



The Quality Assurance Agency for Higher Education

Annual Report and Financial Statements 2021-22

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Foreword from Vicki Stott, QAA Chief Executive

This was an important year for QAA. To mark the milestone of our 25th anniversary, we held a series of events asking, 'What does quality really mean in practice in a complex and rapidly changing sector?' As QAA now moves forward with a changed role in England and greater confidence across the UK and internationally, this question is as important as ever. QAA has its own answers, born of 25 years' experience and expertise, but it is in conversation with the sector that a richness and diversity of views emerges that helps us continue to respond to the challenges of this question as higher education evolves.

This year, we have been able to return to seeing in person, rather than only remotely, institutions' efforts to safeguard standards and improve quality. We've led new collaborative work across the UK in our Subject Benchmark Statements and Collaborative Enhancement Projects. In Scotland, the Enhancement Themes have continued their timely and important work on Resilient Learning Communities, helping our sector to rebuild from the pandemic and prepare for future challenges.

QAA's international team continues to engage with partners in more than 28 countries, enabling us to enhance the global reputation of UK higher education. In the last year, we have renewed or agreed memoranda of understanding with partner agencies including ANEAQ in Morocco, TKTA in Azerbaijan, and NIAD-QE in Japan. We also signed a new agreement with AACSB International in April to advance business education globally. In May, we hosted representatives of 17 countries for a dinner at the Education World Forum in London, with a range of productive discussions to further our collaborations with partners around the world. In January, we signed a new memorandum with Ukraine's national quality assurance agency, NAQA, which has done extraordinary work in barely imaginable circumstances to prepare the higher education sector for post-war reconstruction. NAQA's International Advisory Board is chaired by a QAA colleague; we have offered practical advice and support to our colleagues in and from Ukraine in this harrowing time and will continue to do so.

Closer to home, we worked with governments throughout the UK on tertiary reform, flexible credit, and pressing issues facing our sector. In April, legislation to criminalise essay mills in England received Royal Assent, after a five-year QAA campaign and work with politicians across the political spectrum. QAA's Academic Integrity Charter has now reached a milestone of 200 signatories, including every university in Wales and Scotland, and represents the sector's collective commitment to protecting and promoting academic integrity.

In June, we made the difficult decision that we could no longer consent to remain the Designated Quality Body in England (DQB) because it was not compatible with our registration on the European Quality Assurance Register for Higher Education (EQAR). QAA was briefly suspended from EQAR registration because of the non-compliance of the regulatory framework in England with the European Standards and Guidelines. We acted immediately to ensure that our own work as DQB was compliant, and QAA's suspension was quickly lifted; however, in the longer term we had no choice but to choose between EQAR registration and the DQB role.

We took a principled decision based on what we judged to be in the best interests of students of higher education in England. While some commentators have suggested that our decision sheds an uncomfortable light on the regulation of English higher education, we believe that it allows QAA to do far more to support the sector and students in England. By stepping back from the constraints of the DQB role, we can return in England to making valuable public interventions and helping shape our sector for the better, as the independent body created by the sector 25 years ago to embody its collective commitment to quality and standards, and as we continue to do in the other nations of the UK. Today, we have almost 300 members - over 98% of UK universities - and I'd like to thank every institution that continues to support QAA.

Public rhetoric about higher education can suggest a problematic sector: a system in crisis; ivory towers divorced from the needs of the economy; woke snowflakes; low-value courses. We certainly must not be complacent - we owe it to each and every student to provide learning environments that stimulate, inspire and challenge. But in providers' senior leadership teams, in quality departments and course design teams, and in students' unions, there's a different story being told. It's a positive story about the collective effort of the people working in quality, contributing to a higher education sector that is rightly admired around the world. QAA remains committed to supporting the sector in its efforts to increase transparency and understanding of this collective effort and its impacts.

Foreword from Professor Simon Gaskell, Chair of QAA Board

QAA was founded in 1997 as the UK higher education sector's own independent quality body, a position it continues to occupy across the UK, as custodian of sector reference points such as the UK Quality Code, the Framework for Higher Education Qualifications and the Subject Benchmark Statements, and with a well-established role in the assurance and enhancement of quality throughout the UK. As it marks its 25th anniversary, QAA remains a globally respected quality body, a reputation earned primarily in the UK but also crucial for QAA's growing international activities.

On this foundation QAA continues to navigate a changing UK sector. In Scotland and Wales, there is a productive trend towards closer alignment between higher education and further education, and while the approach to quality combines both quality enhancement and quality assurance, the balance between the two must be calibrated for each nation's needs. In Northern Ireland there is progress towards a new quality framework, but the changing position at Stormont has at times slowed that progress, and a resolution is still awaited.

England has been something of an exceptional case since 2017-18, when the *Higher Education and Research Act* was passed, and the Office for Students established. This led to a new and ringfenced role for QAA as the Designated Quality Body (DQB), with other services funded separately through membership. Sector confidence in our expertise in quality assurance is evidenced in the overwhelming take-up of that voluntary membership, and the service provided to members across the UK goes from strength to strength.

But the DQB role in England involved from the start a challenging compromise. Despite a strict ringfence, it inhibited QAA's ability to play its proper role in public discourse about quality and standards. It also meant working within a regulatory framework not of QAA's making. The compromise was one we thought worth making, as it served both students and the sector well for QAA's expertise to continue to contribute to the assurance of higher education provision.

However, in practice the DQB's expertise was both used and respected less than expected, while the divergence between the English regulatory framework and international norms ultimately made the position untenable. The Board was fully involved in the decision-making process throughout, and we commend the executive team for its management of difficult decisions and challenging external relationships.

QAA's decision to step away from the DQB role ushers in a new era for QAA in England, with enhanced and growing membership services in the UK and internationally, and with QAA re-finding its public voice, with a renewed confidence that is already being seen in the series of anniversary events, and which will position QAA well for further changes to come in the sector. I would like to take this opportunity to thank all who have helped QAA to flourish, not only during 2021-22, but for the last 25 years, and who take the Agency forward into this next exciting chapter.

Strategic Report

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

Purpose of QAA

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

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

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

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

- innovate through partnership, going beyond assurance, through the Quality Enhancement Framework in Scotland
- embed the Quality Enhancement agenda for Wales
- fulfil the Agency's commitments as the Designated Quality Body in England until 31 March 2023, and continue to develop the Agency's role in England thereafter
- support government and the sector in Northern Ireland in future approaches
- remain compliant with the Standards and Guidelines for Quality Assurance in the European Higher Education Area.

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

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

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

3 QAA strengthens the global reputation of UK higher education

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

- provide confidence in the quality of UK trans-national education, to expand partnership with overseas quality agencies and governments to build trust and confidence in UK higher education
- advance UK interests in the policy agenda in the European Higher Education Area and in wider quality assurance debates
- grow participation in our capacity-building programmes for overseas higher education systems
- build our international accreditation programme and offer international associate membership to credible international institutions.

What we do

QAA's regulatory work

QAA as the Designated Quality Body (DQB) in England

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

2 In 2021-22, we received 32 assessment referrals, of which 29 were completed and sent to the Office for Students.

3 QAA also provides advice to the OfS regarding applications for degree awarding powers. This advice is formulated by QAA's Advisory Committee on Degree Awarding Powers (ACDAP), under delegated authority from the QAA Board. During 2021-22, ACDAP made recommendations about 13 providers. Subsequently, OfS has authorised degree awarding powers for all of these providers.

4 In June 2022, we launched a new method for the external quality assurance of integrated higher and degree-level apprenticeships in England, in collaboration with the Institute for Apprenticeships and Technical Education (IfATE). This method will be delivered by QAA in our capacity as DQB, on behalf of the OfS, according to the framework developed by IfATE. Arrangements under the new quality assurance method commenced from July 2022.

5 QAA will work with OfS to complete a number of assessment referrals and applications for degree awarding powers until the end of our designation in March 2023.

Access to HE Diploma

6 QAA regulates the Access to HE Diploma. The Diploma is a widely recognised Level 3 qualification that provides opportunities for adults without traditional qualifications to enter higher education; it is recognised by government as an important, nationally recognised pathway which helps widen participation. It also offers chances for adults wishing to retrain for a graduate-entry profession by delivering locally devised, flexible courses across the UK.

7 There are 11 Access Validating Agencies (AVAs) licensed by QAA to approve Access to HE courses. Currently, approximately 1,500 such courses award QAA-recognised Access to HE qualifications to students. In 2020-21, 309 providers of Access to HE delivered these courses to just over 43,400 registered learners. Statistics for the Access to HE Diploma underline the continued positive impact of this qualification in widening participation in higher education:

- 43,420 registered onto an Access to HE Diploma in 2020-21
- 23,865 AHE graduates entered higher education in September 2020
- 23,725 AHE graduates were accepted for 2021 higher education entry.

8 With the COVID-19 pandemic causing ongoing disruption in the 2021-22 academic year, QAA continued to maintain flexible arrangements for the awarding and assessment of the Diploma under the Extraordinary Regulatory Framework (ERF). The ERF helped to

ensure that Access to HE students were provided an equal opportunity to successfully complete their Diploma through flexible arrangements that ensured they were not disadvantaged by circumstances outside their control, while maintaining the necessary robustness in the qualification.

9 Our annual Access to HE conference took place virtually in May 2022, bringing together further and higher education participants to discuss the importance of access across the tertiary education system. Over 120 participants from 52 organisations participated in the two-day conference, with guest speakers including Shakira Martin, Head of Student Experience at Rose Bruford College and College of the Future Commissioner.

10 In September, we launched a Subject Descriptor for Medicine, signifying the sector-wide commitment to supporting adult learners into medicine through the AHE Diploma. The launch of the Subject Descriptor followed its successful pilot in the 2020-21 academic year, where it was rolled out across five providers and three AVAs. An evaluation report of the pilot is also available on the QAA website.

QAA's work with alternative providers

11 In 2021-22, QAA successfully completed 29 reviews of alternative providers of higher education.

12 During 2021-22, we have received two submissions to the Alternative Providers Concerns Scheme.

Facilitating collaboration between the nations

13 We continue to enjoy strong relationships with key stakeholders in the devolved nations. This has involved regular communication and meetings with civil servants, ministers and other parliamentarians, as well as staff and students within the sector. QAA will continue to write to new stakeholders in the devolved nations when they begin their posts.

14 We have continued discussions with Scottish, Welsh and Northern Irish higher education stakeholders to discuss areas of commonality regarding quality review arrangements and opportunities for sharing of best practice. Representatives from the Scottish Funding Council (SFC), Higher Education Funding Council for Wales (HEFCW), and the Department for the Economy in Northern Ireland (DfENI) have expressed a desire for QAA to facilitate further collaboration between the Scottish, Welsh and Northern Irish higher education sectors with a particular focus on the role of enhancement. Further to this, the year saw the first joint meeting with members of the QAA Scotland and Wales Strategic Advisory Committees to discuss areas of commonality, as well as a joint meeting with the Wales Quality Network and The Quality Forum in Scotland.

15 QAA has also worked across the devolved nations, as it has in England, to support efforts to protect academic integrity and combat essay mills. All universities in Wales and Scotland have now signed QAA's Academic Integrity Charter, and QAA has been working with governments in each of the nations as they consider developing their own legislation against essay mills, similar to the new regulations introduced in England in 2022.

QAA in Scotland

16 QAA has continued to work with SFC and the sector to develop the future arrangements for external quality review of higher education. The approach has been developed in two phases, with the first focusing on quality and standards and how each institution's arrangements are used to drive the enhancement of the student experience within higher education providers, following the conclusion of the fourth cycle of the

Enhancement-led Institution Review (ELIR) method in 2022. Discussions are ongoing around the longer-term Phase 2 arrangements, which will be developed in conjunction with the sector to support SFC deliver on its commitment to develop a single tertiary education quality framework, covering universities and colleges, following its [Review of the sector in 2020-21](#).

17 The final reviews of the fourth ELIR cycle were completed at Abertay University and the University of the Highlands and Islands, alongside the re-review of Glasgow School of Art following its ELIR outcome the year before. All ELIR reports have [been published](#) on the QAA website. QAA Scotland has undertaken a full evaluation of the ELIR 4 method which has drawn on the experiences of all key stakeholders. This evaluation report was [published in early 2022](#).

18 In 2021-22, work continued on the latest Enhancement Theme: Resilient Learning Communities, which included the Anti-Racist Curriculum project. The project builds on the sector-wide commitment to tackle racism in Scottish higher and further education. QAA Scotland and Advance HE are working together with the tertiary sector to develop and curate resources, learn from current practice, and recognise best practice both in Scotland and beyond. The Theme work also included a project on Valuing and Recognising Prior Learning (RPL) and Experience, which led to the development of a revised RPL Framework, as well as a project focusing on micro-credentials. The Student-Led Activity also focused on Promoting the Equity of the Student Learning Experience and considered how students and staff can support equity for diverse student communities to allow students to get maximum benefit from their learning opportunities in a more blended teaching environment.

19 The latest Enhancement Conference, titled 'Resilient Learning Communities: Inclusive, Flexible and Accessible' took place in Glasgow in June 2022, with a hybrid in-person and online event used by QAA Scotland for the first time. The event had over 400 delegates from universities and colleges attending both in person and online, with conference resources being [published online](#) shortly after the event.

QAA in Wales

20 In 2021-22 QAA completed five Quality Enhancement Reviews (QERs) and three Gateway Quality Reviews (GQRWs). QAA also published the outcomes of a review of Degree Apprenticeships on behalf of the Higher Education Funding Council for Wales (HEFCW). The report has been [published on the QAA website](#).

21 QAA reported on the [Review of Digital Learning](#), undertaken as part of a commitment to the HEFCW HEIR Fund collaborative project led by Wrexham Glyndŵr University on behalf of the Universities Wales Learning and Teaching Network, at the HEFCW HEIR-funded QAA Sharing Practice Event in September 2021. The findings contain a wealth of 'emerging practice' and suggestions for work that could be taken forward for the benefit of the sector in the future. The report was delivered to the programme team from the Learning and Teaching Network in autumn 2021.

22 The HEFCW-funded sector-owned Welsh Integrity and Assessment Network (WIAN) was established in October 2021, with all regulated providers being invited to nominate an academic and a student representative to the group. Some of the common themes have been the impact and implementation of the QAA Academic Integrity Charter, alternative assessment methods, challenges for Welsh-medium education and definitions of key terms such as *authentic assessment* and *digital assessment*.

23 QAA jointly presented with Estyn at the Learner Engagement and Student Partnership workshop on 29 November hosted jointly by HEFCW and Welsh Government. The presentation demonstrated the role of student partnerships in the UK Quality Code,

examples of student partnerships in the higher education sector and how QAA supports student partnerships through our work and governance. Following the presentations, QAA facilitated several workshops.

24 QAA also engaged proactively with the development and passage of the Tertiary Education and Research (Wales) Bill in the Welsh Parliament. QAA had submitted responses to previous consultations as the Bill developed, and QAA officers submitted evidence to the Senedd's Education Committee before attending a meeting of the committee to speak publicly on the legislation and suggest improvements. As a result of QAA's suggestions, the role of the student voice in the Bill was strengthened, clarification was provided on the future quality assurance of Degree Apprenticeships, and the proposed Commission for Tertiary Education and Research will be encouraged to select a designated quality body for higher education as soon as it can, to allow for a smooth transition to the future arrangements.

25 QAA continues to strengthen its commitment to the Welsh Language. QAA submitted an annual report for activity in 2020-21 to the Welsh Language Commissioner's office in January 2022. New sections were included in this report, including examples of QAA working with the Welsh Language Commissioner's office, how QAA is supporting the role of the Welsh language in higher education and priority areas for 2021-22. QAA's Welsh Language Working Group continues to have oversight of compliance.

QAA in Northern Ireland

26 QAA has continued to keep in contact with officers in the Northern Ireland Executive in order to prepare plans for the development of a future method of quality enhancement for the higher education sector. While plans had been delayed as a result of the suspension of the Executive due to the ongoing political situation, it is hoped that progress can be made in 2022-23.

27 Engagement with the sector has continued, with QAA developing a new bespoke Northern Ireland newsletter, as well as hosting its first large-scale online Northern Ireland conference in October 2021. The overall theme of the QAA Northern Ireland Conference was 'Contemporary Higher Education Practice' covering themes such as digital learning, Education for Sustainable Development and Apprenticeships, with almost 300 delegates registering. As a result of the excellent feedback for the event, another online conference for Northern Ireland is being planned for October 2022.

Supporting quality enhancement among QAA Members

QAA services for members

28 This was the third year of QAA membership, having first launched our voluntary membership model on 1 August 2019.

29 Interest in QAA Membership continues to grow with 255 institutions signing up for QAA Membership in England for the 2021-22 academic year. Including providers from Scotland, Wales and Northern Ireland, we had a total of 299 members across the UK. Looking ahead to the 2022-23 academic year, as of 24 October, 245 providers in England have chosen to renew or join.

30 QAA published 222 exclusive resources for members: 157 publications for core members, 40 for those subscribed to Quality Insights, and 25 for International Insights subscribers. Publications included a series of Hallmarks of Success Playbooks designed to support members in the successful delivery of hybrid and blended learning and teaching, and advice on developing inclusive learning subject communities.

31 We also held a range of successful events online for our Core and Insights members: 33 webinars, 13 training programmes, and 41 events and workshops, including our Quality Matters, Quality Insights and Evolving Student Engagement conferences, and QAA Annual Conference, were attended by more than 5,000 delegates.

32 Following positive consultation with our member community, we have reviewed the overall structure of membership and have combined Core Membership and Quality Insights into one all-inclusive package for 2022-23; this will now be known simply as QAA Membership. International Insights remains an optional enhancement package for all QAA Members. We have retained an introductory membership offer for our smallest members (those with fewer than 1,000 higher education students).

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

33 As QAA Members began to discuss and determine future modes of delivery, QAA undertook research to explore how the shift to digital teaching, learning and assessment during the pandemic affected student engagement and performance. This research is based on survey responses from 322 individuals from over 90 different institutions, accompanied by 17 in-depth interviews. The research found that the impact of the shift has been positive for some groups and negative for others. It includes practical ideas about what works to increase student engagement and shows how providers successfully adapted assessments and supported their students in a digital and hybrid environment.

34 This year, we launched a series of four Hallmarks of Success playbooks which provided our members with high-level guiding principles underpinning success in the delivery of hybrid and blended learning and teaching. The playbooks focused on four distinct areas:

- Student-centred Learning and Teaching
- Assessment in Digital and Blended Pedagogy
- Course Design, Approval and Management
- Supporting and Empowering Teaching Staff.

35 Each playbook is structured using success statements, conditions for achieving success, potential roadblocks and overcoming roadblocks. The series is primarily aimed at those involved in curriculum design, delivery and approval, and will also interest those with a strategic remit for learning, teaching and assessment, quality professionals and wider academic and professional services staff.

36 Following the establishment of Subject Advisory Groups in the previous academic year, we published the first 14 new and revised Subject Benchmark Statements in March 2022. The Statements describe the nature of study and the academic standards expected of graduates in specific subject areas. They show what graduates might reasonably be expected to know, do and understand at the end of their studies. They are used as reference points in the design, delivery and review of academic programmes. From 2022 onwards, statements will consider how practice within disciplines addresses wider social goals such as equality, diversity and inclusion; education for sustainable development (ESD); the requirements of disabled students; and enterprise and entrepreneurship. A further 13 Subject Benchmark Statements are being reviewed during 2022-23, and Subject Advisory Groups have been appointed for each of these reviews, including chairs and deputy chairs. These Statements will be published in 2023.

37 Students continue to influence the work QAA undertakes to support the sector. Students are embedded within our governance arrangements, with two Student Board members, as well as student members on the QAA Scotland and Wales Advisory

committees. Our Student Strategic Advisory Committee meets three times a year, enabling students from across the UK to provide valuable input across our range of activity. We delivered two student engagement-focused conferences in the 2021-22 academic year: 'Quality Matters' and 'Evolving Student Engagement'. We launched a Student Engagement Toolkit this year as part of our Membership Publications and delivered an accompanying training session, supporting members to design quality enhancement activities in collaboration with students. We also launched a new Student Quality Network to provide an informal opportunity for students and staff who support students to meet and exchange views on current topics, such as the postgraduate student experience.

38 QAA continues to support members in upholding and enhancing academic integrity through its membership work. This includes supporting institutional processes to deal with instances of academic misconduct. 'Exploring QAA Members' Approaches to Academic Misconduct Cases and Use of Penalties' aimed to establish a picture of how UK higher education providers investigate and deal with instances of academic misconduct – encompassing a range of offences, including plagiarism, collusion and contract cheating. We continue to encourage higher education providers to sign QAA's Academic Integrity Charter, demonstrating their commitment to protecting and promoting academic integrity and to taking action against academic misconduct. To date, over 200 higher education institutions have signed the Charter, including all the universities based in Wales and Scotland.

39 QAA achieved a significant step forward in the campaign against essay mills this year with the passing of the *Skills and Post-16 Education Act 2022* which introduced legislation to criminalise essay mills in England. The passing of the legislation follows years of campaigning by QAA supported by our UK Academic Integrity Advisory Group and the wider higher education sector. QAA will continue to work closely with our members, the higher education sector and with the Department for Education to address the threat posed by essay mills. We also hope to see a similar ban applied in the other nations of the UK and continue to progress this issue with key stakeholders in the other UK governments.

40 Following the successful launch of our Collaborative Enhancement Projects in December 2020, we launched a second round of funding to support groups of institutions to work together to enhance the quality of their student learning experiences and develop outputs that benefit the wider QAA Membership. We received 47 applications and awarded funding to 17 projects which included 59 individual institutions. This encompassed 49 UK higher education institutions, three further education colleges, two higher education institutions based outside the UK and one UK-based independent provider. Four charity/voluntary organisations operating within UK higher education were also involved in the suite of Collaborative Enhancement Projects. The projects range across nine diverse topics including Assessment, Education for Sustainable Development, Academic Integrity, and Equality, Diversity and Inclusivity. As the projects included in the first round have come to complete, they have produced a range of practical resources across the membership year, including those relating to supporting postgraduate research students to prepare for vivas, exploring how students read and the impact this has on their learning, and creating a social induction framework to support students' transition into higher education.

41 Micro-credentials and flexible learning continue to be an area of significant strategic interest for many QAA Members and policymakers in the UK and worldwide. This year, QAA produced a Characteristics Statement on micro-credentials on behalf of our members and the wider higher education sector, following collaboration with an advisory network. The Statement describes some of the typical features of a micro-credential, including how they differ from traditional qualifications, or 'macro-credentials'. This complements other resources QAA has produced to support members who are interested in micro-credentials and flexible learning pathways, including a series of blogs which have been published across the membership year.

42 QAA continues to offer positive approaches and practical solutions to help support student journeys into and through higher education in our Supporting Successful Student Transitions series which focuses on supporting students moving into higher education for the first time or returning to university. The series encompasses QAA-produced and curated resources, including toolkits, short papers and case studies, which address various challenges linked to ensuring students develop a sense of belonging and are supported to engage in their academic work.

43 QAA has also provided valuable guidance to providers of higher-level and Degree Apprenticeships to enhance the quality of apprenticeship provision. This has included updating the Characteristics Statement on Higher Education in Apprenticeships following a minor review in 2022 which was carried out to ensure the Statement addressed policy developments since its first publication.

44 We continue to enhance and develop how we communicate and engage with our members. This year, QAA launched its Membership Podcast series and at the time of writing we have produced eight podcasts on a range of topics, such as Inclusive Assessment, Student Transitions and Enterprise and Entrepreneurship. We continue to meet with members on a regular basis through our Network events which provides us with an opportunity to update members on QAA's work and to provide a space for sharing ideas and best practice between QAA Members. Across the membership year, we hosted 26 networking events, attended by over 1,150 members. This includes separate networks for PVC Education, PVC International, Senior Quality Contacts, College Principals, College HE Practitioners, specialist and independent providers, and student contacts.

45 Interest in QAA training events continues to grow with over 300 members engaging in more than 13 training and professional training programmes. This year, we launched two new Quality in Practice courses, equipping members with practical advice on Course Design, and Monitoring and Review. We also launched a training programme to coincide with the launch of the Student Engagement Toolkit.

Reinforcing the global reputation of UK higher education

46 QAA continues to develop collaborative agreements with international partner organisations in order to enhance mutual understanding and confidence between UK and international higher education institutions. These agreements also lead to joint collaboration across areas of mutual interest, including transnational education (TNE) and academic integrity. Over the last year, QAA has signed and renewed memoranda of understanding (MoUs) with partner organisations operating in the Netherlands and Flanders (NVAO), Morocco (ANEAQ), Azerbaijan (TKTA), Ukraine (NAQA), Kuwait (NBAQ), Thailand (ONESQA), Japan (NIAD-QE), Ireland (QQI), Singapore (SSG), the People's Republic of China (CSCSE) and Kazakhstan (IQAA). We also signed an MoU with the Association to Advance Collegiate Schools of Business (AACSB), signalling our intent to improve mutual understanding of our respective global accreditation approaches.

47 In 2021-22, QAA provided international services (accreditation, membership, training, consultancy and review services) across 22 countries. This has included a range of bespoke consultancy services such as system-level projects to support development of quality assurance and institutional review methodologies in Pakistan, Morocco and Tunisia; continued delivery of a reviewer training programme in Ukraine, and a scoping study looking at approaches to quality assurance and areas for development in Egypt.

48 QAA continues to deliver a valuable country programme which provides exclusive access to country reports and accompanying webinars to International Insights subscribers. To date this year, we have produced reports and webinars on Viet Nam and Indonesia. These reports provide an overview of the higher education and regulatory landscape in the

relevant country and offer high-level information and intelligence about regulations, challenges and opportunities relevant to UK providers wishing to develop TNE provision in these countries.

49 Alongside our PVC International Network, QAA has launched an International Partnerships Policy and Practice Network which aims to support collaboration between members through informal discussion and debate on recent developments, topics and challenges that impact international partnerships. These sessions are designed for colleagues who work in international and collaborative provision and for quality practitioners who are responsible for international partnerships.

50 QAA officially launched our scheme for the Quality Enhancement and Evaluation of Transnational Education (QE-TNE) in September 2021 in which 78 providers from across the UK signed up to participate, representing over 70% of the UK TNE student population.

51 In the first year, QAA has been working with institutions and partner agencies to prepare for and carry out virtual evaluation visits to selected institutions in Egypt, the UAE and Germany – the three countries selected for evaluation activity in the 2021-22 academic year. By the end of the evaluation period, we anticipate having involved over 20 institutions in visits and case studies in the first year. QE-TNE scheme participants will have access to publications and webinars from the first series of visits later in the year.

52 In November 2021, QAA co-hosted the inaugural China-UK Higher Education Summit alongside the China Education Association for International Exchange (CEAIE). This event brought together nearly 200 leaders from UK and Chinese higher education to share views, experiences and best practice with respect to digital pedagogy.

53 Nine international higher education institutions have successfully achieved QAA's International Quality Review (IQR) global accreditation over the last year. IQR allows international higher education providers to benchmark their quality assurance systems against the European Standards and Guidelines (ESG). Macao Institute for Tourism Studies (IFTM) became the first institution to successfully undergo IQR re-accreditation, having first undergone review in 2017.

54 We have continued to deliver IQR for ACE Impact, a bespoke version of our International Quality Review for the World Bank African Centres of Excellence project in West Africa, in Nigeria, Ghana and the Ivory Coast. This programme was delivered in both English and French.

55 QAA launched International Membership in late 2021, offering access to a comprehensive range of services and expertise for international higher education institutions who have achieved IQR accreditation. This was complemented in early 2022 with the launch of International Associate Membership, offering a valuable but less extensive range of resources for higher education institutions who don't yet have IQR accreditation but are recognised by their local quality agency. 2022-23 will see the first full year of International Membership which will encompass a comprehensive membership offering, including the provision of funding for an International Collaborative Enhancement Project.

56 In May, QAA announced a collaboration with the Council of British International Schools (COBIS) to externally quality assure the global COBIS Patron's Accreditation and Compliance Scheme (PAcc). The collaboration will initially last for five years and will include a quality assurance report of the COBIS PAcc standards, including through comparison with global best practice in quality assurance standards. This collaboration will be of interest to a wide range of stakeholders, including overseas governments, QAA Members and providers of UK transnational education.

57 In June, we welcomed over 100 delegates from across Europe to Cardiff for the European Association for Quality Assurance in Higher Education (ENQA) Members' Forum, which we are proud to have hosted. The programme focused on hot topics in quality assurance and included discussions on transnational cooperation across Europe, micro-credentials and the digitalisation of quality assurance procedures.

58 QAA's active presence within the international quality assurance community was further strengthened when our CEO Vicki Stott was elected to the Board of the International Network for Quality Assurance Agencies in Higher Education (INQAAHE) from November 2021. Vicki's role on the Board provides a platform for the interests of UK higher education to be heard on a world stage, while also ensuring QAA Members have access to key intelligence on international trends and developments in higher education quality. Vicki has also recently joined the International Advisory Board for our partner agency in Ukraine, NAQA.

Lessons learned

59 2022 was an important year for QAA, marking our 25th anniversary. We held a range of events to celebrate our quarter of a century as the leading authority on quality and standards in UK higher education. These events, delivered in collaboration with our members and UK and international partners, were structured around a 'conversation about quality' – a wide-ranging exploration of the meaning of quality in practice, in a complex and rapidly changing UK sector. We emerge with greater clarity on several aspects of a complex and relative definition. In particular, we identified that whereas quality control is about accountability and the retrospective measurement of effective outcomes, quality assurance is a prospective determination about how well the underpinning processes work; quality enhancement, meanwhile, is focused on both processes and outputs, a collective endeavour towards continuous improvement. These distinctions have provided us with a strengthened understanding of our role and vision. We continue to explore the implications for everyone in UK higher education, wider society and internationally.

60 Operationally, one of the most significant decisions taken in 2021-22 was our announcement that we will no longer consent to be the Designated Quality Body in England (DQB) after the current DQB year ends on 31 March 2023. This role is separate and discrete from our wider work for the sector (funded through membership), and the requirements made of it by the current regulatory approach in England are not consistent with standard international practice for quality bodies, as reflected in the European Standards and Guidelines (ESG). We had hoped that these tensions could have been mitigated and worked closely with our Board throughout 2021-22 on innovative solutions, including carrying out a detailed review of our strategic and operational models and a separation of governance and management developed in the winter quarter. Ultimately, these measures were not sufficient to prevent English regulatory requirements resulting in QAA's suspension on the European Quality Assurance Register for Higher Education (EQAR). QAA worked quickly to address areas of non-compliance, but long-term it would not be sustainable to meet both sets of requirements. While we had hoped to prevent this outcome, we believe we acted responsively, in tandem with our Board and in the best interests of the Agency and the sector. We look forward to the opportunities that will result for our other work, including enhancing our offer to our members in England and across the UK.

61 While the higher education sector is no longer in the urgent period of response to the COVID-19 pandemic, close sector collaboration remained of crucial importance to QAA's work this year. It was vital for our staff and Board members to continue maintaining discussions with institutional leaders, quality specialists and students in order to inform our work. Other key collaborators for QAA across the past year have included governments, professional bodies, international quality agencies and other international partners.

Looking ahead

62 On 31 March 2023, QAA's designation as Designated Quality Body (DQB) in England will end. Throughout 2022-23, we will work closely with DfE and OfS to ensure a smooth transition. We will also develop new lines of business in the intervening time, taking advantage of the opportunities arising from the separation to enhance our offer to our members in England and across the UK. In March 2023, QAA should be well-positioned to deliver as the confident, settled authority for quality and standards in the UK. This will include expanding our work with governments, agencies and institutions globally to benefit UK higher education and its international reputation and continuing to deliver for our members.

63 In 2022-23, our Membership offer spans seven interconnected themes. Cross-cutting topics inform the themes and run through all our work.

- Future approaches for learning and teaching
- Reassessing Assessment
- Flexible Pathways and Micro-credentials
- Academic Integrity
- Employability, Enterprise and Entrepreneurship
- Education for Sustainable Development
- Global Engagement

64 The themes have been informed by our horizon-scanning and co-created through engagement with members, building on learning from previous years. They are designed to support inspiring, innovative and developmental activities which will help members prepare for the future. Within this activity will be UK-wide work to secure standards and quality, as well as enhancement-facing activities, co-created with our members and responsive to their contexts.

65 QAA will continue to support the successful programme of Collaborative Enhancement Projects, with new projects aligned with the 2022-23 themes. We hope to expand upon the diverse range of 17 innovative and ambitious projects supported in 2021-22, which have involved 63 partners. We will also be reporting on, and celebrating, the achievements of these existing projects in the coming year. Funded projects will lead to the development of outputs that benefit the wider QAA Membership and higher education sector as a whole.

66 2022-23 will be the first year of QAA's International Associate Membership package, and the first full year for Full International Membership. It will also be the first year for QAA's new International Programme Accreditation review method (IPA). QAA will continue to develop international partnerships to ensure these projects are successful and deliver shared benefits for collaboration in higher education. Alongside new projects, we will continue to review UK transnational education through the QE-TNE scheme, deliver IQR accreditation and capacity-building work, and engage in international projects, for example ENQA's publication of academic integrity guidance in the spring.

67 2023 will mark the 20th anniversary of the Scottish Quality Enhancement Framework. QAA will celebrate this important milestone through collaborative work under the current Enhancement Themes in Scotland, as well as commemorative activity to explore how the QEF has influenced enhancement approaches globally.

Financial review

68 The financial statements have been prepared in accordance with the requirements of the Charities SORP. Resources expended on charitable activities are shown split between the aims of our 2020-25 strategy. The total resources expended note (note 7), page 44, splits these categories down further and includes an allocation of support costs across the aims.

Results

69 QAA's 2021-22 activities were funded primarily through fees chargeable under HERA, membership from higher education providers and contracts with the higher education funding bodies, international review activity and charges for oversight and review of alternative providers of higher education. Additional income was generated through other investment income.

70 QAA's net loss for the year ended 31 July 2022, before recognising investment gains, was £1,917,714 (2021: net income of £17,139). After recognising net losses on investments of £284,753 (2021: gains of £678,889), the net movement in funds for the year was a decrease of £2,202,667 (2021: increase of £696,028) which has decreased reserves. The accumulated funds at 31 July 2022 are £2,532,834 (2021: £4,735,501).

71 QAA's wholly owned trading subsidiary, QAA Enterprises Limited, has made a profit of £1,567 (2021: profit of £2,279) to the group surplus. No gift aid payment was made (2021: £-) to the charity in the year.

Income

72 Total income as shown in the Statement of Financial Activities (SOFA) increased by £1,488,641 (18%) to £9,788,285 between 2020-21 and 2021-22. Income from charitable activities shows a net increase of £1,452,392 (18%).

73 The increased income resulted from an increase in international contracts (£825,407) as well as increases in assessments commissioned by OfS under HERA as the Designated Quality Body (£379,672) as activity levels return to pre-pandemic levels.

74 Income from investments has increased by £37,814 (33.2%) to £152,912.

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

Expenditure

76 Total charitable expenditure, after the pension provision as shown in the SOFA, increased by £3,423,694 (41%) to £11,706,199 between 2020-21 and 2021-22.

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

78 The 2022 deficit recovery liability now reflects this plan and as a result has increased by £2,034,191 in the year, in contrast to the increase in 2020-21 of £106,278.

79 Expenditure on charitable activities before the pension provision increased by £1,494,904 (18%) to £9,661,218. Delivery costs have increased in line with increases in international activity and assessment activity income.

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

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

Balance sheet

82 Total funds on QAA's group balance sheet are £2,532,834 (2021: £4,735,501). The net book value of tangible fixed assets held by the group and charity shows a decrease of £209,136 with the inclusion of an impairment provision equivalent to the net book value of leasehold assets as we look to exit the premises when the lease expires in June 2023. The net book value of fixed asset investments has increased by £839,451 to £5,922,837.

83 Trade debtors have increased by £1,554,685 to £3,043,605 as a result of the earlier invoicing of membership for the period starting 1 August 2022. This, in turn, has increased deferred income by £2,015,074 to £6,307,623.

Reserves policy

84 QAA's Reserves policy establishes a target range of free reserves, taking into account the financial impact of risk; the volatility of current and future income streams; the action required in the event of income reduction; and the impact of future commitments. The resultant target range of free reserves, following the annual review, is set at £0.7-£1.7 million. The level of available free reserves is £1.4 million, which falls within this range.

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

86 On the basis of this review, these financial statements have been prepared on a going concern basis, which the Trustees consider to be appropriate based on the results for the year ending 31 July 2022 and forecasts and cash flow projections prepared for the period to 31 July 2024. The cash flow projections indicate that the group will be able to meet its liabilities as they fall due and will be able to operate within the facilities currently available. The Trustees consider that there are no material uncertainties over the charitable company's financial viability.

87 QAA holds reserves for three main reasons:

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

88 A designated Innovation and Development Fund is set aside 'for innovation in products and services for the long-term benefit of UK higher education'. The opening balance on the fund was £524,694 - £181,000 was expended during the year to fund activities in membership services and international services.

89 At 31 July 2022, QAA's free reserves as defined by the Charities SORP were £1,432,448 (2021: £3,371,289).

Treasury management

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

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

91 During 2021-22, the revised investment approach agreed by the trustees continued to be followed, with available funds being notionally split into three tranches and managed as follows:

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

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

93 Investment income in the year is attributable to interest receivable of £18,211 from short-term working capital balances and medium-term cash funds, together with interest and dividends of £134,701 received from fixed-asset investments.

94 The market value of the investments is £5.9 million (2021: £5.1 million). The net unrealised loss in the market value of funds held at 31 July 2022 was £284,753 (2021: gain £678,889) reflecting the uncertainty in the stock markets worldwide. The surplus of interest and dividend receipts after paying management charges, together with net gains or losses realised, continues to be reinvested.

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

Directors' Report

Structure, governance and management

96 QAA is a private company limited by guarantee, and a registered charity in England, Wales and Scotland, its company number is 03344784 and its charity number is 1062746, and Scottish Charity number is SC037786. Our four company members were, as of 31 July 2022:

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

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

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

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

Governance

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

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

- QAA's risk appetite and tolerance levels
- policies, including: Complaints policy, Appeals and Representations policies
- SWOT analyses for the creation of the ENQA Self-Assessment report.

Recruitment and appointment to the Board

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

- Serving a three-year term, then eligible for a second three-year term:
 - four members nominated jointly by three funding bodies for UK higher education (Department for Education (Northern Ireland), Higher Education Funding Council for Wales, and the Scottish Funding Council). The Office for Students has to date declined to take on the nominating rights previously exercised by the Higher Education Funding Council for England

- four members nominated jointly by the UK higher education representative bodies (GuildHE, Universities Scotland, Universities UK and Universities Wales)
 - one member nominated by the UK Council of Colleges and appointed by the Board
 - six independent members appointed by the Board
 - one independent member appointed by the Board who, at the time of appointment, is engaged wholly or mainly in the governance or management of an alternative provider of higher education.
- Serving a one-year term, then eligible for a second one-year term:
 - one independent member appointed by the Board who, at the time of appointment, is a registered undergraduate or postgraduate student, an elected student officer of a student union, or an elected student officer of a student representative body
 - one member nominated by the National Union of Students and appointed by the Board.

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

103 All Board members are non-executive directors. They give their time voluntarily and do not receive any remuneration or benefits from the charity. Expenses claimed by Board members during 2021-22 are covered in note 10 of our financial statements.

Board responsibilities

104 Our Board's principal responsibilities include:

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

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

Board member induction

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

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

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

Board member activities

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

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

Board meetings are usually held in person. Committee meetings are held virtually.

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

110 During the year 2021-22, the average Board meeting attendance was 93% (99% in 2020-21). Individual Board member attendance was as follows:

Name	Attendance for 2021-22 (out of four meetings)
Eve Alcock	4
Nic Beech	4
Vanessa Davies	4
Sara Drake	4
Linda Duncan	3
Simon Gaskell (Chair)	4
Hillary Gyebi-Ababio	4
Maria Hinfelaar	4
Rachid Hourizi	2 (out of 2)
David Jones	3
Angela Joyce	4
Karl Leydecker	1 (out of 1)
Craig Mahoney	2 (out of 3)
Sue Rigby	4
John Sawkins	4
Oliver Turnbull	4
Craig Watkins	3
Philip Wilson	4

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

Board committees

111 There were eight Board committees in operation during 2021-22. All committees have individual terms of reference and Board attendance at committees is reported at Nomination and Remuneration Committee.

Governance matters:

- Audit and Risk Committee
- Nomination and Remuneration Committee

Advisory:

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

Operations:

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

QAA Board of Directors

112 From 1 August 2021 to 31 July 2022, the following served as directors and trustees on the QAA Board:

Independent members

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

Independent member: alternative provider

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

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

Professor Maria Hinfelaar	Vice-Chancellor, Glyndŵr University (appointed September 2016)
Professor Craig Mahoney	Vice-Chancellor, University of the West of Scotland (appointed May 2016, served to March 2022)
Professor Karl Leydecker	Senior Vice-Principal, University of Aberdeen (appointed June 2022)
Professor Sue Rigby	Vice-Chancellor, Bath Spa University (appointed October 2019)

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

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

Nominated by the UK Council of Colleges

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

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

113 Our Executive team in 2021-22 was:

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

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

Pay and remuneration

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

Corporate social responsibility (CSR)

116 QAA is committed to working in an ethically and socially responsible manner across all areas of our business. Our work safeguards standards and improves the quality of UK higher education, wherever it is delivered around the world. Our business approach considers the impact of our work on the environment, our staff, suppliers, local communities,

the higher education sector, and wider society. Our most recent CSR policy (running from 2017) sets out our aims and the activities in which we engage to support them across the UK:

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

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

Data protection

118 There were no reportable incidents involving personal data during 2021-22.

Fundraising activities

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

Equality statement

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

121 The Human Resources and Organisational Development team has strategic responsibility for organisational development, including equality, diversity and inclusion. The existing Equality Diversity and Inclusion Policy was reviewed, and internal practices implemented. The optional use of pronouns in email signatures and new inclusive writing guidelines for QAA publications were introduced.

Delivering public benefit

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

Welsh Language Compliance notice

123 QAA continues to strengthen its commitment to the Welsh language, as set out in the compliance notice with which QAA has a duty to comply. QAA continues to produce annual reports for the Welsh Language Commissioner that notes how we comply as well as steps to take to further compliance, in line with standards 152, 158 and 164. The report is considered by QAA's cross-organisational Welsh Language Working Group and approved by the Audit and Risk Committee.

Relationships with related parties

124 QAA's subsidiary, QAA Enterprises Limited - a private company limited by shares - is governed by its own Articles of Association which set out its constitution. In December 2021 it was agreed that QAA Enterprises enter dormancy.

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

Principal risks and uncertainties

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

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

128 The risks considered significant at the inherent (pre-mitigation) stage included: risk of exclusion from the European Quality Assurance Register as a result of the non-compliance of the Office for Students' regulatory approach in England with the European Standards and Guidelines (ESG); the risk posed by the regulatory approach to the future of the Designated Quality Body role in England; and cyber-security. Measures considered in mitigation of the first two of those risks included the action that QAA eventually took; that is, first to announce compliance with the ESG, and then to demit the DQB role in the longer term. Cyber-security remained a significant risk even at the residual (post-mitigation) stage, despite comprehensive mitigations including annual ISO27001 audit, periodic penetration testing and the adaptation of multi-factor authentication technology across the Agency.

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

Reference and administrative details

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

Responsibilities of the trustees and directors

130 The trustees (who are also directors of The Quality Assurance Agency for Higher Education for the purposes of company law) are responsible for preparing the Trustees' Annual Report, including the Strategic Report and Directors' Report, and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

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

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

Information to auditor

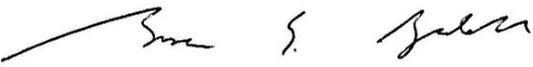
133 In the case of each of the persons who are directors of the company at the date when this report was approved:

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

Auditor

134 A resolution to reappoint Crowe UK LLP as auditor to the company was agreed at our Annual General Meeting in December 2022.

135 The Strategic Report, Directors' Report and financial statements were approved by the Board on 14 December 2022 and were signed on its behalf by:

<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 2022 which comprise the Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 July 2022 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the *Companies Act 2006* and the *Charities Act 2011*.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 29, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

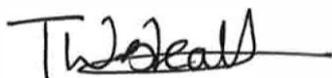
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing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

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

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

Use of our report

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



Tara Westcott
Senior Statutory Auditor

For and on behalf of

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

Date: 19 December 2022

**Consolidated statement of financial activities
(including consolidated income and expenditure account)
for the year ended 31 July 2022**

	Notes	2022 £ Unrestricted funds	2021 £ Unrestricted funds
Income from:			
Charitable activities	5	9,630,938	8,178,546
Other trading activities	3	4,435	6,000
Investments	4	152,912	115,098
Total income		9,788,285	8,299,644
Expenditure on:			
Fundraising trading costs		293	311
Investment management costs		10,497	9,602
Raising funds		10,790	9,913
Charitable activities	6, 7	11,695,409	8,272,592
Total expenditure		11,706,199	8,282,505
Net (losses) / gains on investments		(284,753)	678,889
Net income and net movement in funds for the year	8	(2,202,667)	696,028
Reconciliation of funds			
Total funds brought forward		4,735,501	4,039,473
Total funds carried forward	22	2,532,834	4,735,501

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

All income and expenditure derive from continuing activities.

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

Balance sheets as at 31 July 2022

(Company number: 03344784)

	Notes	Group		Charity	
		2022	2021	2022	2021
		£	£	£	£
Fixed assets:					
Intangible fixed assets*	12	175,858	70,546	175,858	70,546
Tangible assets	13	100,837	309,973	100,837	309,973
Investments	14	5,922,837	5,083,386	5,922,837	5,083,387
Total fixed assets		6,199,532	5,463,905	6,199,532	5,463,906
Current assets:					
Debtors	15	3,376,532	1,878,745	3,379,108	1,933,518
Cash at bank and in hand		4,296,128	4,245,205	4,290,712	4,189,157
Total current assets		7,672,660	6,123,950	7,669,820	6,122,675
Liabilities:					
Creditors - amounts falling due within one year	16	(7,850,009)	(5,389,031)	(7,849,409)	(5,388,431)
Net current assets		(177,349)	734,919	(179,589)	734,244
Total assets less current liabilities		6,022,183	6,198,824	6,019,943	6,198,150
Provision for liabilities	20	(147,525)	(155,691)	(147,525)	(155,691)
Pension provision liability	21	(3,341,824)	(1,307,632)	(3,341,824)	(1,307,632)
Total net assets		2,532,834	4,735,501	2,530,594	4,734,827
The funds of the group and charity:					
Designated funds	22	802,694	983,694	802,694	983,694
General funds	22	1,730,140	3,751,807	1,727,900	3,751,113
Total funds as at 31 July 2022		2,532,834	4,735,501	2,530,594	4,734,827

The deficit for the financial year dealt with in the financial statement of the parent charity was £2,204,234 (2021: surplus £693,500).

*Computer software has been separated out from Fixed assets to Intangible assets – 2021 figures have been restated.

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

The financial statements were approved and authorised by the Board on 14 December 2022 and were signed on its behalf by:

Professor Simon Gaskell Chair of the Board of Directors



Statement of cash flows for the year ended 31 July 2022

	Notes	Group		Charity	
		2022	2021	2022	2021
		£	£	£	£
Cash flows from operating activities:					
Net cash provided by operating activities	24	1,255,566	986,231	1,306,198	988,461
Cash flows from investing activities:					
Investment income		152,912	115,098	152,912	115,098
Proceeds from sale of investments		5,046	5,238	5,046	5,238
Purchase of investments		(618,183)	(109,418)	(618,183)	(109,418)
Purchase of intangible fixed assets*		(156,771)	(12,644)	(156,771)	(12,644)
Purchase of tangible fixed assets		(75,579)	(27,808)	(75,579)	(27,808)
Net cash (used in)/provided by investing activities		(693,575)	(29,534)	(693,576)	(29,534)
Change in cash and cash equivalents in the year		561,991	956,697	612,623	958,927
Cash and cash equivalents at the beginning of the year		4,245,241	3,288,544	4,189,193	3,230,266
Cash and cash equivalents at the end of the year	25	4,807,232	4,245,241	4,801,816	4,189,193

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

*Computer software has been separated out from Fixed assets to Intangible assets - 2021 figures have been restated.

Notes to the financial statements for the year ended 31 July 2022

1 Legal status

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

2 Accounting policies

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

a Judgements and key sources of estimation uncertainty

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

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

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

b Fund accounting

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

c Income

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

2 Accounting policies (continued)

d Expenditure and the basis of allocation of costs

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

Staff numbers and costs were allocated either:

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

Non-pay costs were allocated either:

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

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

e Operating leases

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

f Intangible assets

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

g Tangible fixed assets and depreciation

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

The depreciation rates are as follows:

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

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

2 Accounting policies (continued)

h Investments

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

i Debtors

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

j Cash and cash equivalents

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

k Foreign currencies

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

l Creditors and provisions

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

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

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

m Basic financial provisions

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

2 Accounting policies (continued)

n Pensions

Defined benefit schemes

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

Critical accounting judgements

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

Defined contribution scheme

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

3 Income from other trading activities

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

	2022	2021
	£	£
Turnover	4,435	6,000
Cost of sales and administrative costs	<u>(2,868)</u>	<u>(3,721)</u>
Net profit for the year	<u>1,567</u>	<u>2,279</u>

The assets and liabilities of the subsidiary were:

Current assets	5,416	62,047
Current liabilities	<u>(3,176)</u>	<u>(61,374)</u>
Total net assets	<u>2,240</u>	<u>673</u>

4 Income from investments

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

	2022	2021
	£	£
Dividend and interest income from quoted investments	134,701	113,808
Interest from cash held in interest-bearing bank accounts	<u>18,211</u>	<u>1,290</u>
Total investment income for the year	<u>152,912</u>	<u>115,098</u>

5 Income from charitable activities

	Note	2022	2021
		£	£
Memberships		3,152,487	2,852,151
Regulatory		3,258,545	2,739,981
Contracts with higher education funding bodies		1,360,353	1,377,545
Alternative providers of higher education		188,852	383,524
Other contracts and related income		1,670,701	825,345
		<hr/>	<hr/>
Total income from charitable activities		9,630,938	8,178,546
		<hr/> <hr/>	<hr/> <hr/>
Analysis by source:			
UK higher education funding councils		1,348,286	1,199,731
UK higher education institutions		4,698,535	3,499,732
UK further education institutions		1,580,140	2,868,926
UK alternative providers of higher education		577,246	1,163,854
Other		3,465,596	1,316,191
		<hr/>	<hr/>
		11,669,803	10,048,434
Release income deferred in prior years	16	4,268,758	2,398,870
Defer income received in current year	16	(6,283,833)	(4,268,758)
Balance C/fwd		(23,790)	-
		<hr/>	<hr/>
Total income from charitable activities		9,630,938	8,178,546
		<hr/> <hr/>	<hr/> <hr/>

6 Expenditure on charitable activities

	Note	2022	2021
		£	£
The trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK		5,675,842	5,273,017
Providing expert advice that secures standards and supports quality enhancement		2,302,388	1,935,459
Strengthening the global reputation of UK higher education		1,682,987	957,838
Total expenditure on charitable activities before restructuring cost and pension provision		9,661,217	8,166,314
Pension provision - deficit contributions (included above)	21	(79,951)	(59,723)
Charged to the SOFA - change in expected future deficit contributions		2,102,636	134,886
Pension provision - unwinding of discount	21	11,507	31,115
Total expenditure on charitable activities		11,695,409	8,272,592

7 Analysis of expenditure on charitable activities

	Charitable activities			Governance	Total expenditure on charitable activities	
	The trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK	Providing expert advice that secures standards and supports quality enhancement	Strengthening the global reputation of UK higher education		2022	2021
	£	£	£	£	£	£
Direct costs						
Staffing costs	2,201,619	1,185,467	690,447		4,077,533	3,461,357
Other review costs	1,161,426	61,231	335,125		1,557,782	1,068,402
Other direct costs	154,656	204,566	106,377		465,599	339,720
Total direct costs	3,517,701	1,451,264	1,131,949		6,100,914	4,869,479
Support costs						
Staff costs	891,910	314,244	220,908		1,427,062	1,377,677
Premises and office costs	389,372	231,027	115,454		735,853	680,704
IT	507,527	106,046	81,867		695,440	705,330
Finance	14,424	3,970	2,849		21,243	1,052
Depreciation	175,858	105,994	55,322		337,174	270,471
HR and SD costs	66,518	48,566	45,016		160,100	181,957
Other	41,754	15,316	10,991		68,061	48,095
Governance*				115,370	115,370	31,549
Total support costs	2,087,363	825,163	532,407	115,370	3,560,303	3,296,835
Reallocate Governance	70,778	25,961	18,631	(115,370)	-	-
Total support costs by aim	2,158,141	851,124	551,038	-	3,560,303	3,296,835
Expenditure on charitable activities before restructuring and pension provision						
	5,675,842	2,302,388	1,682,987		9,661,217	8,166,314
Pension provision - net deficit contributions	1,136,730	551,074	334,881		2,022,685	75,163
Pension provision - unwinding of discount	6,467	3,135	1,905		11,507	31,115
Total charitable expenditure	6,819,039	2,856,597	2,019,773		11,695,409	8,272,592

* Includes the cost of Board meetings

8 Net income / (expenditure) for the financial year

	Note	2022 £	2021 £
Net (expenditure) / income is stated after charging/(receiving):		(2,202,667)	696,028
External auditors - audit services		21,600	21,600
- non-audit services		7,800	12,505
Internal auditors - audit services		9,114	9,800
Professional indemnity insurance		51,179	59,704
Tangible fixed assets			
Depreciation		217,979	270,471
Impairment Provision		119,196	
Operating leases			
Land and buildings		279,735	283,821
Other		1,989	1,880
Foreign exchange costs/(gains)		1,000	53
Employer pension contributions	23	847,035	739,390

9 Analysis of staff costs

	2022	2021
	£	£
Total staff costs were:		
Salaries	4,416,167	3,988,621
Employers' National Insurance contributions	485,379	419,913
Pension contributions payable	847,035	739,390
	5,748,481	5,147,924
Employment agency staff	158,034	5,378
Total staff costs before restructuring and pension provision liability adjustments	5,906,615	5,153,302
Total staff costs after restructuring	5,906,615	5,153,302
Deficit contributions payable in the year (included in contributions paid above)	(79,951)	(59,723)
Increase in expected future deficit contributions	2,102,636	(134,886)
Total staff costs charged to the SOFA	7,929,300	5,228,465

9 Analysis of staff cost (continued)

	2022	2021
	Number	Number
The average number of employees, calculated on a full-time equivalent basis was as follows:		
The trusted expert independent body supporting the enhancement and regulation of higher education across a diverse UK	52	53
Providing expert advice that secures standards and supports quality enhancement	24	25
Strengthening the global reputation of UK higher education	18	13
Total average number of employees on a full-time equivalent basis	94	91
Total average number of employees on a headcount basis	116	105

During the year, there were redundancy or termination payments made which amounted to 2022: £24,141). There was nothing outstanding as the year-end (2021: £0).

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

	2022	2021
	Number	Number
£160,000 - £169,999	-	1
£130,000 - £139,999	1	
£100,000 - £109,999	-	1
£90,000 - £99,999	2	-
£80,000 - £89,999	2	1
£70,000 - £79,999	2	4
£60,000 - £69,999	3	2

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

	2022	2021
	£	£
Employer contributions	153,594	163,937

10 Remuneration of directors and key management personnel

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

There were no emoluments paid to the trustees during the year. Eleven trustees were reimbursed expenses to the value of £2,031 during the year (2021: 0 trustees, £0). The expenses paid related solely to travel and incidentals.

The total employee benefits (including Employer Pension contributions and Employer National Insurance contributions) received by the senior executive staff of the charity and the group was £432,367 (2021: £473,096).

The highest paid employee is the Chief Executive whose remuneration and benefits, including Employer Pension contributions and Employer National Insurance contributions, in the year were £184,738 (2021: £214,726).

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

11 Taxation

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

12 Intangible Fixed Assets

Group and charity

Cost	Computer Software	Total
	£	£
At 1 August 2021	490,893	490,893
Addition	156,771	156,771
As at 31 July 2022	647,664	647,664
Amortisation		
At 1 August 2021	420,347	420,347
Charge for the year	51,459	51,459
At 31 July 2022	471,806	471,806
Net book value at 31 July 2022	175,858	175,858
Net book value at 31 July 2021		70,546
70,546		

13 Tangible fixed assets

Group and charity

	Leasehold improvements	Computer equipment	Furniture and other equipment	Total
	£	£	£	£
Cost				
At 1 August 2021	1,280,210	3,759,931	546,547	5,586,688
Additions	-	76,579	-	76,579
At 31 July 2022	1,280,210	3,836,510	546,547	5,663,267
Depreciation				
At 1 August 2021	1,006,002	3,724,166	546,547	5,276,715
Charge for the year	126,997	39,522	-	166,519
Impairment provision	113,562	5,634	-	119,196
At 31 July 2022	1,246,561	3,769,322	546,547	5,562,430
Net book value at 31 July 2022	33,649	67,188	-	100,837
Net book value at 31 July 2021	274,208	35,765	-	309,973

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

14 Fixed asset investments

	Quoted investments £	Unquoted investments £	Total £
Held by the group			
At 1 August 2021	5,083,386	-	5,083,386
Additions at cost	618,183	-	618,183
Disposals at opening market value or cost if bought in year	(5,046)	-	(5,046)
Net increase in cash held and settlements outstanding	511,067	-	511,067
Net loss on revaluation to year end market value	(284,753)	-	(284,753)
At 31 July 2022	<u>5,922,837</u>	<u>-</u>	<u>5,922,837</u>
Held by the charity			
At 1 August 2021	5,083,386	1	5,083,387
Additions at cost	618,183	-	618,183
Disposals at opening market value or cost if bought in year	(5,046)	-	(5,046)
Net increase in cash held and settlements outstanding	511,067	-	511,067
Net loss on revaluation to year end market value	(284,753)	-	(284,753)
At 31 July 2022	<u>5,922,836</u>	<u>1</u>	<u>5,922,837</u>

Quoted investments are revalued and stated at market value as at 31 July 2022.

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

14 Fixed asset investments (continued)

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

	Group and charity at 31 July 2022		Group and charity at 31 July 2021	
	Cost	Market value	Cost	Market value
	£	£	£	£
Listed on a recognised stock exchange				
- in the UK	5,201,786	5,411,731	4,588,154	5,083,349
- outside the UK				
Cash and settlements pending held as part of the investment portfolio	511,104	511,104	36	36
	<u>5,712,890</u>	<u>5,922,835</u>	<u>4,588,190</u>	<u>5,083,385</u>

15 Debtors

	Group		Charity	
	2022	2021	2022	2021
	£	£	£	£
Trade debtors	3,043,605	1,488,919	3,043,605	1,482,919
Sundry debtors	3,209	2,005	3,209	2,005
Prepayments	286,743	300,151	286,743	300,151
Accrued income	42,975	87,670	42,975	87,670
Subsidiary undertaking	-	-	2,576	60,773
	<u>3,376,532</u>	<u>1,878,745</u>	<u>3,379,108</u>	<u>1,933,518</u>

Trade debtors are stated after provision for doubtful debts of £58,481 (2021: £72,515).

16 Creditors: amounts falling due within one year

	Group		Charity	
	2022	2021	2022	2021
	£	£	£	£
Trade creditors	293,539	147,546	293,539	147,546
Taxation and social security	148,503	150,978	148,503	150,978
Pension contributions	113,207	103,713	113,207	103,713
Other creditors	41,922	25,300	41,922	25,300
Accruals	945,215	669,246	945,215	668,346
Deferred income	6,307,623	4,292,548	6,307,623	4,292,548
	7,850,009	5,389,331	7,850,009	5,388,431

The movement in deferred income was as follows:

At start of year	4,292,548	2,422,660	4,292,548	2,422,660
Release income deferred in prior years	(4,268,758)	(2,398,870)	(4,268,758)	(2,398,870)
Deferred income received in current year	6,283,833	4,268,758	6,283,833	4,268,758
At end of year	6,307,623	4,292,548	6,307,623	4,292,548

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

17 Operating lease arrangements

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

	Group and charity	
	2022	2021
	£	£
Land and buildings		
Within one year	256,195	273,795
Between two and five years	99,109	355,304
	355,304	629,099

18 Analysis of capital commitments

	Group and charity	
	2022	2021
	£	£
Contracted for but not provided	-	106,774
Authorised but not yet contracted for		-
	-	106,774

19 Related party transactions

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

The balance due to the charity from the wholly owned subsidiary undertaking QAA Enterprises Limited is £2,576 (2021: £57,364) as shown in the debtors note on page 52.

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

20 Provision for liabilities

Provisions have been made for the following:

Holiday pay

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

The movement in the provisions during the year is:

	Holiday pay £	Total £
At 1 August 2021	155,691	155,691
Provided during the year	(8,166)	(8,166)
Utilised in the year		
At 31 July 2022	<u>147,525</u>	<u>147,525</u>

21 Pension liability provision

The total pension cost charged to the SOFA is:

	Group and charity	
	2022	2021
	£	£
Employer contributions payable in the year	847,035	739,390
Deficit contributions payable in the year (included in employer contributions above)	(79,951)	(59,723)
Change in expected future deficit contributions	2,102,636	134,886
Total pension cost charged to the SOFA	<u>2,869,720</u>	<u>814,553</u>

The movement in the provision is:

	Group and charity	
	2022	2021
	£	£
At 1 August	1,307,632	1,201,354
Charged to the SOFA - deficit contributions payable in the year	(79,951)	(59,723)
Charged to the SOFA - change in expected future deficit contributions	2,102,636	134,886
Unwinding of discount	11,507	31,115
At the year end	<u>3,341,824</u>	<u>1,307,632</u>

22 Analysis of charitable funds

Analysis of movements in unrestricted funds

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

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

22 Analysis of charitable funds (continued)

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

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

Analysis of group net assets between funds

	General fund	Designated funds	Total 2022
	£	£	£
Tangible fixed assets	100,387	-	100,837
Intangible fixed assets	175,858		175,858
Fixed asset investments	5,463,837	459,000	5,922,837
Cash at bank and in hand	3,952,434	343,694	4,296,128
Other net current liabilities	(4,473,477)	-	(4,473,477)
Provisions	(3,489,349)	-	(3,489,349)
Total net assets 31 July 2022	1,730,140	802,694	2,532,834

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

23 Pensions (defined benefit schemes)

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

	Group and charity	
	2022	2021
	£	£
Universities Superannuation Scheme (USS)	698,302	605,309
Superannuation arrangements for the University of London (SAUL)	148,733	134,081
	<u>847,035</u>	<u>739,390</u>
Employer contributions outstanding at the balance sheet date (included above)	<u>110,899</u>	<u>99,388</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 October 2019 to 30 September 2021	21.10%	9.60%
		1 October 2021 to 31 March 2022	21.40%	9.80%
		1 April 2022 to 31 March 2024	21.60%	9.80%
		1 April 2024 to 30 April 2038	21.40%	9.80%
SAUL	Career Average Revalued Earnings Section	To 31 March 2022	16.00%	6.00%
		1 April 2022 to 31 December 2022	19.00%	6.00%
		From 1 January 2023	<u>21.00%</u>	<u>6.00%</u>

a Universities Superannuation Scheme

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

23 Pensions (defined benefit schemes) (continued)

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

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

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

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

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

Mortality base table

2020 valuation

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

Future improvements to mortality:

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

The current life expectancies on retirement at age 65 are:

	2022	2021
Males currently aged 65 (years)	23.9	24.7
Females currently aged 65 (years)	25.5	26.1
Males currently aged 45 (years)	25.9	26.7
Females currently aged 45 (years)	27.3	27.9

23 Pensions (defined benefit schemes) (continued)

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

	2022	2021
Discount rate	3.31%	0.88%
Pensionable salary growth	4.00%	2.00%

b Superannuation Arrangements for the University of London

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

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

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

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

c Funding policy

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

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

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

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

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

23 Pensions (defined benefit schemes) (continued)

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

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

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

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

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

	Group and charity	
	2022	2021
	£	£
The People's Pension	11,473	8,651
Employer contributions outstanding at the balance sheet date	2,308	1,622

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

	Group		Charity	
	2022	2021	2022	2021
	£	£	£	£
Net income / expenditure for the year	(2,202,667)	696,028	(2,204,233)	693,750
Adjustments for:				
Depreciation charge	217,979	270,472	217,979	270,472
Impairment provision	119,196	-	119,196	-
Losses / (gains) on investments	284,753	(678,889)	284,753	(678,889)
Investment income	(152,912)	(115,098)	(152,912)	(115,098)
(Decrease) in debtors	(1,497,787)	(1,157,659)	(1,445,589)	(1,155,068)
Increase in creditors	2,460,978	1,851,686	2,460,978	1,853,603
Increase in provisions	2,026,026	119,691	2,026,026	119,691
Net cash provided by operating activities	1,255,566	986,231	1,306,198	988,461

25 Analysis of cash and cash equivalents

	Group		Charity	
	2022	2021	2022	2021
	£	£	£	£
Cash at bank and in hand - liquid assets	4,296,128	4,245,205	4,290,712	4,189,157
Cash at bank - fixed asset investments	511,104	36	511,104	36
Cash at bank and in hand at the end of the year	4,807,232	4,245,241	4,801,816	4,189,193

26 Reconciliation of net debt

	At 1 August 2021	Cashflows	At 31 July 2022
	£	£	£
Cash	4,245,205	-	4,296,128
Cash equivalents	36	-	511,104
Total	4,245,241	-	4,807,232

Glossary

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

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

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