



# **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:**

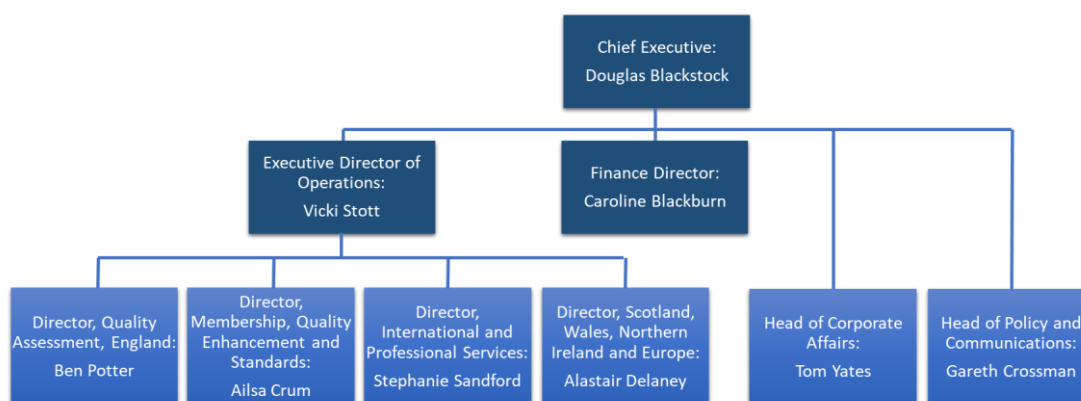
The expert independent quality body supporting a diverse system of co-regulation of UK higher education.  
(priorities 1 and 2)

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;

<b>Name</b>	<b>Attendance for 2019-20 (out of four meetings)</b>
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)
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### 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)
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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)
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#### **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

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

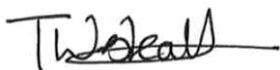
We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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](http://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
<b>Income from:</b>			
Charitable activities	5	<b>9,066,762</b>	10,560,333
Other trading activities	3	-	37,600
Investments	4	<b>160,814</b>	148,152
<b>Total income</b>		<b>9,227,576</b>	10,746,085
<b>Expenditure on:</b>			
Fundraising trading costs		<b>1,607</b>	7,276
Investment management costs		<b>6,216</b>	22,780
<b>Raising funds</b>		<b>7,823</b>	30,056
<b>Charitable activities</b>	6, 7	<b>8,141,238</b>	13,510,055
<b>Total expenditure</b>		<b>8,149,061</b>	13,540,110
Net (losses) / gains on investments	14	<b>(337,220)</b>	35,414
<b>Net income and net movement in funds for the year</b>	8	<b>741,295</b>	(2,758,612)
<b>Reconciliation of funds</b>			
Total funds brought forward		<b>3,298,178</b>	6,056,790
<b>Total funds carried forward</b>	22	<b>4,039,473</b>	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		Charity	
		2020	2019	2020	2019
		£	£	£	£
<b>Fixed assets:</b>					
Tangible assets	12	<b>610,538</b>	942,255	<b>610,538</b>	942,255
Investments	14	<b>4,300,291</b>	4,495,938	<b>4,300,292</b>	4,495,939
Total fixed assets		<b>4,910,829</b>	5,438,193	<b>4,910,830</b>	5,438,194
<b>Current assets:</b>					
Debtors	15	<b>721,086</b>	2,732,271	<b>778,450</b>	2,789,635
Cash at bank and in hand		<b>3,288,534</b>	3,008,960	<b>3,230,256</b>	2,929,032
Total current assets		<b>4,009,620</b>	5,741,231	<b>4,008,706</b>	5,718,667
<b>Liabilities:</b>					
Creditors - amounts falling due within one year	16	<b>(3,537,345)</b>	(4,739,444)	<b>(3,534,825)</b>	(4,736,924)
Net current assets		<b>472,275</b>	1,001,787	<b>473,881</b>	981,743
<b>Total assets less current liabilities</b>					
		<b>5,383,104</b>	6,439,980	<b>5,384,711</b>	6,419,937
Provision for liabilities	20	<b>(142,277)</b>	(673,190)	<b>(142,277)</b>	(673,190)
Pension provision liability	21	<b>(1,201,354)</b>	(2,468,613)	<b>(1,201,354)</b>	(2,468,613)
Total net assets		<b>4,039,473</b>	3,298,178	<b>4,041,080</b>	3,278,134
<b>The funds of the group and charity:</b>					
Designated funds	22	<b>407,674</b>	740,000	<b>383,694</b>	740,000
General funds	22	<b>3,631,798</b>	2,558,178	<b>3,657,386</b>	2,538,134
Total funds as at 31 July 2020		<b>4,039,473</b>	3,298,178	<b>4,041,080</b>	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
		£	£	£	£
<b>Cash flows from operating activities:</b>					
Net cash provided by operating activities	25	<b>269,736</b>	542,321	<b>291,386</b>	519,496
<b>Cash flows from investing activities:</b>					
Investment income		<b>160,814</b>	148,152	<b>160,814</b>	148,152
Proceeds from sale of investments		<b>3,752</b>	4,305,669	<b>3,752</b>	4,305,669
Purchase of investments		<b>(151,907)</b>	(4,776,555)	<b>(151,907)</b>	(4,776,555)
Purchase of tangible fixed assets		<b>(9,404)</b>	(134,552)	<b>(9,404)</b>	(134,552)
<b>Net cash (used in)/provided by investing activities</b>		<b>3,255</b>	(457,286)	<b>3,255</b>	(457,286)
<b>Change in cash and cash equivalents in the year</b>		<b>272,991</b>	85,035	<b>294,641</b>	62,210
Cash and cash equivalents at the beginning of the year		<b>3,015,553</b>	2,930,518	<b>2,935,625</b>	2,873,415
Cash and cash equivalents at the end of the year	26	<b>3,288,544</b>	3,015,553	<b>3,230,266</b>	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)
<b>Net loss for the year</b>	<b>(21,651)</b>	<b>(6,270)</b>

The assets and liabilities of the subsidiary were:

Current assets	58,277	79,928
Current liabilities	(59,884)	(59,884)
<b>Total net (liabilities) / assets</b>	<b>(1,607)</b>	<b>20,044</b>

### 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
<b>Total investment income for the year</b>	<b>160,814</b>	<b>148,152</b>

## 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
<b>Total income from charitable activities</b>		<b>9,066,762</b>	<b>10,560,333</b>

### 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
		<b>7,981,022</b>	<b>12,952,869</b>

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)

<b>Total income from charitable activities</b>		<b>9,066,762</b>	<b>10,560,333</b>
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\*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
<b>Total expenditure on charitable activities before restructuring cost and pension provision</b>		<b>9,259,791</b>	<b>11,236,706</b>
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
<b>Total expenditure on charitable activities</b>		<b>8,141,238</b>	<b>13,510,054</b>

## 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
	£	£	£	£	£	£
<b>Direct costs</b>						
Staffing costs	2,801,394	727,955	461,214	-	<b>3,990,563</b>	4,123,034
Other review costs	1,188,476	44,505	99,814	-	<b>1,332,795</b>	1,217,756
Other direct costs	362,171	48,961	105,370	49,712	<b>566,213</b>	596,183
<b>Total direct costs</b>	<b>4,352,041</b>	<b>821,421</b>	<b>666,398</b>	<b>49,712</b>	<b>5,889,572</b>	5,936,972
<b>Support costs</b>						
Staffing costs	745,103	227,539	105,018	229,776	<b>1,307,436</b>	3,151,174
Other staff costs	224,601	68,589	31,656	898	<b>325,744</b>	238,852
Premises	217,507	66,422	30,656	-	<b>314,585</b>	531,047
Office costs	70,548	21,544	9,943	6,839	<b>108,874</b>	130,957
Information systems	437,152	133,497	61,614	250	<b>632,513</b>	200,568
Professional fees	132,085	40,336	18,617	17,470	<b>208,508</b>	355,621
Other support costs	57,968	17,703	8,170	1,219	<b>85,060</b>	248,221
Depreciation	235,854	72,025	33,242	-	<b>341,121</b>	372,865
Governance **	15,349	4,687	2,163	24,179	<b>46,378</b>	70,430
<b>Total support costs</b>	<b>2,136,166</b>	<b>652,342</b>	<b>301,079</b>	<b>280,631</b>	<b>3,370,218</b>	5,299,733
Reallocate governance	228,402	69,749	32,192	(330,343)		
<b>Total support costs by aim</b>	<b>2,364,568</b>	<b>722,091</b>	<b>333,271</b>	<b>(49,712)</b>	<b>3,370,218</b>	5,299,733
<b>Expenditure on charitable activities before restructuring and pension provision</b>	<b>6,716,610</b>	<b>1,543,512</b>	<b>999,669</b>	<b>-</b>	<b>9,259,791</b>	11,236,706
Restructure - staffing costs	102,816	31,398	14,491		<b>148,705</b>	837,736
Pension provision - net deficit contributions	(909,653)	(277,789)	(128,210)		<b>(1,315,652)</b>	1,408,357
Pension provision - unwinding of discount	33,460	10,218	4,716		<b>48,394</b>	27,256
<b>Total charitable expenditure</b>	<b>5,943,233</b>	<b>1,307,339</b>	<b>890,666</b>	<b>-</b>	<b>8,141,238</b>	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		<b>22,200</b>	18,960
- non-audit services		<b>13,080</b>	9,060
Internal auditors - audit services		<b>24,179</b>	28,812
Professional indemnity insurance		<b>52,140</b>	40,845
Tangible fixed assets			
Depreciation		<b>341,121</b>	372,870
Operating leases			
Land and buildings		<b>298,248</b>	301,373
Other		<b>22,082</b>	29,667
Foreign exchange costs/(gains)		<b>(5,664)</b>	(444)
Employer pension contributions	23	<b>682,285</b>	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
<b>Total staff costs before restructuring and pension provision liability adjustments</b>	<b>5,297,999</b>	<b>7,274,208</b>
Restructuring costs	<u>148,705</u>	<u>837,736</u>
Total staff costs after restructuring	<b>5,446,704</b>	<b>8,111,944</b>
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>
<b>Total staff costs charged to the SOFA</b>	<b><u>4,179,446</u></b>	<b><u>9,547,557</u></b>

## 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
<b>Total average number of employees on a full-time equivalent basis</b>	<b>78</b>	<b>112</b>
<b>Total average number of employees on a headcount basis</b>	<b>102</b>	<b>130</b>

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	<b>134,334</b>	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
	£	£	£	£
<b>Cost</b>				
At 1 August 2019	1,280,210	4,200,967	546,547	6,027,724
Additions	-	9,404	-	9,404
<b>At 31 July 2020</b>	<b>1,280,210</b>	<b>4,210,371</b>	<b>546,547</b>	<b>6,037,128</b>
<b>Depreciation</b>				
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
<b>At 31 July 2020</b>	<b>879,005</b>	<b>4,002,890</b>	<b>544,695</b>	<b>5,426,590</b>
<b>Net book value at 31 July 2020</b>	<b>401,205</b>	<b>207,481</b>	<b>1,852</b>	<b>610,538</b>
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	-	-
	<b>7,440</b>	<b>-</b>

## 14 Fixed asset investments

	Quoted investments £	Unquoted investments £	Total £
<b>Held by the group</b>			
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)
<b>At 31 July 2020</b>	<b>4,300,291</b>	<b>-</b>	<b>4,300,291</b>
<b>Held by the charity</b>			
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)
<b>At 31 July 2020</b>	<b>4,300,291</b>	<b>1</b>	<b>4,300,292</b>

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	<b>4,483,544</b>	<b>4,300,281</b>	4,335,564	4,489,346
- outside the UK			-	-
Cash and settlements pending held as part of the investment portfolio	<b>10</b>	<b>10</b>	6,592	6,592
	<b><u>4,483,554</u></b>	<b><u>4,300,291</u></b>	<b><u>4,342,156</u></b>	<b><u>4,495,938</u></b>

## 15 Debtors

	Group		Charity	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	<b>462,782</b>	2,436,792	<b>462,782</b>	2,436,792
Sundry debtors	<b>9,426</b>	14,681	<b>9,426</b>	14,681
Prepayments	<b>206,028</b>	280,798	<b>206,028</b>	280,798
Accrued income	<b>42,850</b>	-	<b>42,850</b>	-
Subsidiary undertaking	-	-	<b>57,364</b>	57,364
	<b><u>721,086</u></b>	<b><u>2,732,271</u></b>	<b><u>778,450</u></b>	<b><u>2,789,635</u></b>

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	<b>205,766</b>	389,196	<b>205,766</b>	387,576
Taxation and social security	<b>150,898</b>	168,369	<b>150,898</b>	168,369
Pension contributions	<b>90,899</b>	91,897	<b>90,899</b>	91,897
Other creditors	<b>33,031</b>	2,478	<b>31,411</b>	2,478
Accruals	<b>634,091</b>	566,789	<b>633,191</b>	565,889
Deferred income	<b>2,422,660</b>	3,520,715	<b>2,422,660</b>	3,520,715
	<b>3,537,345</b>	4,739,444	<b>3,534,825</b>	4,736,924
The movement in deferred income was as follows:				
At start of year	<b>3,520,715</b>	1,140,779	<b>3,520,715</b>	1,128,179
Release income deferred in prior years	<b>(3,422,174)</b>	(1,019,486)	<b>(3,422,174)</b>	(1,006,886)
Defer income received in current year	<b>2,324,119</b>	3,599,422	<b>2,324,119</b>	3,399,422
At end of year	<b>2,422,660</b>	3,520,715	<b>2,422,660</b>	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:

		<b>Group and charity</b>	
		<b>2020</b>	2019
		£	£
<b>Land and buildings</b>			
Within one year		<b>272,317</b>	270,693
Between two and five years		<b>594,692</b>	827,972
After five years		-	30,913
<b>Other</b>			
Within one year		-	15,748
		<b>867,009</b>	<b>1,145,326</b>

## 18 Financial instruments

	<b>Group</b>		<b>Charity</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	£	£	£	£
Financial assets measured at amortised cost	<b>3,803,675</b>	5,460,434	<b>3,802,760</b>	5,437,869
Financial liabilities measured at amortised cost	<b>(963,788)</b>	(1,050,360)	<b>(961,268)</b>	(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:

	<b>Group and Charity</b>		
	Holiday pay	Restructure	Total
	£	£	£
At 1 August 2019	89,697	583,493	<b>673,190</b>
Provided during the year	52,580	148,705	<b>201,285</b>
Utilised in the year	-	(732,198)	<b>(732,198)</b>
<b>At 31 July 2020</b>	<b>142,277</b>	<b>-</b>	<b>142,277</b>

## 21 Pension liability provision

The total pension cost charged to the SOFA is:

	<b>Group and charity</b>	
	<b>2020</b>	2019
	<b>£</b>	£
Employer contributions payable in the year	<b>682,285</b>	844,022
Deficit contributions payable in the year (included in employer contributions above)	<b>(48,395)</b>	(51,169)
Change in expected future deficit contributions	<b>(1,279,098)</b>	1,459,526
Total pension cost charged to the SOFA	<b><u>(645,208)</u></b>	<u>2,252,379</u>

The movement in the provision is:

	<b>Group and charity</b>	
	<b>2020</b>	2019
	<b>£</b>	£
At 1 August	<b>2,468,613</b>	1,033,000
Charged to SOFA - deficit contributions payable in the year	<b>(48,395)</b>	(51,169)
(Credited)/charged to the SOFA - change in expected future deficit contributions	<b>(1,279,098)</b>	1,459,526
Unwinding of discount	<b>60,234</b>	27,256
At the year end	<b><u>1,201,354</u></b>	<u>2,468,613</u>



## 22 Analysis of charitable funds

### Analysis of movements in unrestricted funds

	<b>Funds at 1 August 2019</b>	<b>Incoming resources</b>	<b>Resources expended</b>	<b>Transfers</b>	<b>Gains and losses</b>	<b>Funds at 31 July 2020</b>
	£	£	£	£	£	£
<b>Designated funds:</b>						
Innovation and development	<b>58,000</b>	-	(33,306)	-	-	<b>24,694</b>
Reinstatement of premises	<b>359,000</b>	-	-	-	-	<b>359,000</b>
Restructuring	<b>323,000</b>	-	(299,020)	-	-	<b>23,980</b>
<b>Total designated funds</b>	<b>740,000</b>	-	(332,326)	-	-	<b>407,674</b>
<b>General fund</b>	<b>2,558,178</b>	9,227,576	(7,816,736)	-	(337,220)	<b>3,631,798</b>
<b>Total unrestricted funds</b>	<b>3,298,178</b>	9,227,576	(8,149,062)	-	(337,220)	<b>4,039,472</b>

	<b>Funds at 1 August 2018</b>	<b>Incoming resources</b>	<b>Resources expended</b>	<b>Transfers</b>	<b>Gains and losses</b>	<b>Funds at 31 July 2019</b>
	£	£	£	£	£	£
<b>Designated funds:</b>						
Innovation and development	628,000	-	(570,000)	-	-	<b>58,000</b>
Reinstatement of premises	359,000	-	-	-	-	<b>359,000</b>
Restructuring	-	-	-	323,000	-	<b>323,000</b>
<b>Total designated funds</b>	<b>987,000</b>	-	(570,000)	323,000	-	<b>740,000</b>
<b>General fund</b>	<b>5,069,790</b>	10,749,998	(12,974,022)	323,000	35,414	<b>2,558,178</b>
<b>Total unrestricted funds</b>	<b>6,056,790</b>	10,749,998	(13,544,022)	-	35,414	<b>3,298,178</b>

## 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	-	<b>610,538</b>
Fixed asset investments	3,941,291	359,000	<b>4,300,291</b>
Cash at bank and in hand	3,263,840	24,694	<b>3,288,534</b>
Other net current liabilities	(2,816,259)	-	<b>(2,816,259)</b>
Provisions	(1,343,631)	-	<b>(1,343,631)</b>
<b>Total net assets 31 July 2020</b>	<b>3,655,779</b>	<b>383,694</b>	<b>4,039,473</b>

	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)
<b>Total net assets 31 July 2019</b>	<b>2,558,178</b>	<b>740,000</b>	<b>3,298,178</b>

## 23 Pensions (defined benefit schemes)

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

	<b>Group and charity</b>	
	<b>2020</b>	2019
	<b>£</b>	£
Universities Superannuation Scheme (USS)	<b>559,971</b>	676,150
Superannuation arrangements for the University of London (SAUL)	<b>122,314</b>	167,871
	<b><u>682,285</u></b>	<u>844,021</u>
Employer contributions outstanding at the balance sheet date (included above)	<b><u>90,899</u></b>	<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:

		<b>Employer</b>	Employee
USS	Retirement Income Builder Section	<b>21.10%</b>	9.60%
SAUL	Career Average Revalued Earnings Section	<b><u>16.00%</u></b>	<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:

<b>Mortality base table</b>	<b>2018 valuation</b>
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:

	<b>2018 valuation</b>	<b>2017 valuation</b>
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:

	<b>2020</b>	<b>2019</b>
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:

	<b>Group and charity</b>	
	<b>2019</b>	2019
	<b>£</b>	£
The People's Pension	<b>20,357</b>	3,916
Employer contributions outstanding at the balance sheet date	<b>2,078</b>	1,033

## 25 Reconciliation of net income/(expenditure) to net cash flow from operating activities

	<b>Group</b>		<b>Charity</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>£</b>	£	<b>£</b>	£
<b>Net income / expenditure for the year</b>	<b>741,296</b>	(2,758,612)	<b>762,945</b>	(2,752,342)
<b>Adjustments for:</b>				
Depreciation charge	<b>341,121</b>	372,870	<b>341,121</b>	372,870
Losses / (Gains) on investments	<b>337,220</b>	(35,414)	<b>337,220</b>	(35,414)
Investment income	<b>(160,814)</b>	(148,152)	<b>(160,814)</b>	(148,152)
Surplus on the sale of tangible fixed assets		-		-
Decrease/(Increase) in debtors	<b>2,011,185</b>	(1,403,901)	<b>2,011,185</b>	(1,446,658)
(Decrease)/Increase in creditors	<b>(1,202,099)</b>	2,549,991	<b>(1,202,099)</b>	2,563,653
(Decrease)/Increase in provisions	<b>(1,798,173)</b>	1,965,539	<b>(1,798,172)</b>	1,965,539
<b>Net cash provided by operating activities</b>	<b>269,736</b>	542,321	<b>291,386</b>	519,496

## 26 Analysis of cash and cash equivalents

	Group		Charity	
	2020	2019	2020	2019
	£	£	£	£
Cash at bank and in hand - liquid assets	<b>3,288,534</b>	3,008,961	<b>3,230,256</b>	2,959,032
Cash at bank - fixed asset investments	<b>10</b>	6,592	<b>10</b>	6,593
<b>Cash at bank and in hand at the end of the year</b>	<b>3,288,544</b>	3,015,553	<b>3,230,266</b>	2,965,625

## 27 Reconciliation of net debt

	At 1 August 2019	Cashflows	At 31 July 2020
	£	£	£
Cash	<b>3,008,961</b>	279,573	<b>3,288,534</b>
Cash equivalents	<b>6,592</b>	(6,582)	<b>10</b>
<b>Total</b>	<b>3,015,553</b>	272,991	<b>3,288,544</b>

## 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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