20 was:

- Douglas Blackstock, Chief Executive
- Ian Kimber, Director of Universities, Quality Enhancement and Standards (until January 2020)
- Rowena Pelik, Director of Nations and International (until April 2020)
- Caroline Blackburn, Finance Director
- Vicki Stott, Executive Director of Operations (appointed November 2019)

99 The structure of senior management was reviewed as part of the Transformation, Capability and Change programme and, in March 2019, the QAA Board endorsed a new, more streamlined Executive team, consisting of the Chief Executive supported by the Executive Director of Operations and the Finance Director. This reflects the smaller organisation required post-transformation.

100 The Executive team is supported by the wider Senior Leadership Team, as set out on page 4.

Pay and remuneration

101 Our Nomination and Remuneration Committee advises the Board on the performance of the Chief Executive and Executive team, appropriate remuneration, and severance payments. In setting the pay of the Chief Executive and Executive team, the Committee takes into account the skills and experience required for each of the roles, and the remuneration in sectors from which suitable candidates for such posts would be found. Remuneration for different jobs is validated objectively, using market comparators. This includes looking at salary survey data for comparable roles from a number of sectors, including charities, higher education and organisations within the local area. Salary increases for all staff are awarded subject to performance review.

Corporate social responsibility (CSR)

102 QAA is committed to working in an ethically and socially responsible manner across all areas of our business. Our work safeguards standards and improves the quality of UK higher education, wherever it is delivered around the world. Our business approach considers the impact of our work on the environment, our staff, suppliers, local communities, the higher education sector, and wider society. Our current CSR policy (2017-20) sets out our aims and the activities in which we engage to support them across the UK:

- to uphold an ethical, transparent approach to our work
- to reduce our impact on the environment
- to contribute to the development of our local communities
- to respect our staff and encourage their development.

103 Our CSR performance and impact are monitored by both our Executive team and the Board's Audit and Risk Committee.

Data protection

104 There were no reportable incidents involving personal data during 2019-20.

Fundraising activities

105 The charity had no fundraising activities requiring disclosure under S162A of the Charities Act 2011.

Equality statement

106 We are strongly committed to the principles of equality, as part of our wider commitment to quality. We demonstrate this through our internal policies and working practices. We also embed it in our work, as equality is an integral part of our approach to quality assurance and enhancement. Equality is a key element of our view of a high-quality educational experience and the expectations students can rightly have of the providers of UK higher education.

Delivering public benefit

107 We have a duty, under the Charities Act 2011, to report on the public benefit that we deliver. Our trustees have regard to the Charity Commission's guidance on public benefit, a summary of which is issued to our Board members on appointment, and are satisfied that, through our work to support the UK higher education sector, including helping provide access to higher education for many students and working more generally in the interests of students, our public benefit requirements have been met.

Relationships with related parties

108 QAA's subsidiary, QAA Enterprises Limited, a private company limited by shares, is governed by its own Articles of Association which set out its constitution. The objects of QAA Enterprises Limited are:

- to provide a range of services, including consultancy, training, research, sponsorship, review and accreditation, for the sole purpose of generating income to support the objects of QAA
- to promote and maintain the quality and standards of higher education in the UK and overseas
- all matters that the company deems ancillary, necessary or related to those objects.

Principal risks and uncertainties

109 Our Board is ultimately responsible for our approach to risk management, which is set out in our risk management policy. We record strategic risks in our strategic risk register, and operational risks are recorded either in our operational risk register, or in the dedicated project or activity registers to which the risks relate.

110 The strategic risk register is reviewed by our Audit and Risk Committee at each of its meetings, and a paper on risk management is sent to every Board meeting.

111 In 2019-20 we considered four principal risks, set out below with a summary of our actions to mitigate and manage them.

- i External events and shocks (including the pandemic) and financial pressures in the sector leading to potential adverse impact on the sustainability of QAA's business model. We managed this risk through:
 - Sustained engagement with the sector as a whole to help support it through the pandemic and other external pressures
 - Various initiatives to make QAA more efficient and to further its work to promote the UK higher education sector internationally

- Ongoing work to ensure that our membership model offers good value for money
- ii Regulatory decisions or operational challenges leading to potential negative impact on effective delivery of the Designated Quality Body function. We managed this risk through:
 - Sustained engagement with the Office for Students and the Department for Education
 - Various internal quality control measures to ensure that QAA's work as DQB is of good quality and meets all OfS requirements
- iii Changes in the sector and in the policy and wider landscape adversely affecting QAA's UK-wide remit. We managed this risk through:
 - Continuing engagement with the devolved governments, representative bodies and funding bodies
 - Efforts to ensure that the devolved nations and UK-wide issues are fully taken into account in all QAA's work, both in the UK and internationally
- iv External factors or internal pressures leading to a potential reduced focus on QAA's purpose of promoting and safeguarding quality and standards. We managed this risk through:
 - A focus and regular reporting on the effectiveness of review methods
 - Work with representative bodies and others on key issues such as academic integrity, grade inflation and trans-national education.

112 The Board is satisfied that risks and uncertainties are being appropriately monitored and managed.

Reference and administrative details

Registered name	The Quality Assurance Agency for Higher Education
Other names used by the company	QAA, QAA Scotland
Company registration number	03344784 (England and Wales)
Charity registration numbers	1062746 (England and Wales) SC037786 (Scotland)
Registered and principal office	Southgate House, Southgate Street, Gloucester, GL1 1UB
Operational addresses	Southgate House, Southgate Street, Gloucester, GL1 1UB 18 Bothwell Street, Glasgow, G2 6NL 15 Fetter Lane, London, EC4A 1BW Cambrian Buildings, Mount Stuart Square, Cardiff Bay, CF10 5FL
Company Secretary	Tom Yates, Head of Corporate Affairs
Senior management (with delegated authority)	Douglas Blackstock, Chief Executive
Bankers	HSBC Bank plc, The Cross, Gloucester, GL1 2AP and Lloyds Bank plc, 10 Gresham Street, London, EC2V 7AE
Investment managers	Rathbones Investment Management Limited, 1 Curzon Street, London, W1J 5FB Barclays Private Bank (Barclays Bank PLC), 40-42 Queen Square, Bristol, BS1 4QP
Solicitors	Shakespeare Martineau, No 1 Colmore Square, Birmingham, B4 6AA
Independent auditor	Crowe U.K. LLP, Carrick House, Lypiatt Road, Cheltenham, GL50 2QJ

Responsibilities of the trustees and directors

113 The trustees (who are also directors of The Quality Assurance Agency for Higher Education for the purposes of company law) are responsible for preparing the Trustees' Annual Report, including the Strategic Report and Directors' Report, and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

114 Company law requires the trustees to prepare financial statements for each financial year. Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group, and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charitable company will continue in business.

115 The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company, and enable them to ensure that the financial statements comply with: the *Companies Act 2006*; the *Charities and Trustee Investment (Scotland) Act 2005*; the *Charities Accounts (Scotland) Regulations 2006* (as amended); and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Information to auditor

116 In the case of each of the persons who are directors of the company at the date when this report was approved:

- in so far as each of the directors of the company at the date of approval of this report is aware, there is no relevant audit information (information needed by the company's auditor in connection with preparing the audit report) of which the company's auditor is unaware
- each director has taken all the steps that they should have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

117 A resolution to reappoint Crowe U.K. LLP as auditor to the company was agreed at our Annual General Meeting in December 2020.

118 The Strategic Report, Directors' Report and financial statements were approved by the Board on 16 December 2020 and were signed on its behalf by:

Professor Simon Gaskell
Chair of the Board of Directors



Tom Yates
Company Secretary



Independent Auditor's Report to the Members of The Quality Assurance Agency for Higher Education

Opinion

We have audited the financial statements of The Quality Assurance Agency for Higher Education for the year ended 31 July 2020 which comprise Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 July 2020 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the trustees' report, which includes the directors' report and the strategic report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement 20-21 set out on page 28, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being

satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's or the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

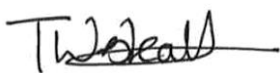
We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Tara Westcott

Senior Statutory Auditor

For and on behalf of
Crowe U.K. LLP
Statutory Auditor
Carrick House
Lypiatt Road
Cheltenham
Gloucestershire GL50 2QJ

15 January 2021

**Consolidated statement of financial activities
(including consolidated income and expenditure account)
for the year ended 31 July 2020**

	Notes	2020 £ Unrestricted funds	2019 £ Unrestricted funds
Income from:			
Charitable activities	5	9,066,762	10,560,333
Other trading activities	3	-	37,600
Investments	4	160,814	148,152
Total income		9,227,576	10,746,085
Expenditure on:			
Fundraising trading costs		1,607	7,276
Investment management costs		6,216	22,780
Raising funds		7,823	30,056
Charitable activities	6, 7	8,141,238	13,510,055
Total expenditure		8,149,061	13,540,110
Net (losses) / gains on investments	14	(337,220)	35,414
Net income and net movement in funds for the year	8	741,295	(2,758,612)
Reconciliation of funds			
Total funds brought forward		3,298,178	6,056,790
Total funds carried forward	22	4,039,473	3,298,178

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The notes on pages 35 to 61 form part of these financial statements.

Balance sheets as at 31 July 2020
(Company number: 03344784)

	Notes	Group 2020	2019	Charity 2020	2019
		£	£	£	£
Fixed assets:					
Tangible assets	12	610,538	942,255	610,538	942,255
Investments	14	4,300,291	4,495,938	4,300,292	4,495,939
Total fixed assets		4,910,829	5,438,193	4,910,830	5,438,194
Current assets:					
Debtors	15	721,086	2,732,271	778,450	2,789,635
Cash at bank and in hand		3,288,534	3,008,960	3,230,256	2,929,032
Total current assets		4,009,620	5,741,231	4,008,706	5,718,667
Liabilities:					
Creditors - amounts falling due within one year	16	(3,537,345)	(4,739,444)	(3,534,825)	(4,736,924)
Net current assets		472,275	1,001,787	473,881	981,743
Total assets less current liabilities		5,383,104	6,439,980	5,384,711	6,419,937
Provision for liabilities	20	(142,277)	(673,190)	(142,277)	(673,190)
Pension provision liability	21	(1,201,354)	(2,468,613)	(1,201,354)	(2,468,613)
Total net assets		4,039,473	3,298,178	4,041,080	3,278,134
The funds of the group and charity:					
Designated funds	22	407,674	740,000	383,694	740,000
General funds	22	3,631,798	2,558,178	3,657,386	2,538,134
Total funds as at 31 July 2020		4,039,473	3,298,178	4,041,080	3,278,134

The surplus for the financial year dealt with in the financial statement of the parent charity was £762,946 (2019: deficit of £2,752,342).

The notes on pages 35 to 61 form part of these financial statements.

The financial statements were approved and authorised by the Board on 16 December 2020 and were signed on its behalf by:



Professor Simon Gaskell
Chair of the Board of Directors



Tom Yates
Company Secretary

Statement of cash flows for the year ended 31 July 2020

	Notes	Group		Charity	
		2020	2019	2020	2019
		£	£	£	£
Cash flows from operating activities:					
Net cash provided by operating activities	25	269,736	542,321	291,386	519,496
Cash flows from investing activities:					
Investment income		160,814	148,152	160,814	148,152
Proceeds from sale of investments		3,752	4,305,669	3,752	4,305,669
Purchase of investments		(151,907)	(4,776,555)	(151,907)	(4,776,555)
Purchase of tangible fixed assets		(9,404)	(134,552)	(9,404)	(134,552)
Net cash (used in)/provided by investing activities		3,255	(457,286)	3,255	(457,286)
Change in cash and cash equivalents in the year		272,991	85,035	294,641	62,210
Cash and cash equivalents at the beginning of the year		3,015,553	2,930,518	2,935,625	2,873,415
Cash and cash equivalents at the end of the year	26	3,288,544	3,015,553	3,230,266	2,935,625

The notes on pages 35 to 61 form part of these financial statements.

Notes to the financial statements for the year ended 31 July 2020

1 Legal status

The Quality Assurance Agency for Higher Education (QAA) is a charitable company limited by guarantee. QAA is registered with the Charity Commission England and Wales (registered no: 1062746) and the Scottish Charity Regulator (registered no: SC037786). The charity was incorporated as a company limited by guarantee with Companies House England and Wales (registered no: 03344784). Its registered and principal office is Southgate House, Southgate Street, Gloucester, GL1 1UB.

2 Accounting policies

The principal accounting policies, judgements and key sources of estimation uncertainty adopted in the preparation of the financial statements are as follows:

a Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the *Companies Act 2006*.

The financial statements have been prepared under the historical cost convention. QAA meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

b Preparation of the accounts on a going concern basis

As part of the Trustee's responsibilities of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been considered. The assumptions modelled are based on the estimated potential impact of known changes in the sector and any effect of COVID-19 restrictions and regulations, along with our proposed responses over the course of the next 18 months.

On the basis of this review, these financial statements have been prepared on a Going Concern basis, which the Trustees consider to be appropriate based on the results for the year ending 31 July 2020 and forecasts and cash flow projections prepared for the period to 31 July 2022. The cash flow projections indicate that the Group will be able to meet its liabilities as they fall due and will be able to operate within the facilities currently available. The Trustees consider that there are no material uncertainties over the charitable company's financial viability.

c Group financial statements

The financial statements consolidate the results of the charity and its wholly owned subsidiary on a line-by-line basis. The financial statements are prepared in sterling, which is the functional currency of the group. A separate Statement of Financial Activities (SOFA), and income and expenditure account, for the charity itself are not presented because the charity has taken advantage of the exemptions afforded by section 408 of the *Companies*

2 Accounting policies (continued)

Act 2006. As required by the Charities Accounts (Scotland) Regulations 2006 (as amended), a cash flow statement for the charity is included.

d Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Judgements and key sources of estimation uncertainty that have had the most significant effect on amounts recognised in the financial statements are included with the relevant accounting policy below.

The annual depreciation charge for the tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the tangible assets.

The deficit on the defined benefit scheme is calculated by estimating the net present value of the future contribution liability needed to fund the recovery plan. In calculating the liability the directors have made estimates for future staff changes, salary changes and discount rates.

e Fund accounting

Unrestricted funds are incoming resources received or generated for expenditure on the general objectives of QAA. Designated funds are unrestricted funds of the charity which have been set aside by the trustees to fund particular future activities of the charity.

f Income

QAA's activities are funded primarily through contracts with the higher education funding bodies and UK governments, and through subscriptions from higher education institutions; it does not raise income through fundraising. All income has been accounted for when the charity has entitlement to the funds, any performance issues attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

g Expenditure and the basis of allocation of costs

All expenditure has been accounted for on an accruals basis and has been recorded as attributable to one of two categories, 'raising funds' (the cost of managing the charity's investments and the costs of fundraising trading incurred by the subsidiary company) and 'charitable activities' as shown in the SOFA. The charitable activities are further divided into the three strategic aims of the charity. Within charitable activities, the expenditure is classified as 'direct costs' or 'support costs' as shown in the 'total charitable expenditure' note.

2 Accounting policies (continued)

Staff numbers and costs were allocated either:

- directly to one or more of the three charitable activities as 'direct costs', or
- directly to governance as 'support costs', or
- apportioned to the three charitable activities and governance as 'support costs' using the staff numbers already attributed to those activities.

Non-pay costs were allocated either:

- directly to one or more of the three charitable activities as 'direct costs', or
- directly to governance as 'direct costs' or 'support costs', or
- apportioned to the three charitable activities and governance as 'support costs' using the staff numbers already attributed to those activities.

Governance costs include the costs of meeting constitutional and statutory requirements such as audit, trustees' meetings and expenses, and legal fees. The staff and office costs associated with such costs are included in support costs. Governance costs are then apportioned to one of the three charitable activities.

h Operating leases

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred on a straight-line basis over the term of the lease.

i Restructuring and redundancy costs

Restructuring costs are recognised when the Charity has a legal obligation at the reporting date to carry out the restructuring. It is the trustees' policy to minimise the impact of organisational change. Redundancy payments only occur when absolutely necessary and are accounted for on an accruals basis when the commitment to terminate a post on the grounds of redundancy has been made.

j Tangible fixed assets and depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset in equal instalments over its expected useful life.

The depreciation rates are as follows:

- Computer equipment: three years
- Specialised computer software: five years
- Office furniture and equipment: five years
- Leasehold improvements: over the outstanding period of the lease

The cost of standard computer software is written off to the SOFA as it is incurred. Software that has been designed specifically for QAA or purchased as part of a larger capital project has been capitalised and written off over a five-year period. Assets costing less than £2,000 are not capitalised unless they form part of a larger capital project.

2 Accounting policies (continued)

k Investments

Listed investments are shown at market value at the year end and any movements are recorded as unrealised gains or losses in the consolidated statement of financial activities. Surpluses or deficits on investments sold during the year are calculated by comparing net proceeds with market value at the start of the year and are recorded as realised gains or losses in the consolidated statement of financial activities. Unlisted investments are included at cost.

l Debtors

Trade debtors, other debtors and accrued income are recognised at the settlement amount due after any trade discount. Prepayments are valued at the amount prepaid net of any trade discounts due.

m Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions.

n Foreign currencies

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of financial activity.

o Creditors and provisions

Creditors and provisions are recognised when the charity has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

QAA provides paid holiday arrangements for its employees and recognises the expense in the period in which the benefit is accrued. A provision is made for the cost of holiday accrued but not taken.

p Basic financial provisions

QAA has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value (see note 18).

2 Accounting policies (continued)

q Pensions

Defined benefit schemes

QAA participates in the Universities Superannuation Scheme (USS) and Superannuation Arrangements for the University of London (SAUL). Throughout the current and preceding periods, both schemes were defined benefit only pension schemes and were contracted out of the State Second Pension (S2P) until 31 March 2016. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. QAA is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 'Employee benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the SOFA represents the contributions payable to the scheme in respect of the accounting period. Since QAA has entered into agreements (the Recovery Plans that determine how each employer within each scheme will fund the respective overall deficit of each scheme), QAA recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the SOFA.

Critical accounting judgements

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control, typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as those provided by USS and SAUL. The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The directors are satisfied that the schemes provided by USS and SAUL meet the definition of a multi-employer scheme and has therefore recognised the discounted fair value of the contractual contributions under the funding plans in existence at the balance sheet date.

Defined contribution scheme

QAA also participates in a defined contribution pension scheme and the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period.

3 Income from other trading activities

The summary financial position of QAA's wholly owned trading subsidiary QAA Enterprises Limited is:

	2020	2019
	£	£
Turnover	-	37,600
Cost of sales and administrative costs	(21,651)	(43,870)
Net loss for the year	(21,651)	(6,270)

The assets and liabilities of the subsidiary were:

Current assets	58,277	79,928
Current liabilities	(59,884)	(59,884)
Total net (liabilities) / assets	(1,607)	20,044

4 Income from investments

The group's investment income for the year is analysed by source below:

	2020	2019
	£	£
Dividend and interest income from quoted investments	147,788	129,475
Interest from cash held in interest bearing bank accounts	13,026	18,677
Total investment income for the year	160,814	148,152

5 Income from charitable activities

	Note	2020 £	2019 restated* £
Memberships		2,792,997	4,546,376
Regulatory		4,080,994	1,014,450
Contracts with higher education funding bodies		1,087,505	2,384,041
Alternative providers of higher education		194,775	1,435,029
Other contracts and related income		910,491	1,180,437
Total income from charitable activities		9,066,762	10,560,333

Analysis by source:

UK higher education funding councils		1,244,784	2,119,961
UK higher education institutions		4,137,983	7,315,011
UK further education institutions		387,841	1,511,510
UK alternative providers of higher education		1,138,705	1,130,802
Other		1,071,709	875,585
		7,981,022	12,952,869

Release income deferred in prior years	16	3,409,859	1,006,886
Defer income received in current year	16	(2,324,119)	(3,399,422)

Total income from charitable activities		9,066,762	10,560,333

*restated categories to better reflect the funding streams going forwards following a change in funding structure from 1 April 2019.

6 Expenditure on charitable activities

	Note	2020 £	2019 £
Expert independent quality body supporting diverse system of co-regulation		6,716,610	8,564,802
Delivering valued services that provide assurance and drive quality		1,543,512	1,785,807
Using international reputation and partnerships to benefit UK higher education		999,669	886,097
Total expenditure on charitable activities before restructuring cost and pension provision		9,259,791	11,236,706
Restructuring costs		148,705	837,736
Pension provision - deficit contributions	21	48,395	1,408,357
Pension provision - unwinding of discount	21	(1,315,653)	27,256
Total expenditure on charitable activities		8,141,238	13,510,054

7 Analysis of expenditure on charitable activities

	Charitable activities				Total expenditure on charitable activities	
	Expert independent quality body supporting diverse system of co-regulation of UK higher education	Delivering valued services that provide assurance and drive quality enhancement	Using our international reputation and partnerships to benefit UK higher education	Governance	2020	2019
	£	£	£	£	£	£
Direct costs						
Staffing costs	2,801,394	727,955	461,214	-	3,990,563	4,123,034
Other review costs	1,188,476	44,505	99,814	-	1,332,795	1,217,756
Other direct costs	362,171	48,961	105,370	49,712	566,213	596,183
Total direct costs	4,352,041	821,421	666,398	49,712	5,889,572	5,936,972
Support costs						
Staffing costs	745,103	227,539	105,018	229,776	1,307,436	3,151,174
Other staff costs	224,601	68,589	31,656	898	325,744	238,852
Premises	217,507	66,422	30,656	-	314,585	531,047
Office costs	70,548	21,544	9,943	6,839	108,874	130,957
Information systems	437,152	133,497	61,614	250	632,513	200,568
Professional fees	132,085	40,336	18,617	17,470	208,508	355,621
Other support costs	57,968	17,703	8,170	1,219	85,060	248,221
Depreciation	235,854	72,025	33,242	-	341,121	372,865
Governance **	15,349	4,687	2,163	24,179	46,378	70,430
Total support costs	2,136,166	652,342	301,079	280,631	3,370,218	5,299,733
Reallocate governance	228,402	69,749	32,192	(330,343)		
Total support costs by aim	2,364,568	722,091	333,271	(49,712)	3,370,218	5,299,733
Expenditure on charitable activities before restructuring and pension provision	6,716,610	1,543,512	999,669	-	9,259,791	11,236,706
Restructure - staffing costs	102,816	31,398	14,491		148,705	837,736
Pension provision - net deficit contributions	(909,653)	(277,789)	(128,210)		(1,315,652)	1,408,357
Pension provision - unwinding of discount	33,460	10,218	4,716		48,394	27,256
Total charitable expenditure	5,943,233	1,307,339	890,666	-	8,141,238	13,510,054

** includes the cost of Board meetings and audit fees

8 Net income / (expenditure) for the financial year

	Note	2020 £	2019 £
Net income / (expenditure) is stated after charging/(receiving):			
External auditors - audit services		22,200	18,960
- non-audit services		13,080	9,060
Internal auditors - audit services		24,179	28,812
Professional indemnity insurance		52,140	40,845
Tangible fixed assets			
Depreciation		341,121	372,870
Operating leases			
Land and buildings		298,248	301,373
Other		22,082	29,667
Foreign exchange costs/(gains)		(5,664)	(444)
Employer pension contributions	23	682,285	844,022

9 Analysis of staff costs

	2020 £	2019 £
Total staff costs were:		
Salaries	3,876,849	5,190,741
Employers' National Insurance contributions	404,346	570,296
Pension contributions payable	682,285	844,022
	<u>4,963,480</u>	<u>6,605,059</u>
Employment agency staff	334,519	669,149
Total staff costs before restructuring and pension provision liability adjustments	5,297,999	7,274,208
Restructuring costs	<u>148,705</u>	<u>837,736</u>
Total staff costs after restructuring	5,446,704	8,111,944
Deficit contributions payable in the year	48,395	(51,169)
Increase in expected future deficit contributions	<u>(1,315,653)</u>	<u>1,486,782</u>
Total staff costs charged to the SOFA	<u>4,179,446</u>	<u>9,547,557</u>

9 Analysis of staff costs (continued)

	2020 Number	2019 Number
The average number of employees, calculated on a full-time equivalent basis was as follows:		
Enhance the quality and secure the standards of UK higher education	54	82
Provide leadership in assuring and enhancing the quality of higher education	16	21
Extend and enhance the value and reach of QAA's services	8	9
Total average number of employees on a full-time equivalent basis	78	112
Total average number of employees on a headcount basis	102	130

The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 were:

	2020 Number	2019 Number
£160,000 - £169,999	1	3
£100,000 - £109,999	-	1
£90,000 - £99,999	1	1
£80,000 - £89,999	2	-
£70,000 - £79,999	1	2
£60,000 - £69,999	3	5

All employees earning more than £60,000 participated in the Universities Superannuation Scheme (see note 23). The aggregate amount paid to the scheme for these employees was:

	2020 £	2019 £
Employer contributions	134,334	182,263

10 Remuneration of directors and key management personnel

The key management personnel of the charity comprise the trustees and senior executive staff (see the Directors' Report above).

There were no emoluments paid to the trustees during the year. 21 trustees were reimbursed expenses to the value of £6,180 during the year (2019: 10 trustees, £6,287). The expenses paid related solely to travel and incidentals.

The total employee benefits (including Employer Pension contributions and Employer National Insurance contributions) received by the senior executive staff of the charity and the group was £437,874 (2019: £870,866).

The highest paid employee is the Chief Executive whose remuneration and benefits, including Employer Pension contributions and Employer National insurance contributions in the year were £216,901 (2019: £217,241).

During the year, QAA purchased Directors and Officers Liability Insurance (which included Trustee Indemnity Insurance).

11 Taxation

Under part II of CTA 2010 the charity is not subject to taxation on its charitable activities. The profits of the non-charitable subsidiary will normally be gift-aided to the parent charity. Therefore, the group generally suffers no Corporation Tax on its trading activities.

12 Tangible fixed assets

Group and charity

	Leasehold improvements	**Computer equipment	Furniture and other equipment	Total
	£	£	£	£
Cost				
At 1 August 2019	1,280,210	4,200,967	546,547	6,027,724
Additions	-	9,404	-	9,404
At 31 July 2020	1,280,210	4,210,371	546,547	6,037,128
Depreciation				
At 1 August 2019	752,008	3,812,536	520,925	5,085,469
Charge for the year	126,997	190,354	23,770	341,121
At 31 July 2020	879,005	4,002,890	544,695	5,426,590
Net book value at 31 July 2020	401,205	207,481	1,852	610,538
Net book value at 31 July 2019	528,202	388,431	25,622	942,255

The directors consider that the market value of fixed assets does not differ significantly from their book value.

****** Computer equipment includes intangible software with a net book value of £142,828 (2019 : £94,482)

13 Analysis of capital commitments

	Group and charity	
	2020	2019
	£	£
Contracted for but not provided	7,440	-
Authorised but not yet contracted for	-	-
	7,440	-

14 Fixed asset investments

	Quoted investments £	Unquoted investments £	Total £
Held by the group			
At 1 August 2019	4,495,938	-	4,495,938
Additions at cost	151,907	-	151,907
Disposals at opening market value or cost if bought in year	(3,927)	-	(3,927)
Net decrease in cash held and settlements outstanding	(6,582)	-	(6,582)
Net losses on revaluation to year end market value	(337,045)	-	(337,045)
At 31 July 2020	4,300,291	-	4,300,291
Held by the charity			
At 1 August 2019	4,495,938	1	4,495,939
Additions at cost	151,907	-	151,907
Disposals at opening market value or cost if bought in year	(3,927)	-	(3,927)
Net decrease in cash held and settlements outstanding	(6,582)		(6,582)
Net losses on revaluation to year end market value	(337,045)	-	(337,045)
At 31 July 2020	4,300,291	1	4,300,292

Quoted investments are revalued and stated at market value as at 31 July 2020.

Unquoted investments are stated at cost. QAA holds one ordinary £1 share (100%) in QAA Enterprises Limited, a wholly owned trading subsidiary company registered in England and Wales no. 07588108, with the principle office at Southgate House, Southgate Street, Gloucester, GL1 1UB.

14 Fixed asset investments (continued)

Quoted investments are included at market value and held as follows:

	Group and charity at 31 July 2020		Group and charity at 31 July 2019	
	Cost	Market value	Cost	Market value
	£	£	£	£
Listed on a recognised stock exchange				
- in the UK	4,483,544	4,300,281	4,335,564	4,489,346
- outside the UK			-	-
Cash and settlements pending held as part of the investment portfolio	10	10	6,592	6,592
	<u>4,483,554</u>	<u>4,300,291</u>	<u>4,342,156</u>	<u>4,495,938</u>

15 Debtors

	Group		Charity	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	462,782	2,436,792	462,782	2,436,792
Sundry debtors	9,426	14,681	9,426	14,681
Prepayments	206,028	280,798	206,028	280,798
Accrued income	42,850	-	42,850	-
Subsidiary undertaking	-	-	57,364	57,364
	<u>721,086</u>	<u>2,732,271</u>	<u>778,450</u>	<u>2,789,635</u>

Trade debtors are stated after provision for doubtful debts of £97,646 (2019: £109,446).

16 Creditors: amounts falling due within one year

	Group		Charity	
	2020	2019	2020	2019
	£	£	£	£
Trade creditors	205,766	389,196	205,766	387,576
Taxation and social security	150,898	168,369	150,898	168,369
Pension contributions	90,899	91,897	90,899	91,897
Other creditors	33,031	2,478	31,411	2,478
Accruals	634,091	566,789	633,191	565,889
Deferred income	2,422,660	3,520,715	2,422,660	3,520,715
	3,537,345	4,739,444	3,534,825	4,736,924
The movement in deferred income was as follows:				
At start of year	3,520,715	1,140,779	3,520,715	1,128,179
Release income deferred in prior years	(3,422,174)	(1,019,486)	(3,422,174)	(1,006,886)
Defer income received in current year	2,324,119	3,599,422	2,324,119	3,399,422
At end of year	2,422,660	3,520,715	2,422,660	3,520,715

Deferred income relates to contractual commitments which will not be delivered until next year. It is therefore not appropriate to recognise the income at this stage.

17 Operating lease arrangements

Total future minimum lease payments under non-cancellable operating leases were as follows:

		Group and charity	
		2020	2019
		£	£
Land and buildings			
Within one year		272,317	270,693
Between two and five years		594,692	827,972
After five years		-	30,913
Other			
Within one year		-	15,748
		867,009	1,145,326

18 Financial instruments

	Group		Charity	
	2020	2019	2020	2019
	£	£	£	£
Financial assets measured at amortised cost	3,803,675	5,460,434	3,802,760	5,437,869
Financial liabilities measured at amortised cost	(963,788)	(1,050,360)	(961,268)	(1,047,840)

Financial assets measured at amortised cost comprise cash, trade and other debtors, accrued income and amounts owed from subsidiary undertakings.

Financial liabilities measured at amortised cost comprise trade and other creditors, pension contributions due and accruals.

19 Related party transactions

Due to the nature of QAA's operations and the composition of the QAA Board of Directors, transactions take place with organisations in which a member of the Board may have an interest. All transactions involving organisations in which a member of the Board may have an interest are conducted at arm's length and in accordance with QAA's financial regulations and normal procurement procedures. No transactions were identified that should be disclosed under *Financial Reporting Standard 8: Related Party Disclosures*.

The balance due to the charity from the wholly owned subsidiary undertaking QAA Enterprises Limited is £57,364 (2019: £57,364) as shown in the debtors note on page 50.

QAA is a member of Scottish Credit and Qualifications Framework Partnership, a company limited by guarantee and registered in Scotland number SC311573.

20 Provision for liabilities

Provisions have been made for the following:

Holiday pay

FRS 102 requires short-term employee benefits to be charged to the profit and loss account as the employee service is received. The provision is for the holiday pay that was earned but not taken before the year end.

Restructure

The provision for the restructure recognises an estimate of the costs that will be incurred as a result of the business restructure which commenced in May 2019 and was effective from 1 August 2019 and completed in the year to July 2020.

The movement in the provisions during the year is:

	Group and Charity		
	Holiday pay	Restructure	Total
	£	£	£
At 1 August 2019	89,697	583,493	673,190
Provided during the year	52,580	148,705	201,285
Utilised in the year	-	(732,198)	(732,198)
At 31 July 2020	142,277	-	142,277

21 Pension liability provision

The total pension cost charged to the SOFA is:

	Group and charity	
	2020	2019
	£	£
Employer contributions payable in the year	682,285	844,022
Deficit contributions payable in the year (included in employer contributions above)	(48,395)	(51,169)
Change in expected future deficit contributions	(1,279,098)	1,459,526
Total pension cost charged to the SOFA	<u>(645,208)</u>	<u>2,252,379</u>

The movement in the provision is:

	Group and charity	
	2020	2019
	£	£
At 1 August	2,468,613	1,033,000
Charged to SOFA - deficit contributions payable in the year	(48,395)	(51,169)
(Credited)/charged to the SOFA - change in expected future deficit contributions	(1,279,098)	1,459,526
Unwinding of discount	60,234	27,256
At the year end	<u>1,201,354</u>	<u>2,468,613</u>

22 Analysis of charitable funds

Analysis of movements in unrestricted funds

	Funds at 1 August 2019	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2020
	£	£	£	£	£	£
Designated funds:						
Innovation and development	58,000	-	(33,306)	-	-	24,694
Reinstatement of premises	359,000	-	-	-	-	359,000
Restructuring	323,000	-	(299,020)	-	-	23,980
Total designated funds	740,000	-	(332,326)	-	-	407,674
General fund	2,558,178	9,227,576	(7,816,736)	-	(337,220)	3,631,798
Total unrestricted funds	3,298,178	9,227,576	(8,149,062)	-	(337,220)	4,039,472

	Funds at 1 August 2018	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2019
	£	£	£	£	£	£
Designated funds:						
Innovation and development	628,000	-	(570,000)	-	-	58,000
Reinstatement of premises	359,000	-	-	-	-	359,000
Restructuring	-	-	-	323,000	-	323,000
Total designated funds	987,000	-	(570,000)	323,000	-	740,000
General fund	5,069,790	10,749,998	(12,974,022)	323,000	35,414	2,558,178
Total unrestricted funds	6,056,790	10,749,998	(13,544,022)	-	35,414	3,298,178

22 Analysis of charitable funds (continued)

The purpose of the designated fund for *Innovation and development (I&D)* is: 'for innovation in products and services for the long-term benefit of UK higher education.' The trustees have considered the fund and will transfer £300,000 in 2020-21 to ensure it is sufficient for future needs.

The purpose of the designated fund for *Reinstatement of premises* is to fund the cost of returning our Gloucester and Glasgow premises to their original condition at the end of their respective lease terms. The Gloucester office lease ends on 30 June 2023 and the Glasgow office lease ends on 1 March 2025.

The purpose of the designated fund for *Restructuring* was to fund the remainder of costs that were, and will be, incurred in completing the business restructure in 2019-20. This has now been completed and the remaining reserve will be transferred back to the general fund in 2020-21.

Analysis of group net assets between funds

	General fund	Designated funds	Total 2020
	£	£	£
Tangible fixed assets	610,538	-	610,538
Fixed asset investments	3,941,291	359,000	4,300,291
Cash at bank and in hand	3,263,840	24,694	3,288,534
Other net current liabilities	(2,816,259)	-	(2,816,259)
Provisions	(1,343,631)	-	(1,343,631)
Total net assets 31 July 2020	3,655,779	383,694	4,039,473

	General fund	Designated funds	Total 2019
	£	£	£
Tangible fixed assets	942,255	-	942,255
Fixed asset investments	4,136,938	359,000	4,495,938
Cash at bank and in hand	2,627,961	381,000	3,008,961
Other net current liabilities	(2,007,173)	-	(2,007,173)
Provisions	(3,141,803)	-	(3,141,803)
Total net assets 31 July 2019	2,558,178	740,000	3,298,178

23 Pensions (defined benefit schemes)

QAA participates in two defined benefit pension schemes. The employer pension contributions payable were as follows:

	Group and charity	
	2020	2019
	£	£
Universities Superannuation Scheme (USS)	559,971	676,150
Superannuation arrangements for the University of London (SAUL)	122,314	167,871
	<u>682,285</u>	<u>844,021</u>
Employer contributions outstanding at the balance sheet date (included above)	<u>90,899</u>	<u>90,863</u>

In addition to the Final Salary section within USS for current members, employees joining the Scheme after 30 September 2011 will join the Career Revalued Benefits section (subject to some transitional rules). From 1 April 2016 all USS members were moved to the Retirement Income Builder section.

Similarly, employees joining SAUL after 30 June 2012 will join the Career Average Revalued Earnings (CARE) section of that scheme (subject to some transitional rules). On 1 April 2016 all Final Salary members were moved to the CARE section.

The contribution rates as a percentage of pensionable salary are as follows:

		Employer	Employee
USS	Retirement Income Builder Section	21.10%	9.60%
SAUL	Career Average Revalued Earnings Section	<u>16.00%</u>	<u>6.00%</u>

a Universities Superannuation Scheme

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2020 is underway but not yet complete.

Since the institution cannot identify its share of USS Retirement Income Builder (defined benefit) assets and liabilities, the following disclosures reflect those relevant for those assets and liabilities as a whole.

23 Pensions (defined benefit schemes) (continued)

The 2018 valuation was the sixth valuation for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004 which requires schemes to adopt a statutory funding objective - to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% pa
Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI -0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI +1.55% Years 21 +: CPI +1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	2018 valuation
Pre-retirement:	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females
Post retirement:	97.6% of SAPS S1NMA 'light' for males and 102.7% of RFV00 for females
Future improvements to mortality:	CMI_2017 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies on retirement at age 65 are:

	2018 valuation	2017 valuation
Males currently aged 65 (years)	24.4	24.6
Females currently aged 65 (years)	25.9	26.1
Males currently aged 45 (years)	26.3	26.6
Females currently aged 45 (years)	27.7	27.9

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2019 to 30 September 2021 at which point the rate will increase to 6%. The 2020 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2020	2019
Discount rate	2.59%	2.44%
Pensionable salary growth	4.20%	2.11%

23 Pensions (defined benefit schemes) (continued)

b Superannuation Arrangements for the University of London

QAA participates in the Superannuation Arrangements of the University of London (SAUL), which is a centralised defined benefit scheme within the United Kingdom and was contracted-out of the Second State Pension.

SAUL is an independently managed pension scheme for the non-academic staff of over 50 colleges and institutions with links to higher education.

Pension benefits accrued within SAUL currently build up on a Career Average Revalued Earnings (CARE) basis.

QAA is not expected to be liable to SAUL for any other current participating employer's obligations under the Rules of SAUL, but in the event of an insolvency of any participating employer within SAUL, an amount of any pension shortfall (which cannot otherwise be recovered) in respect of that employer, may be spread across the remaining participating employers and reflected in the next actuarial valuation.

Funding policy

SAUL's statutory funding objective is to have sufficient and appropriate assets to meet the costs incurred by the Trustee in paying SAUL's benefits as they fall due (the 'Technical Provisions'). The Trustee adopts assumptions which, taken as a whole, are intended to be sufficiently prudent for pensions and benefits already in payment to continue to be paid and for the commitments that arise from members' accrued pension rights to be met.

The Technical Provisions assumptions include appropriate margins to allow for the possibility of events turning out worse than expected. However, the funding method and assumptions do not completely remove the risk that the Technical Provisions could be insufficient to provide benefits in the future.

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2017. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in June 2018 and are due to be reviewed at SAUL's next formal valuation in 2020.

At the 31 March 2017 valuation, SAUL was fully funded on its Technical Provisions basis so no deficit contributions were required. The Trustee and the Employers have agreed that the ongoing Employers' contributions will continue at a rate of 16% of CARE Salaries.

Accounting policy

QAA is a Participating Employer in SAUL. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £3,205 million representing 102% of the liabilities for benefits accrued up to 31 March 2017.

It is not possible to identify an individual Employer's share of the underlying assets and liabilities of SAUL. QAA's accounts for its participation in SAUL as if it were a defined

contribution scheme and pension costs are based on the amounts actually paid in accordance with paragraph 28.11 of FRS 102.

As there was a Technical Provisions surplus at 31 March 2018, there is no defined benefit liability (the present value of any deficit contributions due to SAUL) to be recognised by QAA.

24 Pensions (defined contribution scheme)

QAA participates in one defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund and were as follows:

	Group and charity	
	2019	2019
	£	£
The People's Pension	20,357	3,916
Employer contributions outstanding at the balance sheet date	2,078	1,033

25 Reconciliation of net income/(expenditure) to net cash flow from operating activities

	Group		Charity	
	2020	2019	2020	2019
	£	£	£	£
Net income / expenditure for the year	741,296	(2,758,612)	762,945	(2,752,342)
Adjustments for:				
Depreciation charge	341,121	372,870	341,121	372,870
Losses / (Gains) on investments	337,220	(35,414)	337,220	(35,414)
Investment income	(160,814)	(148,152)	(160,814)	(148,152)
Surplus on the sale of tangible fixed assets		-		-
Decrease/(Increase) in debtors	2,011,185	(1,403,901)	2,011,185	(1,446,658)
(Decrease)/Increase in creditors	(1,202,099)	2,549,991	(1,202,099)	2,563,653
(Decrease)/Increase in provisions	(1,798,173)	1,965,539	(1,798,172)	1,965,539
Net cash provided by operating activities	269,736	542,321	291,386	519,496

26 Analysis of cash and cash equivalents

	Group		Charity	
	2020	2019	2020	2019
	£	£	£	£
Cash at bank and in hand - liquid assets	3,288,534	3,008,961	3,230,256	2,959,032
Cash at bank - fixed asset investments	10	6,592	10	6,593
Cash at bank and in hand at the end of the year	3,288,544	3,015,553	3,230,266	2,965,625

27 Reconciliation of net debt

	At 1 August 2019	Cashflows	At 31 July 2020
	£	£	£
Cash	3,008,961	279,573	3,288,534
Cash equivalents	6,592	(6,582)	10
Total	3,015,553	272,991	3,288,544

Glossary

FRS 102	The Financial Reporting Standard applicable in the UK and Republic of Ireland
S2P	State Second Pension
SAUL	Superannuation Arrangements for the University of London
Charities SORP	Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)
SOFA	Statement of financial activity
USS	Universities Superannuation Scheme

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