



The Quality Assurance Agency for Higher Education

Annual Report and Financial Statements

2022-23

This document is published in both English and Welsh.

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Foreword from Professor Simon Gaskell, Chair of QAA Board

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

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

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

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

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

Foreword from Vicki Stott, QAA Chief Executive

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

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

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

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

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

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

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

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

Strategic Report

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

QAA's new strategy

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

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

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

Purpose of QAA

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

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

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

Independent external review of QAA

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

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

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

QAA received several commendations for its work, including:

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

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

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

What we do

QAA's regulatory work

QAA as the Designated Quality Body in England

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

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

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

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

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

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

Educational Oversight and other review methods

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

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

Access to Higher Education Diploma

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

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

Assessment services

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

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

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

Facilitating collaboration between the nations

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

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

QAA's work in Scotland

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

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

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

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

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

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

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

QAA's work in Wales

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

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

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

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

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

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

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

QAA's work in Northern Ireland

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

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

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

Supporting quality enhancement among QAA Members

QAA Membership activities and services

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

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

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

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

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

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

Enhancement priorities and responding to emerging issues

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

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

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

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

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

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

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

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

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

Reinforcing the global reputation of UK higher education internationally

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lessons learned

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

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

Looking ahead

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

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

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

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

Financial review

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

Results

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

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

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

Income

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

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

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

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

Expenditure

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

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

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

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

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

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

Balance sheet

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

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

Reserves policy

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

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

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

QAA holds reserves for three main reasons:

- to secure its long-term position

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

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

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

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

Treasury management

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

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

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

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

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

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

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

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

Directors' Report

Structure, governance and management

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

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

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

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

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

Our objects are:

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

Governance

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

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

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

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

Recruitment and appointment to the Board

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

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

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

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

Board responsibilities

Our Board's principal responsibilities include:

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

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

Board member induction

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

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

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

Board member activities

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

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

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

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

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

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

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

Board committees

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

Corporate matters:

- Audit and Risk Committee
- Nomination and Remuneration Committee

Advisory:

- QAA Wales Strategic Advisory Committee

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

Operations:

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

QAA Board of Directors

From 1 August 2022 to 31 July 2023, the following served as directors and trustees on the QAA Board:

Independent members

Professor Simon Gaskell (Chair)	Former President and Principal, Queen Mary University of London (appointed March 2019)
Dr Vanessa Davies	Former Director General, Bar Standards Board (appointed December 2017)
Ms Sara Drake	Chief Executive, ICOSA (appointed January 2018)
Ms Linda Duncan (Honorary Treasurer/Vice-Chair)	Chief Executive, Blue Star Consortium (appointed March 2017, served to March 2023)
Professor Rachid Hourizi	Director, Institute of Coding, University of Bath (appointed March 2022)
Mr Craig Watkins	Chief Executive and Managing Director, Kantar Public UK (appointed December 2017)
Mr Peter Vermeulen (Honorary Treasurer)	Chief Financial Officer, University of Bristol (appointed March 2023)

Independent member: alternative provider

Professor Philip Wilson	Immediate past-Chair, Independent HE (appointed June 2017, served to June 2023)
Mr Alex Fraser	Chief Executive, The London Institute of Banking & Finance (appointed June 2023)

Independent member: student

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

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

Professor David Jones	Pro-Vice-Chancellor (Education and Students), Professor of Biomaterial Science, Queen's University Belfast (appointed October 2020, served to June 2023)
Professor John Sawkins	Deputy Principal (Education and Student Life), Professor of Economics, Heriot-Watt University (appointed October 2019)
Professor Oliver Turnbull	Pro-Vice-Chancellor (Teaching and Learning), Professor of Neuropsychology, Bangor University (appointed September 2019)
Professor Odette Hutchinson	Pro-Vice-Chancellor, Ulster University (appointed June 2023)

Nominated by the Association of Colleges

Ms Angela Joyce	Chief Executive, Warwickshire College Group (appointed October 2019, served to March 2023)
Dr Fazal Dad	Principal & Chief Executive, Blackburn College (appointed March 2023)

Nominated by the National Union of Students

Miss Chloe Field	Vice-President (Higher Education), NUS (appointed July 2022)
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Co-opted member

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

Our Executive team in 2022-23 was:

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

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

Pay and remuneration

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

Corporate social responsibility and sustainability (CSR)

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

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

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

Data protection

There were no reportable incidents involving personal data during 2022-23.

Fundraising activities

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

Equality statement

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

The Human Resources and Organisational Development team has strategic responsibility for organisational development, including equality, diversity and inclusion. Our approach to

equality, diversity and inclusion is ongoing, and we regularly review relevant policies and internal practices. We conduct an annual survey in which all colleagues are invited to take part, which focuses on the demographics of the Agency and helps us identify future action and required improvements.

Delivering public benefit

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

Welsh Language Compliance notice

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

European Standards and Guidelines (ESG)

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

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

Relationships with related parties

QAA's subsidiary - QAA Enterprises Limited - a private company limited by shares, is governed by its own Articles of Association which set out its constitution. In December 2021 it was agreed that QAA Enterprises' activity would be minimised, with a view to potential dormancy in the future.

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

Principal risks and uncertainties

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

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

The risks considered significant at the inherent (pre-mitigation) stage included: risk of exclusion from the European Quality Assurance Register as a result of the non-compliance

of the Office for Students' regulatory approach in England with the European Standards and Guidelines (ESG); the risk posed by the regulatory approach to the future of the Designated Quality Body role in England; and cyber-security. Measures considered in mitigation of the first two of those risks included the action that QAA eventually took - first to announce unilateral action on QAA's part to ensure compliance with the ESG, and then to demit the DQB role in the longer term. Cyber-security remained a significant risk even at the residual (post-mitigation) stage, despite comprehensive mitigations including annual ISO27001 audit, periodic penetration testing, and the adoption of multi-factor authentication technology across the Agency.

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

Reference and administrative details

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

Responsibilities of the trustees and directors

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

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

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

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

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

Information to auditor

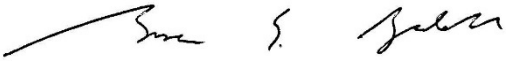

In the case of each of the persons who are directors of the company at the date when this report was approved:

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

Auditor

A resolution to reappoint Crowe UK LLP as auditor to the company was agreed at our Annual General Meeting in December 2023.

The Strategic Report, Directors' Report and financial statements were approved by the Board on 13 December 2023 and were signed on its behalf by:

<p>Professor Simon Gaskell Chair of the Board of Directors</p> 	<p>Tom Yates Company Secretary</p> 
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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 2023 which comprise the Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 July 2023 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the *Companies Act 2006* and the *Charities Act 2011*.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the *Companies Act 2006*

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

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

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

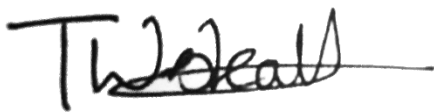
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing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

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

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

Use of our report

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



Tara Westcott
Senior Statutory Auditor

For and on behalf of

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

Date: 13 December 2023

Consolidated statement of financial activities (including consolidated income and expenditure account) for the year ended 31 July 2023

	Notes	2023 £ Unrestricted funds	2022 £ Unrestricted funds
Income from:			
Charitable activities	5	9,880,503	9,630,938
Other trading activities	3	-	4,435
Investments	4	229,640	152,912
Total income		10,110,143	9,788,285
Expenditure on:			
Fundraising trading costs		1,448	293
Investment management costs		11,756	10,497
Raising funds		13,204	10,790
Charitable activities	6, 7	9,457,004	11,695,409
Total expenditure		9,470,208	11,706,199
Net (losses) on investments		(82,183)	(284,753)
Net income and net movement in funds for the year	8	557,752	(2,202,667)
Reconciliation of funds			
Total funds brought forward		2,532,834	4,735,501
Total funds carried forward	22	3,090,586	2,532,834

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

All income and expenditure derive from continuing activities.

The notes on pages 37 to 63 form part of these financial statements.

Balance sheets as at 31 July 2023

(Company number: 03344784)

	Notes	Group		Charity	
		2023	2022	2023	2022
		£		£	£
Fixed assets:					
Intangible fixed assets	12	132,937	175,858	132,937	175,858
Tangible assets	13	64,386	100,837	64,386	100,837
Investments	14	6,016,331	5,922,837	6,016,332	5,922,837
Total fixed assets		6,213,654	6,199,532	6,213,655	6,199,532
Current assets:					
Debtors	15	2,110,857	3,376,532	2,110,857	3,379,108
Cash at bank and in hand		3,677,367	4,296,128	3,674,164	4,290,712
Total current assets		5,788,224	7,672,660	5,785,021	7,669,820
Liabilities:					
Creditors - amounts falling due within one year	16	(5,809,462)	(7,850,009)	(5,808,060)	(7,849,409)
Net current assets		(21,238)	(177,349)	(23,039)	(179,589)
Total assets less current liabilities		6,192,416	6,022,183	6,190,616	6,019,943
Provision for liabilities	20	(421,069)	(147,525)	(421,069)	(147,525)
Pension provision liability	21	(2,680,761)	(3,341,824)	(2,680,762)	(3,341,824)
Total net assets		3,090,586	2,532,834	3,088,785	2,530,594
The funds of the group and charity:					
Designated funds	22	391,721	802,694	391,721	802,694
General funds	22	2,698,865	1,730,140	2,697,064	1,727,900
Total funds as at 31 July 2023		3,090,586	2,532,834	3,088,785	2,530,594

The surplus for the financial year dealt with in the financial statement of the parent charity was £558,191 (2022: deficit £2,204,234).

The notes on pages 37 to 63 form part of these financial statements.

The financial statements were approved and authorised by the Board on 13 December 2023 and were signed on its behalf by:

Professor Simon Gaskell, Chair of the Board of Directors



Statement of cash flows for the year ended 31 July 2023

	Notes	Group		Charity	
		2023	2022	2023	2022
		£	£	£	£
Cash flows from operating activities:					
Net cash provided by operating activities	24	<u>(655,227)</u>	<u>1,255,566</u>	<u>(653,014)</u>	<u>1,306,198</u>
Cash flows from investing activities:					
Investment income		229,640	152,912	229,640	152,912
Proceeds from sale of investments		7,920	5,046	7,920	5,046
Purchase of investments		(694,696)	(618,183)	(694,696)	(618,183)
Purchase of intangible fixed assets		(5,850)	(156,771)	(5,850)	(156,771)
Purchase of tangible fixed assets		(11,645)	(75,579)	(11,645)	(75,579)
Net cash (used in)/provided by investing activities		<u>(474,631)</u>	<u>(693,575)</u>	<u>(474,631)</u>	<u>(693,576)</u>
Change in cash and cash equivalents in the year		(1,129,858)	561,991	(1,127,645)	612,623
Cash and cash equivalents at the beginning of the year		<u>4,807,232</u>	<u>4,245,241</u>	<u>4,801,816</u>	<u>4,189,193</u>
Cash and cash equivalents at the end of the year	25	<u><u>3,677,374</u></u>	<u><u>4,807,232</u></u>	<u><u>3,674,171</u></u>	<u><u>4,801,816</u></u>

The notes on pages 37 to 63 form part of these financial statements.

Notes to the financial statements for the year ended 31 July 2023

1 Legal status

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

2 Accounting policies

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

a Judgements and key sources of estimation uncertainty

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

The annual depreciation charge for the tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the tangible assets.

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

b Fund accounting

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

c Income

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

2 Accounting policies (continued)

d Expenditure and the basis of allocation of costs

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

Staff numbers and costs were allocated:

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

Non-pay costs were allocated:

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

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

e Operating leases

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

f Intangible assets

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

g Tangible fixed assets and depreciation

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

The depreciation rates are as follows:

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

2 Accounting policies (continued)

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

h Investments

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

i Debtors

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

j Cash and cash equivalents

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

k Foreign currencies

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

l Creditors and provisions

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

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

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

m Basic financial provisions

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

2 Accounting policies (continued)

n Pensions

Hybrid pension schemes

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

Critical accounting judgements

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

Defined contribution scheme

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

3 Income from other trading activities

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

	2023	2022
	£	£
Turnover	-	4,435
Cost of sales and administrative costs	<u>(439)</u>	<u>(2,868)</u>
Net profit for the year	<u>(439)</u>	<u>1,567</u>

The assets and liabilities of the subsidiary were:

Current assets	3,203	5,416
Current liabilities	<u>(1,402)</u>	<u>(3,176)</u>
Total net assets	<u>1,801</u>	<u>2,240</u>

4 Income from investments

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

	2023	2022
	£	£
Dividend and interest income from quoted investments	187,435	134,701
Interest from cash held in interest-bearing bank accounts	<u>42,205</u>	<u>18,211</u>
Total investment income for the year	<u>229,640</u>	<u>152,912</u>

5 Income from charitable activities

	Note	2023	2022
		£	£
Memberships		3,543,207	3,152,487
Regulatory		3,245,971	3,258,545
Contracts with higher education funding bodies		1,308,234	1,360,353
Alternative providers of higher education		255,743	188,852
Other contracts and related income		1,527,348	1,670,701
Total income from charitable activities		9,880,503	9,630,938
Analysis by source:			
UK higher education funding councils		1,575,626	1,348,286
UK higher education institutions		3,634,824	4,698,535
UK further education institutions		364,248	1,580,140
UK alternative providers of higher education		544,371	577,246
Other		1,664,905	3,465,596
		7,783,974	11,669,803
Release income deferred in prior years	16	6,235,883	4,268,758
Defer income received in current year	16	(4,139,354)	(6,283,833)
Balance c/fwd		-	(23,790)
Total income from charitable activities		9,880,503	9,630,938

6 Expenditure on charitable activities

	Note	2023	2022*
		£	£
Standards		1,925,743	1,498,936
Assurance and Enhancement		6,234,201	6,263,403
International		1,782,006	1,633,610
Leadership		176,117	265,268
Total expenditure on charitable activities before restructuring cost and pension provision		10,118,067	9,661,217
Pension provision - deficit contributions (included above)	21	(221,658)	(79,951)
Charged to the SOFA - change in expected future deficit contributions		(550,019)	2,102,636
Pension provision - unwinding of discount	21	110,614	11,507
Total expenditure on charitable activities		9,457,004	11,695,409

*During 2022-23, due to the changes in QAA's activities, a new strategy was introduced for the period 2023-27. The prior year (2022) balances have been restated to align to the new strategic areas of focus.

7 Analysis of expenditure on charitable activities

	Charitable activities				Total expenditure on charitable activities	
	Standards	Assurance and Enhancement	International	Leadership	2023	2022*
	£	£	£	£	£	£
Direct costs						
Staffing	1,155,048	2,424,393	873,286	151,760	4,604,487	4,323,314
Other review costs	74,243	1,003,646	260,306	24,357	1,362,552	1,578,077
Other direct costs	107,025	106,281	68,490	-	281,796	252,969
Total direct costs	1,336,316	3,534,320	1,202,082	176,117	6,248,835	6,154,360
Support costs						
Staff costs	271,332	1,246,588	281,828	-	1,799,748	1,389,850
Premises and office costs	166,943	730,959	141,863	-	1,039,765	735,853
IT	53,972	413,124	63,974	-	531,070	695,440
Finance	9,551	34,434	9,949	-	53,934	21,243
Depreciation	23,565	59,032	14,271	-	96,868	337,175
Human resources and staff development costs	39,600	126,063	42,478	-	208,141	160,101
Other	2,691	12,327	3,115	-	18,133	51,558
Governance	21,773	77,354	22,446	-	121,573	115,637
Total support costs	589,427	2,699,881	579,924	-	3,869,232	3,506,857
Expenditure on charitable activities before pension provision	1,925,743	6,234,201	1,782,006	176,117	10,118,067	9,661,217
Pension provision - net (surplus)/deficit contributions	-	-	-	-	(771,677)	2,022,685
Pension provision - unwinding of discount	-	-	-	-	110,614	11,507
Total charitable expenditure	-	-	-	-	9,457,004	11,695,409

*During 2022-23 due to the changes in QAAs activities a new strategy was introduced for the period 2023-27. The prior year (2022) balances have been restated to align to the new strategic areas of focus.

8 Net income / (expenditure) for the financial year

	2023	2022
Note	£	£
Net (expenditure) / income is stated after charging/(receiving):		
External auditors - audit services	19,800	21,600
- non-audit services	2,322	7,800
Internal auditors - audit services	3,600	9,114
Professional indemnity insurance	57,574	51,179
Intangible fixed assets		
Amortisation	48,771	51,459
Tangible fixed assets		
Depreciation	159,056	270,471
Impairment Provision	(119,196)	119,196
Operating leases		
Land and buildings	283,419	283,821
Other	1,434	1,880
Foreign exchange costs	3,637	1,000
Employer pension contributions	23 947,027	847,035

9 Analysis of staff costs

	2023	2022
	£	£
Total staff costs were:		
Salaries	5,004,648	4,416,167
Employers' National Insurance contributions	539,094	485,379
Pension contributions payable	947,027	847,035
	6,490,769	5,748,581
Employment agency staff	157,554	158,034
Total staff costs before restructuring and pension provision liability adjustments	6,648,323	5,906,615
Deficit contributions payable in the year (included in contributions paid above)	(221,658)	(79,951)
Increase in expected future deficit contributions	(550,019)	2,102,636
Total staff costs charged to the SOFA	5,876,646	7,929,300

9 Analysis of staff costs (continued)

	2023	2022*
	Number	Number
Standards	20	12.5
Assurance and Enhancement	46	53
International	25	19.5
Leadership	11	9
Total average number of employees on a full-time equivalent basis	102	94
Total average number of employees on a headcount basis	121	116

**During 2022-23 due to the changes in QAAs activities a new strategy was introduced for the period 2023-27. The prior year (2022) balances have been restated to align to the new strategic areas of focus.

During the year, there were six redundancy or termination payments accounted for which amounted to 2023: £126,518 [£16,621 remains unpaid at year-end] (2022: £24,141).

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

	2023	2022
	Number	Number
£140,000 - £149,999	1	-
£130,000 - £139,999	-	1
£100,000 - £109,999	-	-
£90,000 - £99,999	3	2
£80,000 - £89,999	-	2
£70,000 - £79,999	4	2
£60,000 - £69,999	4	3

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

	2023	2022
	£	£
Employer contributions	237,925	153,594

10 Remuneration of directors and key management personnel

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

There were no emoluments paid to the trustees during the year. Eleven trustees were reimbursed expenses to the value of £2,398 during the year (2022: 11 trustees, £2,031). The expenses paid related solely to travel and incidentals.

The total employee benefits (including Employer Pension contributions and Employer National Insurance contributions) received by the senior executive staff of the charity and the group was £572,111 (2022: £432,367).

The highest paid employee is the Chief Executive whose remuneration and benefits, including Employer Pension contributions and Employer National Insurance contributions, in the year were £194,275 (2022: £184,738).

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

11 Taxation

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

12 Intangible Fixed Assets

Group and charity

	Computer Software	Total
	£	£
Cost		
At 1 August 2022	647,664	647,664
Addition	5,850	5,850
As at 31 July 2023	653,514	653,514
Amortisation		
At 1 August 2022	471,806	471,806
Charge for the year	48,771	48,771
As at 31 July 2023	520,577	520,577
Net book value at 31 July 2023	132,937	132,937
Net book value at 31 July 2022	175,858	175,858

13 Tangible fixed assets

Group and charity

	Leasehold improvements	Computer equipment	Furniture and other equipment	Total
	£	£	£	£
Cost				
At 1 August 2022	1,280,210	3,836,510	546,547	5,663,267
Additions	-	7,762	3,883	11,645
Disposals	-	(8,236)	-	(8,236)
At 31 July 2023	1,280,210	3,836,036	550,430	5,666,676
Depreciation				
At 1 August 2022	1,246,561	3,769,322	546,547	5,562,430
Charge for the year	126,997	31,627	432	159,056
Disposal				
Impairment provision	(113,562)	(5,634)	-	(119,196)
At 31 July 2023	1,259,996	3,795,315	546,979	5,602,290
Net book value at 31 July 2023	20,214	40,721	3,451	64,386
Net book value at 31 July 2022	33,649	67,188	-	100,837

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

14 Fixed asset investments

	Quoted investments £	Unquoted investments £	Total £
Held by the group			
At 1 August 2022	5,922,837	-	5,922,837
Additions at cost	694,694	-	694,694
Disposals at opening market value or cost if bought in year	(7,921)	-	(7,921)
Net increase in cash held and settlements outstanding	(511,096)	-	(511,096)
Net loss on revaluation to year end market value	(82,183)	-	(82,183)
At 31 July 2023	6,016,331	-	6,016,331
Held by the charity			
At 1 August 2022	5,922,836	1	5,922,837
Additions at cost	694,694	-	694,694
Disposals at opening market value or cost if bought in year	(7,920)	-	(7,920)
Net increase in cash held and settlements outstanding	(511,096)	-	(511,096)
Net loss on revaluation to year end market value	(82,183)	-	(82,183)
At 31 July 2023	6,016,331	-	6,016,332

Quoted investments are revalued and stated at market value as at 31 July 2023.

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

14 Fixed asset investments (continued)

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

	Group and charity at 31 July 2023		Group and charity at 31 July 2022	
	Cost	Market value	Cost	Market value
	£	£	£	£
Listed on a recognised stock exchange				
- in the UK	5,888,737	6,016,325	5,201,786	5,411,731
- outside the UK				
Cash and settlements pending held as part of the investment portfolio	7	7	511,115	511,105
	<u>5,888,744</u>	<u>6,016,332</u>	<u>5,712,890</u>	<u>5,922,837</u>

15 Debtors

	Group		Charity	
	2023	2022	2023	2022
	£	£	£	£
Trade debtors	1,807,989	3,043,605	1,807,989	3,043,605
Sundry debtors	3,163	3,209	3,163	3,209
Prepayments	299,705	286,743	299,705	286,743
Accrued income	-	42,975	-	42,975
Subsidiary undertaking	-	-	-	2,576
	<u>2,110,857</u>	<u>3,376,532</u>	<u>2,110,857</u>	<u>3,379,108</u>

We are currently not holding a provision for doubtful debts (doubtful debts provision 2022: £58,481).

16 Creditors: amounts falling due within one year

	Group		Charity	
	2023	2022	2023	2022
	£	£	£	£
Trade creditors	502,563	293,539	501,861	293,539
Taxation and social security	144,890	148,503	144,890	148,503
Pension contributions	118,996	113,207	118,996	113,207
Other creditors	272,553	41,922	272,553	41,922
Accruals	559,366	945,215	558,666	945,215
Deferred income	4,211,094	6,307,623	4,211,094	6,307,623
	<u>5,809,462</u>	<u>7,850,009</u>	<u>5,808,060</u>	<u>7,850,009</u>

The movement in deferred income was as follows:

At start of year	6,307,623	4,292,548	6,307,623	4,292,548
Release income deferred in prior years	(6,235,883)	(4,268,758)	(6,235,883)	(4,268,758)
Deferred income received in current year	4,139,354	6,283,833	4,139,354	6,283,833
At end of year	<u>4,211,094</u>	<u>6,307,623</u>	<u>4,211,094</u>	<u>6,307,623</u>

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

17 Operating lease arrangements

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

	Group and charity	
	2023	2022
	£	£
Land and buildings		
Within one year	62,595	256,195
Between two and five years	36,524	99,109
	99,119	355,304

18 Analysis of capital commitments

	Group and charity	
	2023	2022
	£	£
Contracted for but not provided	25,410	-
Authorised but not yet contracted for	-	-
	25,410	-

19 Related party transactions

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

The balance due to the charity from the wholly owned subsidiary undertaking QAA Enterprises Limited was written off in the year (2022: £2,576) as shown in the debtors note on page 51.

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

20 Provision for liabilities

Provisions have been made for the following:

Holiday pay

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

The movement in the provisions during the year is:

	Holiday pay £	Total £
At 1 August 2022	147,525	147,525
Provided during the year	(26,456)	(26,456)
Utilised in the year	-	-
At 31 July 2023	121,069	121,069

Reinstatement of premises

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

	Reinstatement of premises £	Total £
At 1 August 2022	-	-
Provided during the year	300,000	300,000
Utilised in the year	-	-
At 31 July 2023	300,000	300,000

21 Pension liability provision

The total pension cost charged to the SOFA is:

	Group and charity	
	2023	2022
	£	£
Employer contributions payable in the year	947,027	847,035
Deficit contributions payable in the year (included in employer contributions above)	(221,658)	(79,951)
Change in expected future deficit contributions	(550,019)	2,102,636
Total pension cost charged to the SOFA	<u>175,350</u>	<u>2,869,720</u>

The movement in the provision is:

	Group and charity	
	2023	2022
	£	£
At 1 August	3,341,824	1,307,632
Charged to the SOFA - deficit contributions payable in the year	(221,658)	(79,951)
Charged to the SOFA - change in expected future deficit contributions	(550,019)	2,102,636
Unwinding of discount	110,614	11,507
At the year end	<u>2,680,761</u>	<u>3,341,824</u>

22 Analysis of charitable funds

Analysis of movements in unrestricted funds

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

	Funds at 1 August 2021	Incoming resources	Resources expended	Transfers	Gains and losses	Funds at 31 July 2022
	£	£	£	£	£	£
Designated funds:						
Innovation and development	524,694	-	(181,000)	-	-	343,694
Reinstatement of premises	459,000	-	-	-	-	459,000
Restructuring						
Total designated funds	983,694	-	(181,000)	-	-	802,694
General fund	3,751,807	9,788,285	(11,525,199)	-	(284,753)	1,730,140
Total unrestricted funds	4,735,501	9,788,285	(11,706,199)	-	(284,753)	2,532,834

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

22 Analysis of charitable funds (continued)

Analysis of group net assets between funds

	General fund	Designated funds	Total 2023
	£	£	£
Tangible fixed assets	64,386	-	64,386
Intangible fixed assets	132,937	-	132,937
Fixed asset investments	6,016,332	-	6,016,332
Cash at bank and in hand	3,285,646	391,721	3,677,367
Other net current liabilities	(3,698,605)	-	(3,698,605)
Provisions	(3,101,831)	-	(3,101,831)
Total net assets 31 July 2023	2,698,865	391,721	3,090,586
	General fund	Designated funds	Total 2022
	£	£	£
Tangible fixed assets	100,387	-	100,837
Intangible fixed assets	175,858	-	175,858
Fixed asset investments	5,463,837	459,000	5,922,837
Cash at bank and in hand	3,952,434	343,694	4,296,128
Other net current liabilities	(4,473,477)	-	(4,473,477)
Provisions	(3,489,349)	-	(3,489,349)
Total net assets 31 July 2022	1,730,140	802,694	2,532,834

23 Pensions (defined benefit schemes)

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

	Group and charity	
	2023	2022
	£	£
Universities Superannuation Scheme (USS)	734,969	698,302
Superannuation arrangements for the University of London (SAUL)	212,058	148,733
	<u>947,027</u>	<u>847,035</u>
Employer contributions outstanding at the balance sheet date (included above)	<u>116,068</u>	<u>110,899</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	1 April 2022 to 31 March 2024	21.60%	9.80%
		1 April 2024 to 30 April 2038	21.40%	9.80%
SAUL	Career Average Revalued Earnings Section	1 April 2022 to 31 December 2022	19.00%	6.00%
		From 1 January 2023	21.00%	6.00%

o Universities Superannuation Scheme

The latest available complete actuarial valuation of the Retirement Income Builder is at 31 March 2020 (the valuation date), which was carried out using the projected unit method.

23 Pensions (defined benefit schemes) (continued)

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

The 2020 valuation was the sixth valuation for the scheme under the scheme-specific funding regime introduced by the *Pensions Act 2004*, which requires schemes to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £66.5 billion and the value of the scheme's technical provisions was £80.6 billion indicating a shortfall of £14.1 billion and a funding ratio of 83%.

The key financial assumptions used in the 2020 valuation are described below. More detail is set out in the Statement of Funding Principles.

CPI assumption	Term dependent rates in line with the difference between the Fixed Interest and Index Linked yield curves less: 1.1% p.a. to 2030, reducing linearly by 0.1% p.a. to a long-term difference of 0.1% p.a. from 2040.
Pension increases (subject to a floor of 0%)	CPI assumption plus 0.05%
Discount rate (forward rates)	Fixed interest gilt yield curve plus: Pre-retirement: 2.75% p.a. Post-retirement: 1.00% p.a.

The main demographic assumption used relates to the mortality assumptions. These assumptions are based on analysis of the scheme's experience carried out as part of the 2020 actuarial valuation. The mortality assumptions used in these figures are as follows:

Mortality base table

2020 valuation

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

Future improvements to mortality:

CMI_2019 with a smoothing parameter of 7.5, an initial addition of 0.5% pa and a long-term improvement rate of 1.8% pa for males and 1.6% pa for females.

The current life expectancies on retirement at age 65 are:

	2023	2022
Males currently aged 65 (years)	24.0	23.9
Females currently aged 65 (years)	25.6	25.5
Males currently aged 45 (years)	26.0	25.9
Females currently aged 45 (years)	27.4	27.3

23 Pensions (defined benefit schemes) (continued)

A new deficit recovery plan was put in place as part of the 2020 valuation, which requires payment of 6.2% of salaries over the period 1 April 2022 to 31 March 2024 at which point the rate will increase to 6.3%. The 2023 deficit recovery liability reflects this plan. The liability figures have been produced using the following assumptions:

	2023	2022
Discount rate	5.50%	3.31%
Pensionable salary growth	4.00%	4.00%

p Superannuation Arrangements for the University of London

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

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

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

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

q Funding policy

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

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

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

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

At the 31 March 2020 valuation, SAUL was 94% funded on its Technical Provisions basis. However, market movements following the valuation date were positive and the Trustee and the Employers agreed to allow for post-valuation experience up to 30 April 2021. As SAUL was in surplus on its Technical Provisions at that date, no deficit contributions were required.

23 Pensions (defined benefit schemes) (continued)

However, the Trustee and the employers have agreed that the ongoing Employers' contributions will continue at a rate of 16% of CARE Salaries to 19% of CARE Salaries from 1 April 2022 and 21% of CARE Salaries from 1 January 2023.

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets at 31 March 2020 was £3,612 million, representing 94% of the liabilities. The market value of SAUL's assets at 30 April 2021 was £4,369 million, representing 109% of the estimated liabilities.

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

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

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

	Group and charity	
	2023	2022
	£	£
The People's Pension	15,967	11,473
Employer contributions outstanding at the balance sheet date	2,929	2,308

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

	Group		Charity	
	2023	2022	2023	2022
	£	£	£	£
Net income / (expenditure) for the year	857,753	(2,202,667)	858,191	(2,204,233)
Adjustments for:				
Depreciation charge	207,828	217,979	207,828	217,979
Impairment provision	(110,960)	119,196	(110,960)	119,196
Losses on investments	82,183	284,753	82,183	284,753
Investment income	(229,640)	(152,912)	(229,640)	(152,912)
Decrease / (increase) in debtors	1,265,674	(1,497,787)	1,268,251	(1,445,589)
(Decrease) / increase in creditors	(2,040,547)	2,460,978	(2,041,349)	2,460,978
(Decrease) / increase in provisions	(687,518)	2,026,026	(687,518)	2,026,026
Net cash provided by operating activities	(655,227)	1,255,566	(653,014)	1,306,198

25 Analysis of cash and cash equivalents

	Group		Charity	
	2023	2022	2023	2022
	£	£	£	£
Cash at bank and in hand - liquid assets	3,677,367	4,296,128	3,674,164	4,290,712
Cash at bank - fixed asset investments	7	511,104	7	511,104
Cash at bank and in hand at the end of the year	3,677,374	4,807,232	3,674,171	4,801,816

26 Reconciliation of net debt

	At 1 August 2022	Cashflows	At 31 July 2023
	£	£	£
Cash	4,296,128	(618,761)	3,677,367
Cash equivalents	511,104	(511,097)	7
Total	4,807,232	(1,129,858)	3,677,374

Glossary

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

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