



The Quality Assurance Agency for Higher Education

Annual Report and Financial Statements 2020-21

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Foreword from Vicki Stott, QAA Chief Executive (2021-)

As QAA's new Chief Executive, I'm delighted to have the opportunity to lead such a widely respected organisation whose work goes right to the heart of ensuring that students can access a high-quality education. I know that many challenges lie ahead for us, but I'm confident that we will continue to meet them, overseen and supported by our constructive and insightful Board.

Together we can build on QAA's strong track record as an independent charity working across all the nations of the UK to benefit students, safeguard standards and ensure the quality of higher education. We're lucky to be building on the strong foundations laid by my predecessor Douglas Blackstock, whom I've had the pleasure of working with since joining the agency in 2019. In this spirit, it is only fitting that I hand over to Douglas to reflect on a hugely successful year for QAA.

Foreword from Douglas Blackstock, QAA Chief Executive (2015-21)

This Annual Report covers a financial year unprecedented in QAA's 24-year history. As UK higher education continued to navigate the profound impact of the COVID-19 pandemic, so too did QAA. We had closed our offices around the UK and moved to homeworking in spring 2020; we could not have anticipated that this would be our operating model for almost the entire period covered by this report. Indeed, even as some colleagues return to our office spaces, we now operate under a new flexible working culture that encourages our staff to thrive. In this environment, we refocused our full work programme to meet the sector's needs, and began to chart a path forward for both the agency and the sector. I am incredibly proud of the response of colleagues in stepping up to this challenge. In responding to these challenges, we have been guided by our values as an independent charity and our purpose - to safeguard standards and ensure the quality and global reputation of UK higher education. It is this purpose which has allowed us to deliver for our members in an extraordinary context.

We have welcomed over 20 new members - membership numbers grew in 2019-20 and have increased again for 2021-22. Today, we have 279 members - we are the agency of choice for UK higher education quality and standards. During 2020-21, we launched innovative new projects to support the sector, from our Membership Collaborative Enhancement Projects to our new Quality Evaluation and Enhancement of UK Transnational Higher Education Provision (QE-TNE) method. We have continued to support significant tertiary sector reform in Scotland and Wales, with enhancement at the core of cooperation across institutions, agencies and governments. In Northern Ireland, we have begun development towards a tailored new enhancement-based review model. In England, we have delivered our responsibilities as designated quality body, as well as providing new sector resources such as Quality Compass and the revised Higher Education Credit Framework for England. We have been working closely and collaboratively with the four UK governments, higher education providers, funders, professional and regulatory bodies, and student organisations to develop sector-driven approaches to quality and standards.

We deepened partnerships internationally, including through new agreements in the United Arab Emirates, Malaysia and Tunisia; new capacity-building work in West Africa - in collaboration with the World Bank and the Association of African Universities; hosting the INQAAHE Conference in June; and securing key roles within ENQA - the European Association for Quality Assurance in Higher Education. Our engagement internationally allows us to share global practice and to enhance the reputation of UK higher education. This has been possible because of our flexible, effective operating model developed since 2018 - directed by our Board, delivered by our staff and expert reviewers, and driven by our members. I took over as Chief Executive in a time of great uncertainty. I believe that as QAA now moves forward with a new executive team, it does so with a renewed and strengthened culture, strong internal processes and external influence, and a clear sense of purpose.

As this Annual Report covers my last year as QAA's Chief Executive, I will conclude with a simple note of thanks. QAA is a small, but nationally and globally respected organisation through our work on behalf of UK higher education. Trust and confidence in quality and quality assurance is vital for the success of our sector. Every day that I have worked at QAA, I have been impressed by the dedication of the people working in quality - both within our agency and in institutions across UK higher education. Whether they are QAA staff, reviewers, board and committee members, or our supporters in institutions, we depend on their individual and collective effort. Our successes are testament to their hard work and unwavering focus on ensuring that students get the higher education they are entitled to expect.

Foreword from Professor Simon Gaskell, Chair of QAA Board

For almost 25 years, QAA has been working as an independent charity to safeguard standards and improve the quality of UK higher education wherever it is delivered around the world. Today, perhaps more than ever before, securing standards and supporting quality enhancement are of the utmost importance.

In 2020, as the COVID-19 pandemic began to require and to stimulate rapid change, I held a series of conversations with leaders in UK higher education about its potential lasting impacts. The discussions were revealing; there were examples of the rapidity of institutions' responses, acknowledgements of markedly accelerating trends (including the development of new models for higher education), and even questions about the fundamental purpose of higher education.

However, one of the clearest reflections was the willingness of institutions to share practice in the common interest. Several leaders made the prediction that a more collaborative sector would begin to dawn. This is where I believe our agency can add most value. The fundamental role at the heart of QAA's purpose is collaboration; with the confidence of the sector, we bring together disparate bodies, regulatory systems and stakeholders to meet the shared goal of high quality and secure academic standards. We are a trusted, independent charity which guides, convenes, advises and cooperates to support students to succeed.

I would like to take the opportunity to acknowledge the outstanding contribution of QAA's outgoing Chief Executive, Douglas Blackstock across the 20 years he has spent working for the Agency. As QAA now moves ahead with a new Chief Executive, Vicki Stott and Deputy Chief Executive, Alastair Delaney, it does so with strong foundations rooted in the sector's shared commitment to quality and standards. It is a confident, internationally-trusted voice for quality, providing impartial services to regulatory bodies, alongside thought leadership and dynamic member-focused enhancement activities. On behalf of the Board, I would like to thank all those who have helped QAA to succeed during 2020-21, and helped our sector to enhance quality and maintain secure standards.

In the coming months and years, QAA will continue to respond to the impact of COVID-19, and to the demands of regulatory change. These large-scale changes are coupled with the continued importance of issues such as academic integrity, access to education, the climate of external trust, and many others. Each presents multifaceted challenges for UK higher education, but I believe that QAA can meet its strategic priorities and explore new opportunities for collaboration. It is able to do so because of the confidence placed in it by regulatory bodies and by the sector; and, in turn, it is committed to continuing to justify that confidence.

Strategic Report

QAA is the only higher education body with a remit operating in regulatory systems across the whole of the UK. Each country has a distinct and separate system of quality assurance, so QAA works with regulators, funding agencies, higher education institutions, students and other stakeholders across the UK to deliver tailored approaches.

Purpose of QAA

The purpose of QAA is to safeguard academic standards, and ensure the quality and global reputation of UK higher education. We do this by working with higher education providers, regulatory bodies and student bodies with the shared objective of supporting students to succeed.

Considering our purpose and the changing context within which the organisation is working, the following strategic priorities will guide QAA until 2025:

1 QAA is viewed as the trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK

We will achieve this by providing independent assessments of standards and quality within the relevant assurance, enhancement and regulatory frameworks of all the nations of the UK. Our assessments, and what we learn and share from them, will:

- deliver principles-based regulation through our responsibilities as the Designated Quality Body in England
- innovate through partnership, going beyond assurance, through the Quality Enhancement Framework in Scotland
- embed the quality enhancement agenda for Wales
- support government and the sector in Northern Ireland in future approaches.

2 QAA provides expert advice that secures standards and supports quality enhancement

We will both support and challenge our member institutions in enhancing the quality of UK higher education provision, to give students the best possible experience. This will be achieved through:

- keeping the UK Quality Code for Higher Education relevant and providing thought leadership on standards and quality to support our members in responding to contemporary challenges
- development and delivery of enhancement partnerships, sharing learning from each nation across the UK and internationally
- relevant and dynamic enhancement activities for each nation, UK-wide and informed by international practice and participation
- supporting effective student partnership in quality assurance
- providing advice to governments across the UK
- partner effectively with UK PSRBs and employers in support of our members
- improving routes to higher education through the Access to HE Diploma.

3 QAA strengthens the global reputation of UK higher education

Our collaborations with governments and higher education quality agencies internationally give us a unique breadth of global expertise. We will use this breadth and depth to:

- provide confidence in the quality of UK transnational education
- expand partnership with overseas quality agencies and governments to build trust and confidence in UK higher education
- advance UK interests in the policy agenda in the European Higher Education Area and in wider quality assurance debates
- host INQAAHE 2021 in Glasgow and ENQA 2022 in Cardiff
- grow participation in our capacity-building programmes for overseas higher education systems
- build our international accreditation programme and open membership to credible international institutions.

What we do

Supporting the sector's response to the COVID-19 pandemic

1 The COVID-19 pandemic has continued to have a profound impact on the UK higher education sector and on QAA activity across the UK. QAA staff have continued to work from home with office spaces reopening in line with the respective government guidance. Colleagues have been supported to work remotely throughout the pandemic with individual evaluations being completed to ensure all colleagues had access to the required resources to enable them to carry out their duties safely and comfortably.

2 Reviews undertaken across the UK have successfully been moved online with all reviews that had previously been postponed being completed during the year. QAA staff supported both providers and reviewers to engage in the online review process and ensure that it provided the required level of rigour expected of QAA reviews.

3 We are beginning to move beyond the programme of publicly-available COVID-19 supporting resources, which has been QAA's priority over the last 18 months. In total, we have published over 85 individual resources via our COVID-19 advice and guidance online hub, as well as organising almost 40 events with over 1,300 participants. This is in addition to deeper analysis and insight for members, as well as a range of supportive liaison meetings and several roundtable discussions between the Minister for Universities in England and professional bodies to support practical learning and assessment.

4 We continue to receive positive feedback from both members and colleagues in the respective UK governments for our work with professional, statutory and regulatory bodies (PSRBs). We continue to convene meetings of PSRB colleagues on a biannual basis to discuss a range of topics including assessment, COVID-19 contingency measures and specialist QAA advice and published new advice for PSRBs on emerging from lockdown in June 2021.

QAA's regulatory work

QAA as the Designated Quality Body (DQB) in England

5 As the designated quality body (DQB) in England, QAA works to OfS's commission to assess the quality of, and the standards applied to, higher education programmes delivered by providers in England. In line with our memorandum of understanding, QAA submits a quarterly report setting out our work as the DQB, alongside an annual report (the DQB year operates April to March). These reports are considered in meetings with OfS officers and by the OfS Quality Assurance Committee (QAC).

6 The OfS responded to the challenges of COVID-19 by minimising the regulatory burden on providers and pivoting the bulk of its regulatory activity to focus on the consumer protection elements of the regulatory framework. This, in turn, was reflected in a marked reduction in the number of assessments QAA were commissioned to undertake as the DQB. In 2020-21, we received 18 assessment referrals and completed 24 assessments including commissions carried forward from the previous year.

7 QAA also provides advice to the OfS regarding applications for degree awarding powers. This advice is formulated by QAA's Advisory Committee on Degree Awarding Powers (ACDAP), under delegated authority from the QAA Board. During 2020-21, ACDAP provided advice about nine providers. Subsequently, OfS have authorised degree awarding powers for four of these providers.

8 In May 2021, QAA issued Statutory Fee Notices to providers, confirming the final level of DQB fees in England for 2020-21 and estimated fees for 2021-22. DQB fees are cost neutral and QAA generates no surplus from this work. We have published a statement confirming a reduction in the cost of providing the DQB function by 8% in real terms over that period. Additionally, an increase in the number of registered providers means that, over the two-year period since 2019-20, we have reduced fees per provider by 12.5% in real terms, subject to reconciliation in May 2022. In total, QAA is refunding £249,863 to the sector.

Access to HE Diploma

9 QAA regulates the Access to HE Diploma. The Diploma is a widely-recognised Level 3 qualification that provides opportunities for adults without traditional qualifications to enter higher education. The Diploma was recognised in the Government's 2019 review of post-18 education and funding as an important, nationally-recognised pathway which helps widen participation. It also offers chances for adults wishing to retrain for a graduate-entry profession by delivering locally-devised, flexible courses across the UK.

10 There are 11 Access Validating Agencies (AVAs) licensed by QAA to approve Access to HE courses. Currently, approximately 1,500 such courses award QAA-recognised Access to HE qualifications to students. In 2019-20,¹ 277 providers of Access to HE delivered these courses to just over 40,500 registered learners. Statistics for the Access to HE Diploma this year underline the positive impact of this qualification in widening participation in higher education:

- 40,500 registered onto an Access to HE (AHE) Diploma in 2019-20
- 22,635 AHE graduates entered higher education in September 2019
- 24,465 AHE graduates were accepted for 2020 higher education entry.

11 During the 2020-21 academic year, all Access Validating Agencies (AVAs) and providers implemented modified arrangements for the award of the Access to HE Diploma. These were encapsulated in the Extraordinary Regulatory Framework (ERF) which was announced in September 2020, having been developed in response to COVID-19. The ERF was designed to ensure that Access students affected by the pandemic would be given flexibility so they would not be disadvantaged, while retaining the necessary robustness in the qualification.

12 We hosted our annual Access to HE Conference in May 2021, to coincide with the annual QAA conference, providing opportunities for further and higher education participants to meet virtually and discuss the importance of access across the tertiary education system. Over 100 delegates from 69 organisations participated in the event with guest speakers including Sir Philip Augar, former Chair of the Post-18 Education and Funding Panel.

QAA's work with alternative providers

13 In light of COVID-19 restrictions in England, outstanding Alternative Provider (AP) reviews were rescheduled from the 2019-20 year to be completed in 2020-21. This allowed QAA the opportunity to hold discussions with providers to identify their programme of delivery and put in place mitigations to allow successful implementation of online reviews.

¹ QAA statistics on Access to HE are reported one academic year in arrears. This reflects the need to receive validated data from AVAs after an academic year has been completed and certificated. We receive published data from the Education and Skills Funding Agency (ESFA), UCAS and the Higher Education Statistics Agency (HESA); these datasets are published by these organisations after an academic year has completed and are not normally available until after the publication of QAA's annual report. This combined dataset informs our statistics, publications and analysis.

All 15 reviews from 2019-20 have been successfully completed in the 2020-21 academic year. Reviews scheduled for 2020-21 have continued to operate successfully online.

14 QAA celebrated a decade of undertaking external oversight of alternative providers of higher education in 2021. In March 2021, to mark the occasion, we published a report breaking down key themes, good practices and areas for improvement from over 1,700 reviews of providers that have been carried out during this time.

15 In July 2021, we published a Higher Education Toolkit, aimed at supporting colleges and independent providers of higher education to engage with the UK Quality Code for Higher Education. The toolkit is intended to be used by providers in reviewing and enhancing their own practices by identifying how the principles of the Quality Code can be applied and integrated within their institutional context.

Facilitating collaboration between the nations

16 We continue to enjoy strong relationships with key stakeholders in the devolved nations. New ministers have assumed responsibility for higher education in Scotland and Wales following elections in spring 2021, and in Northern Ireland following changes to the DUP leadership in June 2021. The Director for Scotland, Wales and Northern Ireland has written to newly-appointed Ministers and committee members to introduce QAA's work in the respective nation and outline our intention to continue the productive relationships we have enjoyed in recent years.

17 We have facilitated a number of discussions between Scottish, Welsh and Northern Irish higher education stakeholders to discuss areas of commonality regarding quality review arrangements and opportunities for sharing of best practice. Representatives from the Scottish Funding Council, Higher Education Funding Council for Wales, and the Department for the Economy in Northern Ireland have expressed a desire for QAA to facilitate further collaboration between the Scottish, Welsh and Northern Irish higher education sectors with a focus on enhancement.

QAA in Scotland

18 The Scottish Funding Council (SFC) Review of Coherent Provision and Sustainability was developed in three phases, with the final report being published in July 2021. QAA has engaged with the SFC throughout the process and set out a willingness to work more closely across the tertiary sector in the long term. In terms of quality, the report recommends the development of a single quality assurance and enhancement framework for tertiary education, to uphold academic standards, and enhance the learning experience of all students. QAA will engage with the Scottish Government, SFC and Scottish higher education stakeholders in the implementation of the review.

19 Responding swiftly to the pivot to remote learning and teaching in March 2020, QAA Scotland rescheduled four Enhancement-led Institutional Reviews (ELIR) that were due to take place in spring 2020. In consultation with the SFC and each of the institutions affected, the review visits for ELIR took place online in November 2020, with minor adjustments made to the method to better support reviewers engaging in this process online for the first time. Following the completion of these reviews, three more reviews were conducted online in spring 2021. We will finish the current ELIR 4 cycle in autumn 2021 with the final two institutions - these reviews will take place online. Of those who were reviewed during the year, six were deemed 'fully effective', with one receiving a 'limited effectiveness' judgement, none received a 'not effective' judgement. We are also embarking on a full review of the ELIR 4 process to help us to understand what has worked well and what we might want to amend for future quality arrangements.

20 QAA Scotland hosted its International Enhancement Conference in November 2020, bringing together 450 delegates from 26 countries to share innovative learning, tools and practice from the Scottish Enhancement Themes and across the globe. The event focused on discussing how evidence can be used to build resilient learning communities during rapidly changing external environments.

21 As we drew the 2017-20 Enhancement Theme to a close, we have launched the new 2020-23 theme entitled 'Resilient Learning Communities'. This new theme has begun with seven collaborative projects based on online discussion. We held our first online Theme Leaders' Group meeting at the end of January 2021, and institutions have begun submitting their Year 1 plans.

QAA in Wales

22 QAA completed three Quality Enhancement Reviews (QER) and two Gateway Quality Reviews (GQR) during the year. All reviews were successfully completed online and resulted in positive outcomes for all of the institutions reviewed.

23 QAA published the handbook for the Review of Degree Apprenticeships in Wales for the 2020-21 academic year in October 2020. The review was commissioned by the Higher Education Funding Council for Wales (HEFCW) and followed extensive consultation across the Welsh tertiary education sector. The review covers three priority areas: Digital, Engineering and Advanced Manufacturing, and complements the Welsh Government's evaluation of the HEFCW Degree Apprenticeships pilot scheme. Following successful completion of the review, QAA has prepared a sector-wide report which provides an anonymised summary of the provision and findings for all the reviews, along with recommendations for the future delivery of apprenticeship programmes. The report was published in September 2021.

24 Following discussions with Welsh providers and HEFCW, QAA Wales prepared and published an addendum to the QER Handbook, to reduce the scope of institutional reviews to focus on HEFCW's statutory responsibility - to be assured of the quality of education provided by, or on behalf of regulated providers. This change was implemented to reduce regulatory burden and enable providers to focus on responding to the COVID-19 pandemic. Quality enhancement continues to be a key component of HEFCW's Quality Assessment Framework and, while enhancement will continue to form part of QAA's regular engagement with providers scheduled for QER in 2021-22, this activity will not result in published outcomes or judgements. QAA will work with these providers to maintain their engagement in, and contribution to, quality enhancement activities in Wales.

25 The Welsh Government continues to progress the draft Tertiary Education and Research Bill through the Senedd. QAA has engaged with the proposals, which will see the creation of a new Commission for Tertiary Education and Research and met with Welsh Government representatives in May to discuss the draft bill. One of the main changes to quality arrangements expected to come from the Bill is that the Commission will formally designate a quality body to undertake reviews of quality and standards.

QAA in Northern Ireland

26 QAA has led discussions with sector stakeholders in Northern Ireland as we seek to develop a new bespoke enhancement-led approach to quality assessment. QAA has commissioned two projects to consider the needs of the sector. The Department for the Economy in Northern Ireland has indicated interest in QAA undertaking a formal review of quality in Northern Ireland, and potentially implementing the new approach through a contractual arrangement.

Supporting quality enhancement among QAA Members

QAA services for members

27 QAA has been operating a voluntary membership model since 1 August 2019; therefore, the 2020-21 academic year was the second year of QAA Membership.

28 The overriding focus this year has been working in partnership with our members to maintain quality and standards in response to the COVID-19 pandemic. Our Covid guidance is funded by our members' fees but is publicly available in recognition of the extraordinary pressures on the wider sector arising from the pandemic. Across the year, we have published 11 COVID-19 guidance publications, which builds on the 29 guidance documents and supporting resources we published in 2019-20 as members began to pivot to meet the challenges of the pandemic.

29 Interest in QAA Membership was strong with 236 institutions signing up for QAA Membership in England for the 2020-21 academic year. With providers from Scotland, Wales and Northern Ireland included, there has been a total of 279 members across the UK. Looking ahead to the 2021-22 academic year, as of September 2021 - 241 providers in England have chosen to renew or join.

30 QAA published 138 exclusive resources for members - 94 publications for core members, 23 for those subscribed to Quality Insights, and 21 for International Insights subscribers. Publications ranged from a toolkit on understanding and engaging with the student-value journey to research on QAA Members' approaches to academic misconduct. We also held a range of successful events online for our members: over 40 webinars, 12 training programmes, and 31 events and workshops - including our Quality Insights and Evolving Student Engagement conferences, and QAA Annual Conference, were attended by more than 3,900 delegates from over 300 organisations.

Working with QAA Members and UK higher education to address pressing sector issues

31 On 26 May, QAA formally launched the second edition of the Higher Education Credit Framework for England, first developed in 2008. The two revised publications are facilitative rather than prescriptive and aim to support providers in England to develop a flexible, transparent and consistent academic credit system, with learners at the centre. We believe this provides alignment with the recently published Skills and Post-16 Education Bill and related flexible learning reforms in England. We are grateful to Professor Sue Rigby for her work chairing our advisory group over the last year, which engaged members in the review of the Credit Framework and associated advice.

32 We recruited participants from among our member bodies to join subject advisory groups for Subject Benchmark Statements which are due to undergo review in the next year. Subject Benchmark Statements describe the nature of study and the academic standards expected of graduates in specific subject areas. They show what graduates might reasonably be expected to know, do and understand at the end of their studies. They are used as reference points in the design, delivery and review of academic programmes. From this year onwards, a revised approach to Equality, Diversity and Inclusion (EDI); Education for Sustainable Development (ESD); enterprise and entrepreneurship; and accessibility for disabled students will be adopted within the remit of these reviews. 14 Subject Benchmark Statements will be reviewed in 2021.

33 Engaging with students and ensuring their views and opinions feed into QAA's activity is key to ensuring we are delivering effective services for the sector. Students are

embedded in our governance, with two student Board members as well as student members on the QAA Scottish and Welsh Advisory Committees. We also have a Student Strategic Advisory Committee which meets three times a year. We have held two student focused events this year - 'Quality Matters' and 'Evolving Student Engagement' - each attracting student representation from across the UK.

34 QAA continues to be at the forefront of the higher education sector's response to threats to academic integrity and hosts the UK Academic Integrity Advisory Group, which is made up of sector experts, agencies and government representatives from across the UK. In October 2020, we launched an Academic Integrity Charter to coincide with the International Day of Action Against Contract Cheating. The charter has been developed with input from the Academic Integrity Advisory Group and was endorsed by England's Universities Minister, Michelle Donelan MP and Scotland's then Higher Education Minister, Richard Lochhead MSP. It sets out a series of principles demonstrating the commitment of Charter signatories to the protection and promotion of academic integrity. The Charter was launched in the media in April 2021, attracting significant coverage in national and sector press. As of August 2021, 172 institutions and bodies have signed up to the Charter and we will be working with our members to assess the impact that signing the Charter has had on institutional activity to promote and protect academic integrity.

35 QAA also continues to work with sector representatives and politicians to pursue a legislative ban on essay mills. This campaign received a boost in June 2021 when the English Secretary of State for Education, Gavin Williamson MP announced at a HEPI conference that the Government would work with Lord Storey, a member of the Academic Integrity Advisory Group, and Liberal Democrat peer in England, to introduce legislation outlawing this practice. QAA continues to work closely with Lord Storey, other political stakeholders and sector experts to advance this work and ensure its impact is not limited to England alone.

36 In December, we launched a new programme of Collaborative Enhancement Projects. The funding QAA provides to these projects allows small groups of member institutions to work together to enhance the quality of their student learning experiences, and develop outputs that benefit the wider QAA Membership. We received 32 applications, with a good spread across different types of institution; Funding was awarded to 13 projects which included 49 higher education institutions, seven further education colleges, one students' union, and at least one local authority. While only one students' union is named as a collaborating partner, all of the projects indicate ways of engaging students. We have now confirmed approximately £100,000 funding across 13 projects over two years. Projects cover a range of priority topics including inclusive assessment, flexible pathways, and digital/blended delivery.

37 In March 2021, we published revised guidance on Education for Sustainable Development (ESD), in partnership with Advance HE. The publication is exclusively available to members of QAA and Advance HE, and is designed to help providers enable ESD across all curricula. It provides guidance for embedding ESD as part of curriculum design, teaching, learning and assessment. The guidance also emphasises the importance of strategic, institution-level commitment and support when looking to progress ESD, and how ESD can frame and reinforce other institutional objectives.

38 As part of its membership offering, QAA actively engages with policy issues and developments across the UK. Included in this, we respond to public consultations on behalf of QAA Members and the wider higher education sector. Responses submitted during the year include: the Office for Students' consultations on quality and standards, and digital teaching and learning; the Department for Education's consultation on Post-Qualification admissions; the Scottish Funding Council's review of coherent provision and sustainability;

the Welsh Government's consultation on the Draft Tertiary Education and Research Bill; and the review of English Level 3 qualifications.

Supporting our members and UK higher education internationally

39 QAA continues to develop strong partnerships with international partner organisations in order to support the UK higher education sector. During the year we have signed a memorandum of understanding with the Commission for Academic Accreditation (CAA) in the United Arab Emirates. This important partnership allows us to share information and collaborate on agreed programmes of activity in order to support cooperation across our respective nations.

40 Transnational education (TNE) plays a significant role in helping to maintain the world-class reputation of UK higher education. In 2019-20, 156 UK universities reported TNE activity in over 225 countries and territories - with over 453,000 students studying for UK awards outside of the UK.

41 QAA has continued to produce country reports as part of our offering to our International Insights Members. These reports provide an overview of the higher education and regulatory landscape in the relevant country and offer high-level information and intelligence about regulations, challenges and opportunities relevant to UK TNE providers looking to expand operations. During the year, we published country reports on the People's Republic of China, United Arab Emirates, Republic of India and Japan. Each of these reports was also accompanied by a webinar run in collaboration with relevant higher education agencies and organisations in the respective country.

42 QAA launched its new Quality Enhancement and Evaluation of Transnational Education (UK QE-TNE) review method in May 2021, commissioned by Universities UK and GuildHE on behalf of the UK higher education sector. The method was developed in consultation with the sector with participation from more than 100 representatives from over 20 countries, including all the nations of the UK.

43 QE-TNE consists of a programme of scheduled in-country quality enhancement activity - normally three countries/territories per academic year - comprising a major host country of TNE activity and two locations with smaller or developing TNE provision. UK degree-awarding bodies with TNE provision in those countries, and who have signed up to the scheme by 18 September, will undergo review as part of this in-country activity. Participating institutions will also have access to a range of resources including visit reports, case studies and country reports which help to enhance their TNE provision, with QAA Members having access to additional outputs. The three countries selected for review for the 2021-22 academic year are United Arab Emirates (UAE), Egypt and Germany, while those for the 2022-23 academic year are the People's Republic of China, Sri Lanka and the Kingdom of Saudi Arabia. The scheme will run for five years - until 2025-26, and there are over 70 UK institutions participating, representing over 70% of the overall TNE student population.

44 In April 2021, QAA formally launched 'IQR for ACE Impact', our bespoke version of International Quality Review for the World Bank African Centres of Excellence project in West Africa and Djibouti. As of September 2021, one institution has signed up to the project with others currently in discussion with QAA about the project.

45 QAA's outgoing Chief Executive, Douglas Blackstock was elected President of the European Association for Quality Assurance in Higher Education (ENQA) in April 2021. This represents a continuation of an almost unbroken period of senior QAA representation at ENQA since the association was founded in 2004. This role will be of significant benefit to

QAA and UK higher education, allowing us to share international practice and continue to strengthen relationships within the European Higher Education Area (EHEA). Other QAA staff have been invited by ENQA to play important roles - Alastair Delaney, Director of Scotland, Wales and Northern Ireland, as a member of the ENQA Reviews Committee and Gareth Crossman, Head of Policy and Communications, as the chair of the ENQA Academic Integrity working group.

46 We hosted the biennial conference of the International Network for Quality Assurance Agencies in Higher Education (INQAAHE) in June 2021. Although we were unable to physically host delegates in Glasgow as originally planned, we were able to attract over 212 delegates from 53 countries to the online conference themed 'Re-Imagining Higher Education Quality in an Age of Uncertainty'.

Lessons learned

47 We have carried out a project over the last year on how we can better support our members in Northern Ireland. We look forward to responding to the findings of that project through our work with Northern Irish higher education institutions over the course of the next year.

48 The COVID-19 pandemic has continued to pose significant challenges for higher education providers, staff and students. Institutions have continued to develop and adapt their provision in line with restrictions. As detailed above, throughout this period, QAA has developed extensive guidance to support the sector in continuing to deliver a high-quality learning experience for students. Collaboration has continued to play a central role in QAA's work with our staff and Board members having extensive conversations with institutional leaders, quality specialists and students in order to inform the guidance we produce. Other key collaborators for QAA across the past year have included governments, professional bodies, international quality agencies and other international partners.

49 Sector collaboration was of crucial importance in supporting students and providers of Access to Higher Education programmes throughout the pandemic and helped to ensure the successful delivery and management of the Extraordinary Regulatory Framework (ERF) which oversaw the delivery of the Access to HE Diploma. We are grateful for the support and collaboration of numerous partners including the Department for Education, Ofqual, Qualifications Wales, Association of Colleges, Black FE Leadership Group, UCAS, Access to HE providers, our Access Validating Agencies (AVAs) and, of course, students.

50 Having had the opportunity to reflect on the impact the pandemic and subsequent move to remote working had for QAA's working culture, QAA's 'Ways of Working' group has worked together to identify permanent beneficial changes to working practices. In July 2021, QAA launched the new 'Flex+' working philosophy. The new arrangements provide additional flexibility to QAA staff on their working location and working hours in agreement with their line manager and wider team. The new Flex+ guidelines demonstrate QAA's commitment to everyday flexibility and adopting a culture based on trust and fairness.

Looking ahead

51 In 2021-22, our membership offer spans five interconnected themes. These include UK-wide work to secure standards and quality, as well as enhancement-facing activities, co-created with our members to ensure our activities are responsive to the different contexts in which members operate. These five themes are underpinned by a range of events, networking, and training and development activity. The five themes are:

- Beyond COVID-19: The Future of Digital and Blended Learning

- Creating Inclusive Learning Communities - Flexible Pathways and Pedagogies
- Global Engagement and TNE
- Evaluation and Data-based Decision Making
- Securing Academic Standards.

Each theme will include a range of practical resources, ensuring that members have access to high-quality information. This will be further supported by events and workshops which bring together QAA Members to network and share practice. QAA is currently working on the development of an International Membership model which will offer all of the benefits of QAA Membership to international higher education providers.

52 Higher education remains high on the policy agendas of UK governments. In addition to the proposals being consulted on by the Office for Students regarding quality and standards, the UK Government is progressing its Skills and Post-16 Education Bill which aims to revolutionise the further education and post-16 sector and introduce a Lifelong Loan Entitlement which it will consult on later this year. Work continues on the implementation of changes to the way higher education is regulated and funded in both Scotland and Wales, while Northern Ireland remains committed to a review of quality assessment arrangements. QAA will continue to engage in policy development across all nations over the coming year and will continue to support QAA Members to engage in these discussions.

53 Autumn 2021 sees the departure of our current Chief Executive, Douglas Blackstock after 20 years of service at QAA. Douglas is succeeded in the role by our Executive Director of Operations and Deputy Chief Executive, Vicki Stott, who was appointed as the new Chief Executive earlier this year. We look forward to celebrating Douglas's outstanding contribution to the work of QAA, and to the future work of the organisation under Vicki's leadership.

54 2021-22 will be the first year of QAA's Quality Enhancement and Evaluation of Transnational Education (QE-TNE) programme. As of September 2021, 78 higher education institutions had signed up to QE-TNE. The first year of the programme will see country-based activity taking place in Egypt, Germany and the United Arab Emirates (UAE). The QE-TNE scheme aims to develop greater mutual trust, understanding and recognition between the UK and TNE host nations while enhancing the quality of transnational education.

55 QAA will also celebrate its 25th anniversary in 2022, marking a quarter of a century as the leading authority on quality and standards in UK higher education. We will be planning a number of events to mark the occasion, in collaboration with our members and UK and international partners.

Financial review

56 The financial statements have been prepared in accordance with the requirements of the Charities SORP. Following the publication of our 2020-25 strategy with its three strategic aims, resources expended on charitable activities are shown split between these aims. The total resources expended note (note 7, page 45) splits these categories down further and includes an allocation of support costs across the aims.

Results

57 QAA's 2020-21 activities were funded primarily through contracts with the higher education funding bodies, membership from higher education providers, fees chargeable under HERA, and charges for oversight and review of alternative providers of higher education. Additional income was generated through other international review activity, advisory services, contributions from AVAs and investment income.

58 QAA's net income for the year ended 31 July 2021, before recognising investment gains, was £17,139 (2020: net income of £1,078,515). After recognising net gains on investments of £678,889 (2020: losses of £337,220), the net movement in funds for the year was an increase of £696,028 (2020: increase of £741,295) which has increased reserves. The accumulated funds at 31 July 2021 are £4,735,501 (2020: £4,039,473).

59 QAA's wholly owned trading subsidiary, QAA Enterprises Limited, has made a profit of £2,279 (2020: loss of (£21,651)) to the group surplus. No gift aid payment was made (2020: £20,044) to the charity in the year.

Income

60 Total income as shown in the Statement of Financial Activities (SOFA) decreased by £927,932 (10%) to £8,299,644 between 2019-20 and 2020-21. Income from charitable activities shows a net decrease of £888,216 (9.8%).

61 The reductions in the number of assessments commissioned by OfS under HERA as the Designated Quality Body (see paragraph 6) caused a decrease in regulatory income of £1,341,013; 32.9%.

62 This decrease was partially offset by an overall increase in membership, contracts with higher education funding bodies and alternative providers of higher education.

63 Income from investments has decreased by £45,716 (28.4%) to £115,098.

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

Expenditure

65 Total expenditure, as shown in the SOFA, increased by £133,444 (1.6%) to £8,282,805 between 2019-20 and 2020-21.

66 Expenditure on charitable activities before restructuring cost and pension provision decreased £1,093,477 (11.8%) to £8,166,314, as direct delivery costs decreased in line with the reduction in the number of assessments commissioned and the ongoing pandemic restrictions gave reductions in expenditure on office and travel costs.

67 Total expenditure on charitable activities, however, increased by £131,354 (1.6%) as 2020-21 saw an increase in the pension deficit of £106,278 in contrast to the decrease in 2019-20 of £1,267,259, giving an overall increase in pension deficit expenditure of £1,373,537. The increase in the pension provision represents the cost of the increase in the deficit funding liability of £134,886, offset by a reduction for deficit contributions made of £59,723 (2020; £48,395) payable to the Universities Superannuation Scheme (USS).

68 Following changes to the USS, this scheme now comprises two parts: USS Retirement Income Builder which is a defined benefit arrangement; and USS Investment Builder which is a defined contribution arrangement. The latest formal actuarial valuation of the USS-defined benefit liabilities has been carried out as at 31 March 2018 to meet the requirements of the *Pensions Act 2004*. This actuarial valuation shows a shortfall of £3.6bn in the USS with the scheme assets being sufficient to cover 95% of its 'technical provisions' liabilities.

69 A breakdown of charitable expenditure between the strategic aims is shown in note 6 on page 44.

70 An analysis of charitable expenditure between direct costs and support costs is provided in the total charitable expenditure note (note 7, page 45).

Balance sheet

71 Total funds on QAA's group balance sheet are £4,735,501 (2020: £4,039,473). The net book value of tangible fixed assets held by the group and charity shows a decrease of £230,019 with depreciation exceeding the £40,453 spent on additions (see note 12 on page 50). The net book value of fixed asset investments has increased by £783,095 to £5,083,386.

72 Trade debtors have increased by £1,026,137 to £1,488,919 as a result of the earlier invoicing of membership for the period starting 1 August 2021. This, in turn, has increased deferred income by £1,869,889 to £4,292,548.

Reserves policy

73 QAA's Reserves policy establishes a target range of free reserves, taking into account: the financial impact of risk; the volatility of current and future income streams; the action required in the event of income reduction; and the impact of future commitments. The resultant target range of free reserves, following the annual review, is set at £3.1-£4.0 million. The level of available free reserves is £3.3 million, which falls within this range.

74 As part of the Trustee's responsibilities of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been considered. The assumptions modelled are based on the estimated potential impact of known changes in the sector and any effect of COVID-19 restrictions and regulations, along with our proposed responses over the course of the next 18 months.

75 On the basis of this review, these financial statements have been prepared on a Going Concern basis, which the Trustees consider to be appropriate based on the results for the year ending 31 July 2021 and forecasts and cash flow projections prepared for the period to 31 July 2023. The cash flow projections indicate that the Group will be able to meet its liabilities as they fall due and will be able to operate within the facilities currently available. The Trustees consider that there are no material uncertainties over the charitable company's financial viability.

76 QAA holds reserves for three main reasons:

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

77 A designated Innovation and Development Fund is set aside 'for innovation in products and services for the long-term benefit of UK higher education'. The opening balance on the fund was £24,694. In both October 2020 and June 2021, consideration was given to replenishment of this reserve and a further £500,000 was transferred to the fund for the purposes of providing additional services to QAA Members and development of additional international products and services. This expenditure is budgeted to start in 2021-22.

78 A designated fund for restructuring was created in 2018-19 to cover restructuring costs crystallising in 2019-20. The remaining unutilised balance of £23,980 was released back to free reserves in 2020-21.

79 At 31 July 2021, QAA's free reserves as defined by the Charities SORP were £3,371,290 (2020: £3,021,261).

Treasury management

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

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

81 During 2020-21, the revised investment approach agreed by the trustees continued to be followed, with available funds being notionally split into three tranches and managed as follows:

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

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

83 Investment income in the year is attributable to interest receivable of £1,290 from short-term working capital balances and medium-term cash funds, together with interest and dividends of £113,808 received from fixed-asset investments.

84 The market value of the investments is £5.1 million (2020: £4.3 million). The net unrealised gain in the market value of funds held at 31 July 2021 was £678,888 (2020: loss £337,220) reflecting the return of stock markets worldwide to pre-pandemic levels. The surplus of interest and dividend receipts after paying management charges, together with net gains or losses realised, continues to be reinvested.

85 This approach is being closely monitored and managed to ensure that the principles of the treasury management policy are being met. Given the low base rate and current market conditions, QAA considers the returns on its cash and investments to be acceptable.

Directors' Report

Structure, governance and management

86 QAA is a private company limited by guarantee, and a registered charity in England, Wales and Scotland. Our four company members were, as of 31 July 2021:

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

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

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

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

Governance

89 In line with recommended practice, QAA commissioned an external governance review which took place in July 2019 and reported to the Board in December 2019. Actions from this review were agreed in March 2020; all approved recommendations have now been completed. The final step was an amendment to QAA's Articles of Association, which changed how some Board members were appointed. As part of QAA's ongoing commitment to good governance and leadership, the Board members completed a Board skills audit.

90 One-to-one annual conversations continue to be held between the Chair and individual Board members.

91 During the year, the Board has also reviewed and agreed:

- QAA's risk appetite and tolerance levels
- policies including: Whistleblowing Policy (now renamed 'Freedom to Speak Up'); Conflicts of Interest - Board Members; Matters Reserved for the Board; Health and Safety Policy; Approach to Risk Management; and the Equality, Diversity and Inclusion Policy
- revised terms of reference for the Nominations and Remuneration Committee, DQB Committee, and Audit and Risk Committee.

Recruitment and appointment to the Board

92 Our directors are also our trustees for the purposes of charity law. Under our Articles of Association, they are known as the Board. Under the requirements of the Articles, 18 trustees are appointed to the Board as follows.

- Serving a three-year term, then eligible for a second three-year term:
 - four members nominated jointly by three funding bodies for UK higher education (Department for Education (Northern Ireland), Higher Education Funding Council for Wales, and the Scottish Funding Council). The Office for Students has to date declined to take on the nominating rights previously exercised by the Higher Education Funding Council for England
 - four members nominated jointly by the UK higher education representative bodies (GuildHE, Universities Scotland, Universities UK and Universities Wales)
 - one member nominated by the UK Council of Colleges and appointed by the Board
 - six independent members appointed by the Board
 - one independent member appointed by the Board who, at the time of appointment, is engaged wholly or mainly in the governance or management of an alternative provider of higher education.
- Serving a one-year term, then eligible for a second one-year term:
 - one independent member appointed by the Board who, at the time of appointment, is a registered undergraduate or postgraduate student, an elected student officer of a student union, or an elected student officer of a student representative body
 - one member nominated by the National Union of Students and appointed by the Board.

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

94 All Board members are non-executive directors. They give their time voluntarily and do not receive any remuneration or benefits from the charity. Expenses claimed by Board members during 2020-21 are covered in note 10 of our financial statements.

Board responsibilities

95 Our Board's principal responsibilities include:

- approving our mission and strategic vision, strategic plans, annual plans and budgets, and key performance indicators
- ensuring the establishment and monitoring of systems of control and accountability
- ensuring processes are in place to monitor and evaluate our performance and effectiveness
- appointing the Chief Executive and putting in place suitable arrangements for monitoring their performance
- acting as our principal financial and business authority

- ensuring we keep proper books of accounts
- approving our annual report and financial statements
- overall responsibility for our assets, property and estate.

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

Board member induction

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

- Charity Commission publications: The Essential Trustee and the Charity Governance Code
- QAA publication: *Code of Best Practice for Members of the QAA Board* (including guidance on ethical conduct, statutory duties and responsibilities, and good governance).

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

Board member activities

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

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

(Due to Covid restrictions throughout the year, all of these meetings/events have been held online.)

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

101 During the year 2020-21, the average Board meeting attendance was 99% (90% in 2019-20). Individual Board member attendance was as follows:

Name	Attendance for 2020-21 (out of four meetings)
Professor Andrew Wathey	4
Professor Simon Gaskell	4
Professor Craig Mahoney	4
Mr Craig Watkins	4
Professor David Jones	3
Ms Linda Duncan	4
Professor Maria Hinfelaar	4
Ms Eve Alcock	4
Mr Oliver Johnson	4
Professor Oliver Turnbull	4
Professor Philip Wilson	4
Ms Sara Drake	4
Dr Vanessa Davies	4
Ms Hillary Gyebi-Ababio	4
Professor John Sawkins	4
Professor Sue Rigby	4
Ms Angela Joyce	4

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

Board committees

102 There were eight Board committees in operation during 2020-21. All committees have individual terms of reference published in our Code of Best Practice.

Governance matters:

- Audit and Risk Committee
- Nomination and Remuneration Committee

Advisory:

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

Operations:

- Access Recognition and Licensing Committee
- Advisory Committee on Degree Awarding Powers
- Designated Quality Body Committee

QAA Board of Directors

103 From 1 August 2020 to 31 July 2021, the following served as directors and trustees on the QAA Board:

Independent members

Professor Simon Gaskell (Chair)	Former President and Principal, Queen Mary University of London (appointed March 2019)
Dr Vanessa Davies	Former Director General, Bar Standards Board (appointed December 2017)
Ms Sara Drake	Chief Executive, ICSA (appointed January 2018)
Ms Linda Duncan (Honorary Treasurer/Vice-Chair)	Chief Executive, Blue Star Consortium (appointed March 2017)
Mr Oliver Johnson	Former Chief Executive, Durrell Wildlife Conservation Trust (appointed December 2016)
Mr Craig Watkins	Chief Executive and Managing Director, Kantar Public UK (appointed December 2017)

Independent member: alternative provider

Mr Philip Wilson	Immediate past-Chair, Independent HE (appointed June 2017)
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Independent member: student

Ms Eve Alcock	Recent SU President, University of Bath (appointed June 2020)
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Appointed jointly by GuildHE Limited, Universities Scotland, Universities UK and Universities Wales

Professor Maria Hinfelaar	Vice-Chancellor, Glyndŵr University (appointed September 2016)
Professor Craig Mahoney	Vice-Chancellor, University of the West of Scotland (appointed May 2016)
Professor Andrew Wathey CBE	Vice-Chancellor, Northumbria University (appointed September 2015)
Professor Sue Rigby	Vice-Chancellor, Bath Spa University (appointed October 2019)

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

Professor Denise McAlister	Emeritus Professor, University of Ulster (appointed October 2014 to October 2020)
Professor David Jones	Pro-Vice-Chancellor (Education and Students), Professor of Biomaterial Science, Queen's University Belfast (appointed October 2020)
Professor John Sawkins	Deputy Principal (Education and Student Life), Professor of Economics, Heriot-Watt University (appointed October 2019)
Professor Oliver Turnbull	Pro-Vice-Chancellor (Teaching and Learning), Professor of Neuropsychology, Bangor University (appointed September 2019)

Nominated by the UK Council of Colleges

Ms Angela Joyce	Chief Executive, Warwickshire College Group (appointed October 2019)
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Nominated by the National Union of Students

Ms Hillary Gyebi-Ababio	Vice-President (Higher Education), NUS (appointed July 2020)
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Organisational structure

104 Our Executive team in 2020-21 was:

- Douglas Blackstock, Chief Executive
- Caroline Blackburn, Finance Director
- Vicki Stott, Executive Director of Operations

105 The Executive team is supported by the wider Senior Leadership Team.

Pay and remuneration

106 Our Nomination and Remuneration Committee advises the Board on the performance of the Chief Executive and Executive team, appropriate remuneration, and severance payments. In advising on setting the pay of the Chief Executive and Executive team, the Committee takes into account the skills and experience required for each of the roles, and the remuneration in sectors from which suitable candidates for such posts would be found. Remuneration for different jobs is validated objectively, using market comparators. This includes looking at salary survey data for comparable roles from a number of sectors, including charities, higher education and organisations within the local area. Salary increases for all staff are awarded subject to performance review.

Corporate social responsibility (CSR)

107 QAA is committed to working in an ethically and socially responsible manner across all areas of our business. Our work safeguards standards and improves the quality of UK

higher education, wherever it is delivered around the world. Our business approach considers the impact of our work on the environment, our staff, suppliers, local communities, the higher education sector, and wider society. Our most recent CSR policy (running from 2017) sets out our aims and the activities in which we engage to support them across the UK:

- to uphold an ethical, transparent approach to our work
- to reduce our impact on the environment
- to contribute to the development of our local communities
- to respect our staff and encourage their development.

108 Our CSR performance and impact are monitored by both our Executive team and the Board's Audit and Risk Committee.

Data protection

109 There were no reportable incidents involving personal data during 2020-21.

Fundraising activities

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

Equality statement

111 We are strongly committed to the principles of equality, as part of our wider commitment to quality. We demonstrate this through our internal policies and working practices. We also embed it in our work, as equality is an integral part of our approach to quality assurance and enhancement. Equality is a key element of our view of a high-quality educational experience and the expectations students can rightly have of the providers of UK higher education.

Delivering public benefit

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

Relationships with related parties

113 QAA's subsidiary, QAA Enterprises Limited - a private company limited by shares, is governed by its own Articles of Association which set out its constitution. The objects of QAA Enterprises Limited are:

- to provide a range of services, including consultancy, training, research, sponsorship, review and accreditation, for the sole purpose of generating income to support the objects of QAA
- to promote and maintain the quality and standards of higher education in the UK and overseas
- all matters that the company deems ancillary, necessary or related to those objects.

Principal risks and uncertainties

114 Our Board is ultimately responsible for our approach to risk management, which is set out in our risk management policy. We record strategic risks in our strategic risk register, and operational risks are recorded either in our operational risk register, or in the dedicated project or activity registers to which the risks relate.

115 The strategic risk register is reviewed by our Audit and Risk Committee at each of its meetings, and a paper on risk management is sent to every Board meeting.

116 In 2020-21, we significantly updated our strategic risk register, moving to a format which more clearly sets out the inherent, residual and target levels of risk (reflecting both probability and impact). The number of risks considered at the strategic level increased from four to 12.

117 The risks considered significant at the residual (post-mitigation) stage included: the financial pressures on the sector and their potential impact on QAA's business model; regulatory or policy decisions that might affect the Designated Quality Body in England; the impact of policy and regulatory developments on the UK sector's international standing, particularly in Europe; and cyber-security.

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

Reference and administrative details

Registered name	The Quality Assurance Agency for Higher Education
Other names used by the company	QAA, QAA Scotland
Company registration number	03344784 (England and Wales)
Charity registration numbers	1062746 (England and Wales) SC037786 (Scotland)
Registered and principal office	Southgate House, Southgate Street, Gloucester, GL1 1UB
Operational addresses	Southgate House, Southgate Street, Gloucester, GL1 1UB 18 Bothwell Street, Glasgow, G2 6NL 15 Fetter Lane, London, EC4A 1BW Cambrian Buildings, Mount Stuart Square, Cardiff Bay, CF10 5FL [vacated 31 July 2021]
Company Secretary	Tom Yates, Director of Corporate Affairs
Senior management (with delegated authority)	Vicki Stott, Chief Executive
Bankers	HSBC Bank plc, The Cross, Gloucester, GL1 2AP and Lloyds Bank plc, 10 Gresham Street, London, EC2V 7AE
Investment managers	Rathbones Investment Management Limited, 1 Curzon Street, London, W1J 5FB Barclays Private Bank (Barclays Bank PLC), 40-42 Queen Square, Bristol, BS1 4QP
Solicitors	Shakespeare Martineau, No 1 Colmore Square, Birmingham, B4 6AA
Independent auditor	Crowe U.K. LLP, 4 th Floor, St James House, St James Square, Cheltenham, GL50 3PR

Responsibilities of the trustees and directors

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

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

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

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

Information to auditor


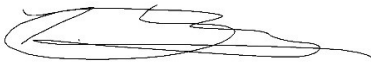
122 In the case of each of the persons who are directors of the company at the date when this report was approved:

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

Auditor

123 A resolution to reappoint Crowe U.K. LLP as auditor to the company was agreed at our Annual General Meeting in December 2021.

124 The Strategic Report, Directors' Report and financial statements were approved by the Board on 15 December 2021 and were signed on its behalf by:

Professor Simon Gaskell Chair of the Board of Directors 	Tom Yates Company Secretary 
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Independent Auditor's Report to the Members and Trustees of The Quality Assurance Agency for Higher Education

Opinion

We have audited the financial statements of The Quality Assurance Agency for Higher Education (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 July 2021 which comprise the Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 July 2021 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the *Companies Act 2006* and the *Charities Act 2011*.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the *Companies Act 2006* requires us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 28, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. Design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the charitable company and group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were *Companies Act 2006*; *Charities Act 2011*; The Charities (Accounts and Reports) Regulations 2008; Financial Reporting Standard 102 (FRS 102); and the Charities SORP (102) (effective 1 January 2019). In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the charity and the group for fraud. The laws and regulations we considered in this context for the UK operations were the *Higher Education and Research Act 2017* (HERA); General Data Protection Regulation; Health and Safety legislation; and employment legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures were designed to respond to these risks over income. In relation to management override of controls, we conducted enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission, HMRC and other regulators including OfS and OSCR, and reading minutes of meetings of those charged with governance.


Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

Use of our report

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



Tara Westcott
Senior Statutory Auditor

For and on behalf of

Crowe U.K. LLP
Statutory Auditor
St James House
St James Square
Cheltenham
GL50 3PR

17 December 2021

**Consolidated statement of financial activities
(including consolidated income and expenditure account)
for the year ended 31 July 2021**

	Notes	2021 £ Unrestricted funds	2020 £ Unrestricted funds
Income from:			
Charitable activities	5	8,178,546	9,066,762
Other trading activities	3	6,000	-
Investments	4	115,098	160,814
Total income		8,299,644	9,227,576
Expenditure on:			
Fundraising trading costs		311	1,607
Investment management costs		9,602	6,216
Raising funds		9,913	7,823
Charitable activities	6, 7	8,272,592	8,141,238
Total expenditure		8,282,505	8,149,061
Net gains / (losses) on investments		678,889	(337,220)
Net income and net movement in funds for the year	8	696,028	741,295
Reconciliation of funds			
Total funds brought forward		4,039,473	3,298,178
Total funds carried forward	22	4,735,501	4,039,473

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

All income and expenditure derive from continuing activities.

The notes on pages 37 to 65 form part of these financial statements.

Balance sheets as at 31 July 2021

(Company number: 03344784)

	Notes	Group		Charity	
		2021	2020	2021	2020
		£	£	£	£
Fixed assets:					
Tangible assets	12	380,519	610,538	380,519	610,538
Investments	14	5,083,386	4,300,291	5,083,387	4,300,292
Total fixed assets		5,463,905	4,910,829	5,463,906	4,910,830
Current assets:					
Debtors	15	1,878,745	721,086	1,933,518	778,450
Cash at bank and in hand		4,245,205	3,288,534	4,189,157	3,230,256
Total current assets		6,123,950	4,009,620	6,122,675	4,008,706
Liabilities:					
Creditors - amounts falling due within one year	16	(5,389,031)	(3,537,345)	(5,388,431)	(3,534,825)
Net current assets		734,919	472,275	734,244	473,881
Total assets less current liabilities					
		6,198,824	5,383,104	6,198,150	5,384,711
Provision for liabilities	20	(155,691)	(142,277)	(155,691)	(142,277)
Pension provision liability	21	(1,307,632)	(1,201,354)	(1,307,632)	(1,201,354)
Total net assets		4,735,501	4,039,473	4,734,827	4,041,080
The funds of the group and charity:					
Designated funds	22	983,694	407,674	983,694	383,694
General funds	22	3,751,807	3,631,798	3,751,113	3,657,386
Total funds as at 31 July 2021		4,735,501	4,039,473	4,734,827	4,041,080

The surplus for the financial year dealt with in the financial statement of the parent charity was £693,500 (2020: £762,946).

The notes on pages 37 to 65 form part of these financial statements.

The financial statements were approved and authorised by the Board on 15 December 2021 and were signed on its behalf by:



Professor Simon Gaskell

Chair of the Board of Directors

Statement of cash flows for the year ended 31 July 2021

	Notes	Group 2021 £	2020 £	Charity 2021 £	2020 £
Cash flows from operating activities:					
Net cash provided by operating activities	25	986,231	269,736	988,461	291,386
Cash flows from investing activities:					
Investment income		115,098	160,814	115,098	160,814
Proceeds from sale of investments		5,238	3,752	5,238	3,752
Purchase of investments		(109,418)	(151,907)	(109,418)	(151,907)
Purchase of tangible fixed assets		(40,452)	(9,404)	(40,452)	(9,404)
Net cash (used in)/provided by investing activities		(29,534)	3,255	(29,534)	3,255
Change in cash and cash equivalents in the year		956,697	272,991	958,927	294,641
Cash and cash equivalents at the beginning of the year		3,288,544	3,015,553	3,230,266	2,935,625
Cash and cash equivalents at the end of the year	26	<u>4,245,241</u>	<u>3,288,544</u>	<u>4,189,193</u>	<u>3,230,266</u>

The notes on pages 37 to 65 form part of these financial statements.

Notes to the financial statements for the year ended 31 July 2021

1 Legal status

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

2 Accounting policies

The principal accounting policies, judgements and key sources of estimation uncertainty adopted in the preparation of the financial statements are as follows:

a Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the *Companies Act 2006*.

The financial statements have been prepared under the historical cost convention. QAA meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

b Preparation of the accounts on a going concern basis

As part of the Trustee's responsibilities of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been considered. The assumptions modelled are based on the estimated potential impact of known changes in the sector and any effect of COVID-19 restrictions and regulations, along with our proposed responses over the course of the next 18 months.

On the basis of this review, these financial statements have been prepared on a Going Concern basis, which the Trustees consider to be appropriate based on the results for the year ending 31 July 2021 and forecasts and cash flow projections prepared for the period to 31 December 2022. The cash flow projections indicate that the Group will be able to meet its liabilities as they fall due and will be able to operate within the facilities currently available. The Trustees consider that there are no material uncertainties over the charitable company's financial viability.

c Group financial statements

The financial statements consolidate the results of the charity and its wholly owned subsidiary on a line-by-line basis. The financial statements are prepared in sterling, which is the functional currency of the group. A separate Statement of Financial Activities (SOFA), and income and expenditure account, for the charity itself are not presented because the charity has taken advantage of the exemptions afforded by section 408 of the *Companies*

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

2 Accounting policies (continued)

d Judgements and key sources of estimation uncertainty

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

The annual depreciation charge for the tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the tangible assets.

The deficit on the defined benefit scheme is calculated by estimating the net present value of the future contribution liability needed to fund the recovery plan. In calculating the liability, the directors have made estimates for future staff changes, salary changes and discount rates.

e Fund accounting

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

f Income

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

g Expenditure and the basis of allocation of costs

All expenditure has been accounted for on an accruals basis and has been recorded as attributable to one of two categories - 'raising funds' (the cost of managing the charity's investments and the costs of fundraising trading incurred by the subsidiary company) and 'charitable activities' as shown in the SOFA. The charitable activities are further divided into the three strategic aims of the charity. Within charitable activities, the expenditure is classified as 'direct costs' or 'support costs' as shown in the 'total charitable expenditure' note.

2 Accounting policies (continued)

Staff numbers and costs were allocated either:

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

Non-pay costs were allocated either:

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

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

h Operating leases

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

i Restructuring and redundancy costs

Restructuring costs are recognised when the Charity has a legal obligation at the reporting date to carry out the restructuring. It is the trustees' policy to minimise the impact of organisational change. Redundancy payments only occur when absolutely necessary and are accounted for on an accruals basis when the commitment to terminate a post on the grounds of redundancy has been made.

j Tangible fixed assets and depreciation

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

The depreciation rates are as follows:

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

The cost of standard computer software is written off to the SOFA as it is incurred. Software that has been designed specifically for QAA or purchased as part of a larger capital project has been capitalised and written off over a five-year period. Assets costing less than £2,000 are not capitalised unless they form part of a larger capital project.

2 Accounting policies (continued)

k Investments

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

l Debtors

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

m Cash and cash equivalents

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

n Foreign currencies

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

o Creditors and provisions

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

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

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

p Basic financial provisions

QAA has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value (see note 18).

2 Accounting policies (continued)

q Pensions

Defined benefit schemes

QAA participates in the Universities Superannuation Scheme (USS) and Superannuation Arrangements for the University of London (SAUL). Throughout the current and preceding periods, both schemes were defined benefit only pension schemes and were contracted out of the State Second Pension (S2P) until 31 March 2016. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. QAA is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 'Employee benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the SOFA represents the contributions payable to the scheme in respect of the accounting period. Since QAA has entered into agreements (the Recovery Plans that determine how each employer within each scheme will fund the respective overall deficit of each scheme), QAA recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the SOFA.

Critical accounting judgements

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

Defined contribution scheme

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

3 Income from other trading activities

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

	2021 £	2020 £
Turnover	6,000	-
Cost of sales and administrative costs	(3,721)	(21,651)
Net profit / (loss) for the year	2,279	(21,651)

The assets and liabilities of the subsidiary were:

Current assets	62,047	58,277
Current liabilities	(61,374)	(59,884)
Total net (liabilities) / assets	673	(1,607)

4 Income from investments

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

	2021 £	2020 £
Dividend and interest income from quoted investments	113,808	147,788
Interest from cash held in interest bearing bank accounts	1,290	13,026
Total investment income for the year	115,098	160,814

5 Income from charitable activities

	Note	2021	2020
		£	£
Memberships		2,852,151	2,792,997
Regulatory		2,739,981	4,080,994
Contracts with higher education funding bodies		1,377,545	1,087,505
Alternative providers of higher education		383,524	194,775
Other contracts and related income		825,345	910,491
Total income from charitable activities		8,178,546	9,066,762
Analysis by source:			
UK higher education funding councils		1,199,731	1,244,784
UK higher education institutions		3,499,732	4,137,983
UK further education institutions		2,868,926	387,841
UK alternative providers of higher education		1,163,854	1,138,705
Other		1,316,191	1,071,709
		10,048,434	7,981,022
Release income deferred in prior years	16	2,398,870	3,409,859
Defer income received in current year	16	(4,268,758)	(2,324,119)
Total income from charitable activities		8,178,546	9,066,762

6 Expenditure on charitable activities

	Note	2021 £	*2020 restated £
The trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK		5,273,017	6,434,976
Providing expert advice that secures standards and supports quality enhancement		1,935,459	1,586,209
Strengthening the global reputation of UK higher education		957,838	1,238,605
Total expenditure on charitable activities before restructuring cost and pension provision		8,166,314	9,259,791
Restructuring costs		-	148,705
Pension provision - deficit contributions (included above)	21	(59,723)	(48,395)
Charged / (credited) to the SOFA - change in expected future deficit contributions		134,886	(1,279,098)
Pension provision - unwinding of discount	21	31,115	60,234
Total expenditure on charitable activities		8,272,592	8,141,238

7 Analysis of expenditure on charitable activities

	Charitable activities				Total expenditure on charitable activities	
	The trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK	Providing expert advice that secures standards and supports quality enhancement	Strengthening the global reputation of UK higher education	Governance	2021	2020*
	£	£	£	£	£	£
Direct costs						
Staffing costs	2,074,438	1,030,570	356,349		3,461,357	3,527,704
Other review costs	882,058	81,025	105,319		1,068,402	1,331,799
Other direct costs	148,448	138,329	52,943		339,720	404,465
Total direct costs	3,104,944	1,249,924	514,611		4,869,479	5,263,968
Support costs						
Staff costs	791,970	223,847	149,105	212,755	1,377,677	1,717,715
Premises and office costs	406,693	187,725	86,286	-	680,704	671,478
IT	533,609	90,261	81,460	-	705,330	705,886
Finance	589	24	439	-	1,052	130,114
Depreciation	155,661	74,608	40,202	-	270,471	341,121
HR and SD costs	84,051	50,254	47,652	-	181,957	177,967
Other	32,157	9,674	6,264	-	48,095	151,242
Governance**	-	-	-	31,549	31,549	100,568
Total support costs	2,004,730	636,393	411,408	244,304	3,296,835	3,996,091
Reallocate Governance	163,343	49,141	31,820	(244,304)	-	-
Total support costs by aim	2,168,073	685,534	443,228	-	3,296,835	3,996,091
Expenditure on charitable activities before restructuring and pension provision	5,273,017	1,935,458	957,839		8,166,314	9,259,791
Restructure - staffing costs	-	-	-		-	148,705
Pension provision - net deficit contributions	-	-	-		106,278	(1,267,258)
Pension provision - unwinding of discount	-	-	-		-	-
Total charitable expenditure	5,273,017	1,935,458	957,839		8,272,592	8,141,238

* A new strategy was launched in August 2020 and expenditure for the prior year 2019-20 has been restated against each of the new strategic aims

** Includes the cost of Board meetings and audit fees

8 Net income / (expenditure) for the financial year

	Note	2021 £	2020 £
Net income / (expenditure) is stated after charging/(receiving):		696,028	741,295
External auditors - audit services		21,600	22,200
- non-audit services		12,505	13,080
Internal auditors - audit services		9,800	24,179
Professional indemnity insurance		59,704	52,140
Tangible fixed assets			
Depreciation		270,471	341,121
Operating leases			
Land and buildings		283,821	298,248
Other		1,880	22,082
Foreign exchange costs/(gains)		53	(5,664)
Employer pension contributions	23	739,390	682,285

9 Analysis of staff costs

	2021 £	*2020 Restated £
Total staff costs were:		
Salaries	3,988,621	3,876,849
Employers' National Insurance contributions	419,913	404,346
Pension contributions payable	739,390	682,285
	5,147,924	4,963,480
Employment agency staff	5,378	334,519
Total staff costs before restructuring and pension provision liability adjustments	5,153,302	5,297,999
Restructuring costs	-	148,705
Total staff costs after restructuring	5,153,302	5,446,704
Deficit contributions payable in the year (included in contributions paid above)	(59,723)	(48,395)
Increase in expected future deficit contributions	134,886	(1,279,098)
Total staff costs charged to the SOFA	5,228,465	4,119,211

*Prior year pension figures have been updated to reflect the correct split within the staff cost note

9 Analysis of staff costs (continued)

	2021	2020 *Restated
	Number	Number
The average number of employees, calculated on a full-time equivalent basis was as follows:		
The trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK	53	48
Providing expert advice that secures standards and supports quality enhancement	25	21
Strengthening the global reputation of UK higher education	13	9
Total average number of employees on a full-time equivalent basis	91	78

*A new strategy was launched in August 2020 and staff numbers have been restated against each of the new strategic aims.

Total average number of employees on a headcount basis	105	102
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The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 were:

	2021 Number	2020 Number
£160,000 - £169,999	1	1
£100,000 - £109,999	1	-
£90,000 - £99,999	-	1
£80,000 - £89,999	1	2
£70,000 - £79,999	4	1
£60,000 - £69,999	2	3

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

	2021 £	2020 £
Employer contributions	163,937	134,334

10 Remuneration of directors and key management personnel

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

There were no emoluments paid to the trustees during the year. 0 trustees were reimbursed expenses to the value of £0 during the year (2020: 21 trustees, £6,180). The expenses paid related solely to travel and incidentals.

The total employee benefits (including Employer Pension contributions and Employer National Insurance contributions) received by the senior executive staff of the charity and the group was £473,096 (2020: £437,874).

The highest paid employee is the Chief Executive whose remuneration and benefits, including Employer Pension contributions and Employer National insurance contributions in the year were £214,726 (2020: £216,901).

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

11 Taxation

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

12 Tangible fixed assets

Group and charity

	Leasehold improvements	**Computer equipment	Furniture and other equipment	Total
	£	£	£	£
Cost				
At 1 August 2020	1,280,210	4,210,371	546,547	6,037,128
Additions	-	40,453	-	40,453
At 31 July 2021	1,280,210	4,250,824	546,547	6,077,581
Depreciation				
At 1 August 2020	879,005	4,002,890	544,695	5,426,590
Charge for the year	126,997	141,623	1,852	270,472
At 31 July 2021	1,006,002	4,144,513	546,547	5,697,062
Net book value at 31 July 2021	274,208	106,311	-	380,519
Net book value at 31 July 2020	401,205	207,481	1,852	610,538

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

** Computer equipment includes intangible software with a net book value of £70,546 (2020 : £142,828)

13 Analysis of capital commitments

	Group and charity	
	2021	2020
	£	£
Contracted for but not provided	106,774	7,440
Authorised but not yet contracted for	-	-
	106,774	7,440

14 Fixed asset investments

	Quoted investments £	Unquoted investments £	Total £
Held by the group			
At 1 August 2020	4,300,291	-	4,300,291
Additions at cost	109,418	-	109,418
Disposals at opening market value or cost if bought in year	(4,611)	-	(4,611)
Net increase in cash held and settlements outstanding	26	-	26
Net gain on revaluation to year end market value	678,262	-	678,262
At 31 July 2021	5,083,386	-	5,083,386
Held by the charity			
At 1 August 2020	4,300,291	1	4,300,292
Additions at cost	109,418	-	109,418
Disposals at opening market value or cost if bought in year	(4,611)	-	(4,611)
Net increase in cash held and settlements outstanding	26	-	26
Net gains on revaluation to year end market value	678,262	-	678,262
At 31 July 2021	5,083,386	1	5,083,387

Quoted investments are revalued and stated at market value as at 31 July 2021.

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

14 Fixed asset investments (continued)

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

	Group and charity at 31 July 2021		Group and charity at 31 July 2020	
	Cost	Market value	Cost	Market value
	£	£	£	£
Listed on a recognised stock exchange				
- in the UK	4,588,154	5,083,349	4,483,544	4,300,281
- outside the UK				
Cash and settlements pending held as part of the investment portfolio	36	36	10	10
	<u>4,588,190</u>	<u>5,083,385</u>	<u>4,483,554</u>	<u>4,300,291</u>

15 Debtors

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Trade debtors	1,488,919	462,782	1,482,919	462,782
Sundry debtors	2,005	9,426	2,005	9,426
Prepayments	300,151	206,028	300,151	206,028
Accrued income	87,670	42,850	87,670	42,850
Subsidiary undertaking		-	60,773	57,364
	<u>1,878,745</u>	<u>721,086</u>	<u>1,933,518</u>	<u>778,450</u>

Trade debtors are stated after provision for doubtful debts of £72,515 (2020: £97,646).

16 Creditors: amounts falling due within one year

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Trade creditors	147,546	205,766	147,546	205,766
Taxation and social security	150,978	150,898	150,978	150,898
Pension contributions	103,713	90,899	103,713	90,899
Other creditors	25,300	33,031	25,300	31,411
Accruals	669,246	634,091	668,346	633,191
Deferred income	4,292,548	2,422,660	4,292,548	2,422,660
	5,389,331	3,537,345	5,388,431	3,534,825

The movement in deferred income was as follows:

At start of year	2,422,660	3,520,715	2,422,660	3,520,715
Release income deferred in prior years	(2,398,870)	(3,422,174)	(2,398,870)	(3,422,174)
Defer income received in current year	4,268,758	2,324,119	4,268,758	2,324,119
At end of year	4,292,548	2,422,660	4,292,548	2,422,660

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

17 Operating lease arrangements

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

		Group and charity	
		2021	2020
		£	£
Land and buildings			
Within one year		273,795	272,317
Between two and five years		355,304	594,692
After five years		-	-
Other			
Within one year		-	-
		629,099	867,009

18 Financial instruments

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Financial assets measured at amortised cost	5,823,930	3,803,675	5,822,655	3,802,760
Financial liabilities measured at amortised cost	(945,504)	(963,788)	(944,904)	(961,268)

Financial assets measured at amortised cost comprise cash, trade and other debtors, accrued income and amounts owed from subsidiary undertakings.

Financial liabilities measured at amortised cost comprise trade and other creditors, pension contributions due and accruals.

19 Related party transactions

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

The balance due to the charity from the wholly owned subsidiary undertaking QAA Enterprises Limited is £60,525 (2020: £57,364) as shown in the debtors note on page 52.

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

20 Provision for liabilities

Provisions have been made for the following:

Holiday pay

FRS 102 requires short-term employee benefits to be charged to the profit and loss account as the employee service is received. The provision is for the holiday pay that was earned but not taken before the year end.

The movement in the provisions during the year is:

	Holiday pay £	Total £
At 1 August 2020	142,277	142,277
Provided during the year	13,414	13,414
Utilised in the year		
At 31 July 2021	155,691	155,691

21 Pension liability provision

The total pension cost charged to the SOFA is:

	Group and charity	
	2021	2020
	£	£
Employer contributions payable in the year	739,390	682,285
Deficit contributions payable in the year (included in employer contributions above)	(59,723)	(48,395)
Change in expected future deficit contributions	134,886	(1,279,098)
Total pension cost charged to the SOFA	<u>814,553</u>	<u>(645,208)</u>

The movement in the provision is:

	Group and charity	
	2021	2020
	£	£
At 1 August	1,201,354	2,468,613
Charged to SOFA - deficit contributions payable in the year	(59,723)	(48,395)
(Credited)/charged to the SOFA - change in expected future deficit contributions	134,886	(1,279,098)
Unwinding of discount	31,115	60,234
At the year end	<u>1,307,632</u>	<u>1,201,354</u>

22 Analysis of charitable funds

Analysis of movements in unrestricted funds

	Funds at 1 August 2020	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2021
	£	£	£	£	£	£
Designated funds:						
Innovation and development	24,694			500,000		524,694
Reinstatement of premises	359,000			100,000		459,000
Restructuring	23,980			(23,980)		-
Total designated funds	407,674			576,020		983,694
General fund	3,631,799	8,299,644	(8,282,505)	(576,020)	678,889	3,751,807
Total unrestricted funds	4,039,473	8,299,644	(8,282,505)	-	678,889	4,735,501

	Funds at 1 August 2019	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2020
	£	£	£	£	£	£
Designated funds:						
Innovation and development	58,000	-	(33,306)	-	-	24,694
Reinstatement of premises	359,000	-	-	-	-	359,000
Restructuring	323,000	-	(299,020)	-	-	23,980
Total designated funds	740,000	-	(332,326)	-	-	407,674
General fund	2,558,178	9,227,576	(7,816,735)	-	(337,220)	3,631,799
Total unrestricted funds	3,298,178	9,227,576	(8,149,061)	-	(337,220)	4,039,473

22 Analysis of charitable funds (continued)

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

The purpose of the designated fund for *Reinstatement of premises* is to fund the cost of returning our Gloucester and Glasgow premises to their original condition at the end of their respective lease terms. The Gloucester office lease ends on 30 June 2023 and the Glasgow office lease ends on 1 March 2025.

The purpose of the designated fund for *Restructuring* was to fund the remainder of costs that were, and will be, incurred in completing the business restructure in 2020-21. This has now been completed and the remaining reserve was transferred back to the general fund in 2020-21.

Analysis of group net assets between funds

	General fund	Designated funds	Total 2021
	£	£	£
Tangible fixed assets	380,519	-	380,519
Fixed asset investments	4,624,386	459,000	5,083,386
Cash at bank and in hand	3,720,511	524,694	4,245,205
Other net current liabilities	(3,510,286)	-	(3,510,286)
Provisions	(1,463,323)	-	(1,463,323)
Total net assets 31 July 2021	3,751,807	983,694	4,735,501

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

23 Pensions (defined benefit schemes)

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

	Group and charity	
	2021	2020
	£	£
Universities Superannuation Scheme (USS)	605,309	559,971
Superannuation arrangements for the University of London (SAUL)	134,081	122,314
	<u>739,390</u>	<u>682,285</u>
Employer contributions outstanding at the balance sheet date (included above)	<u>99,388</u>	<u>90,899</u>

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

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

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

		Employer	Employee
USS	Retirement Income Builder Section	21.10%	9.60%
SAUL	Career Average Revalued Earnings Section	<u>16.00%</u>	<u>6.00%</u>

a Universities Superannuation Scheme

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2018 (the valuation date), which was carried out using the projected unit method. A valuation as at 31 March 2021 is underway but not yet complete.

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

23 Pensions (defined benefit schemes) (continued)

The 2018 valuation was the fifth valuation for the scheme under the scheme-specific funding regime introduced by the *Pensions Act 2004*, which requires schemes to adopt a statutory funding objective - to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £63.7 billion and the value of the scheme's technical provisions was £67.3 billion indicating a shortfall of £3.6 billion and a funding ratio of 95%.

The key financial assumptions used in the 2018 valuation are described below. More detail is set out in the Statement of Funding Principles.

Pension increases (CPI)	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves, less 1.3% pa
Discount rate (forward rates)	Years 1-10: CPI + 0.14% reducing linearly to CPI -0.73% Years 11-20: CPI + 2.52% reducing linearly to CPI +1.55% Years 21 +: CPI +1.55%

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2018 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table	2018 valuation
Pre-retirement:	71% of AMC00 (duration 0) for males and 112% of AFC00 (duration 0) for females
Post retirement:	97.6% of SAPS S1NMA 'light' for males and 102.7% of RFV00 for females
Future improvements to mortality:	CMI_2017 with a smoothing parameter of 8.5 and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females

The current life expectancies on retirement at age 65 are:

	2021	2020
Males currently aged 65 (years)	24.6	24.4
Females currently aged 65 (years)	26.1	25.9
Males currently aged 45 (years)	26.6	26.3
Females currently aged 45 (years)	27.9	27.7

A new deficit recovery plan was put in place as part of the 2018 valuation, which requires payment of 2% of salaries over the period 1 October 2020 to 30 September 2021 at which point the rate will increase to 6%. The 2021 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2021	2020
Discount rate	0.88%	2.59%
Pensionable salary growth	2.00%	4.20%

23 Pensions (defined benefit schemes) (continued)

b Superannuation Arrangements for the University of London

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

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

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

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

Funding policy

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

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

A formal actuarial valuation of SAUL is carried out every three years by a professionally qualified and independent actuary. The last actuarial valuation was carried out with an effective date of 31 March 2020. Informal reviews of SAUL's position, reflecting changes in market conditions, cash flow information and new accrual of benefits, are carried out between formal valuations.

The funding principles were agreed in June 2021 and are due to be reviewed at SAUL's next formal valuation in 2023.

At the 31 March 2017 valuation, SAUL was 94% funded on its Technical Provisions basis. However, market movements following the valuation date were positive and the Trustee and the Employers agreed to allow for post-valuation experience up to 30 April 2021. As SAUL was in surplus on its Technical Provisions at that date, no deficit contributions were required. However, the Trustee and the Employers have agreed that the ongoing Employers' contributions will continue at a rate of 16% of CARE Salaries to 19% of CARE Salaries from 1 April 2022 and 21% of CARE Salaries from 1 January 2023.

Accounting policy

QAA is a Participating Employer in SAUL. The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets at 31 March 2020 was £3,612 million representing

94% of the liabilities. The market value of SAUL's assets at 30 April 2021 was £4,369 million representing 109% of the estimated liabilities.

It is not possible to identify an individual Employer's share of the underlying assets and liabilities of SAUL. QAA's accounts for its participation in SAUL as if it were a defined contribution scheme and pension costs are based on the amounts actually paid in accordance with paragraph 28.11 of FRS 102.

Although there was a Technical Provisions deficit at 31 March 2020, allowing for post valuation experience to 30 April 2021, SAUL had a Technical Provisions surplus. Therefore, no deficit contributions were required following the 2020 valuation and there is no defined benefit liability (the present value of any deficit contributions due to SAUL) to be recognised by QAA.

24 Pensions (defined contribution scheme)

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

	Group and charity	
	2020	2020
	£	£
The People's Pension	8,651	20,357
Employer contributions outstanding at the balance sheet date	1,622	2,078

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

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Net income / expenditure for the year	696,028	741,296	693,750	762,945
Adjustments for:				
Depreciation charge	270,472	341,121	270,472	341,121
(Gains)/Losses on investments	(678,889)	337,220	(678,889)	337,220
Investment income	(115,098)	(160,814)	(115,098)	(160,814)
Increase/(Decrease) in debtors	(1,157,659)	2,011,185	(1,155,068)	2,011,185
Increase/(Decrease) in creditors	1,851,686	(1,202,099)	1,853,603	(1,202,099)
Increase/(Decrease) in provisions	119,691	(1,798,173)	119,691	(1,798,172)
Net cash provided by operating activities	986,231	269,736	988,461	291,386

26 Analysis of cash and cash equivalents

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Cash at bank and in hand - liquid assets	4,245,205	3,288,534	4,189,157	3,230,256
Cash at bank - fixed asset investments	36	10	36	10
Cash at bank and in hand at the end of the year	4,245,241	3,288,544	4,189,193	3,230,266

27 Reconciliation of net debt

	At 1 August 2020	Cashflows	At 31 July 2021
	£	£	£
Cash	3,288,534	956,671	4,245,205
Cash equivalents	10	26	36
Total	3,288,544	956,697	4,245,241

Glossary

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

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Southgate House, Southgate Street, Gloucester GL1 1UB
Registered charity numbers: 1062746 and SC037786

Tel: 01452 557000
Web: www.qaa.ac.uk