

Revised statement for 2020-21 published pursuant to section 28(9)(a) of the Higher Education and Research Act 2017 (HERA) by QAA as the body designated under schedule 4 of HERA

Section 28 of the *Higher Education and Research Act 2017* (HERA) sets out the basis on which QAA can charge fees for its work as the Designated Quality Body (DQB) in England. Section 28(9) HERA also requires the designated body to publish:

- (a) a statement of the amount of the fees which it charges under this section and the basis on which they are calculated; and
- (b) revised statements where the amount of the fees or the basis on which they are calculated changes.

QAA is not allowed to charge providers more than its costs to conduct its DQB activities. Section 28 of HERA states that the total fees payable for assessment activities and for infrastructure costs must not exceed in any 12 months the total costs incurred. It is not possible to accurately predict the exact fee at the point of charging providers. This is because the total number and type of assessments or the exact cost of infrastructure services that QAA will conduct will not be known in advance. At the end of the 2020-21 financial year, QAA performed a reconciliation between the fees paid and the actual costs incurred to calculate the charge or refund to providers. The reconciliation covered two areas:

- **Reconciliation fee 1:** Reconciliation charge for Annual DQB fee for 2020-21
- **Reconciliation fee 2:** Reconciliation refund for each assessment activity in 2020-21.

This statement sets out the difference between the estimated and actual fees, and the basis of calculation. Fees can be charged for:

- the performance of functions under section 23(1) (power to assess quality and standards) and section 46 (advice on quality etc to the OfS when granting degree awarding powers)
- the performance of functions under section 23(2)(a) (duty to assess to determine if the initial registration condition relating to quality or standards is met)
- the performance of functions under section 23(2)(b) (duty to assess to determine if ongoing registration conditions are met).

DQB activities in relation to these fees can be divided into 'infrastructure costs' and 'assessment costs'.

- By 'infrastructure costs' we mean the costs that cannot be directly attributed to an individual provider. They are the costs for activities needed to set up and keep the DQB functions running and include 'overhead' costs that keep the organisation running. These costs form part of the annual fee.

- By 'assessment costs' we mean the costs that can be directly attributed to an individual provider. They are the costs of the specific assessment carried out for a specific provider. They do not include costs that are incurred in relation to the DQB functions more broadly, or to several providers, and do not include overheads or other costs that are allocated on a formula basis. These costs are allocated to an individual provider.

QAA will charge fees to a provider each year that cover up to four distinct areas of activity. These would cover infrastructure costs and any relevant assessment costs for that provider in that year. The table on page 3 sets out these four areas with the activities and costs that are included in each provided.

In modelling costs, in early 2019 QAA worked with the independent economic consultants, London Economics, who undertook a review to establish a reasonable estimate of QAA's costs in order to form this charging methodology. This methodology has been consistently applied, both in the calculation of the estimated and reconciliation fees for 2020-21.

*The contents of the statement were approved in accordance with Section 28(9) of the Higher Education and Research Act by the Chief Executive of QAA on **5 May 2021** under the financial regulations approved by the QAA board on **10 March 2021**.*

The DQB activities attributable to each of the proposed four fees

Fee	Fee with description of activities	Justification for allocation to relevant part of section 28
<p>1 (section 28(2)(a) of HERA)</p>	<p>Annual fee for all registered providers for:</p> <ul style="list-style-type: none"> • infrastructure costs for DAPs - a share allocated on the basis of a banded fee model • infrastructure costs for QSR for new providers seeking registration and for assessing whether the ongoing conditions are satisfied for registered providers - an equal share for each registered provider OR a share allocated on the basis of a banded fee model. 	<p>Activity relating to infrastructure for degree awarding powers (DAPs). Maintenance of infrastructure for DAPs benefits all registered providers as they rely directly or indirectly on the authorisation, variation or revocation of DAPs and it is therefore a service provided in relation to them all.</p> <p>Activity relating to infrastructure for QSR for new providers seeking registration with the OfS. Activity relating to infrastructure for QSR for registered providers to determine whether the ongoing conditions of registration are satisfied - this includes infrastructure for QAA's activity to support the OfS monitoring processes and random sampling. Maintenance of infrastructure for these activities benefits all registered providers and it is therefore a service provided in relation to them all.</p>
<p>2 (section 28(2)(a) of HERA)</p>	<p>Assessment fee for a registered provider requiring a DAPs assessment - each provider pays the costs directly attributable to its own assessment.</p>	<p>Activity relating to DAPs assessment for registered providers. Those providers that require a DAPs assessment - for authorisation, variation or revocation - carry the cost of such an assessment.</p>
<p>3 (section 28(2)(b) of HERA)</p>	<p>Assessment fee for a new provider seeking registration and requiring a QSR - each provider pays the costs directly attributable to its own assessment.</p>	<p>Activity relating to QSR for new providers seeking registration to determine whether initial conditions of registration are satisfied. Those new providers that require a QSR for initial registration carry the cost of such an assessment.</p>
<p>4 (section 28(2)(c) of HERA)</p>	<p>Assessment fee for a registered provider to assess whether the ongoing conditions are satisfied - each provider pays the costs directly attributable to its own assessment.</p>	<p>Activity relating to assessment for registered providers to determine whether the ongoing conditions of registration are satisfied. This includes assessment for the OfS monitoring and intervention processes and random sampling.</p> <p>Those registered providers that require an assessment carry the cost of such an assessment.</p>

The fees that are to be charged, and the basis on which they are calculated, are set out on the following pages.

The total estimated 2020-21 annual reconciliation fee 1 refund is £209,370 or a refund on the estimated fee charged of 8.4% per provider. This has arisen as the costs for the year are £199,370 lower than expected at £2,278,000 and changes to the number of providers on the register resulted in £10,000 of additional annual fee income.

The net result of our reduction in costs and increase in income is that the final annual fees per provider in 2020-21 are 12.5% lower in real terms than the final annual fees for 2019-20.

Fee 1: Annual fee for all registered providers

Band	Student numbers (by FTE)	2020-21 Estimated fee (before year end reconciliation) £	2020-21 Actual fee £	2020-21 Reconciliation fee 1 (refund) £
A	Up to 25 students	2,315	2,120	(195)
B	26 to 50 students	2,662	2,438	(224)
C	51 to 75 students	3,062	2,804	(258)
D	76 to 100 students	3,521	3,225	(296)
E	101 to 300 students	4,049	3,708	(341)
F	301 to 500 students	4,656	4,264	(392)
G	501 to 1,000 students	5,355	4,904	(451)
H	1,001 to 1,500 students	6,158	5,640	(518)
I	1,501 to 2,500 students	7,082	6,486	(596)
J	2,501 to 5,000 students	8,144	7,459	(685)
K	5,001 to 10,000 students	9,365	8,577	(788)
L	10,001 to 20,000 students	10,770	9,864	(906)
M	20,001 to 30,000 students	12,386	11,343	(1,043)
N	Greater than 30,000 students	14,244	13,045	(1,199)

Estimated cost	Actual cost	Explanation	Specific economic/efficient/ appropriate/attributional measures
<p>Core team</p> <p>Pay total estimated annual cost £884,000 comprising:</p> <ul style="list-style-type: none"> • salary costs £725,000 • production of publications £71,000 • management oversight £88,000. 	<p>Core team</p> <p>Pay total annual cost £925,000 comprising:</p> <ul style="list-style-type: none"> • salary costs £773,000 • production of publications £64,000 • management oversight £88,000. 	<p>Salary cost (including National Insurance and pension) of the core staff needed to oversee and manage each of QAA's assessment functions. The activities undertaken include but are not limited to those described below. Not all these activities apply to all functions:</p> <ul style="list-style-type: none"> • recruiting, selecting, training and performance-managing reviewers • scheduling and commissioning reviews • composing review teams • maintaining and updating review processes, including method guidance documents and ancillary material • overseeing the progress of individual reviews, providing advice and support to officers and teams where necessary • applying internal quality assurance procedures • responding to external and internal requests for information • budget management • forward planning • evaluating review processes • servicing any QAA committees (eg ACDAP) • activity reporting to the OfS • sector-led activities • other tasks as agreed with the OfS. <p>The cost of overseeing and production of the publication of review activity outcomes.</p> <p>The cost of management oversight of this area.</p>	<p>The size and structure of the core team has been designed as new and from the bottom up, based on the most up-to-date information we have about the nature of the functions the DQB will undertake and the volume of reviews to be undertaken.</p> <p>Salaries are set in accordance with QAA's salary structure which is externally benchmarked and referenced to ensure reward levels are appropriate.</p>

Estimated cost	Actual cost	Explanation	Specific economic/efficient/ appropriate/attributional measures
<p>Core team</p> <p>Non-pay total estimated annual cost £118,000 comprising:</p> <ul style="list-style-type: none"> • travel and subsistence £20,000 • recruitment £9,000 • training £22,000 • briefing events £14,000 • research £20,000 • legal £33,000. 	<p>Core team</p> <p>Non-pay total annual cost £34,000 comprising:</p> <ul style="list-style-type: none"> • travel and subsistence £4,000 • recruitment £0 • training £28,000 • briefing events £2,000 • research £0 • legal £0. 	<p>Non-pay costs associated with the oversight and management of each of the DQB's assessment functions. These activities include but are not limited to:</p> <ul style="list-style-type: none"> • travel and subsistence costs for committee meetings/stakeholder meetings (eg ACDAP, OfS) • recruitment of reviewers and expert committee members (eg advertising, travel expenses) • training and admin costs for reviewers and QAA staff (eg venue, day rate to attend, T&S) • briefing events for providers • expert research costs for sector-led activities. 	<p>All expenditure must be approved in advance for appropriateness and adherence to the procurement policy and travel and subsistence policy.</p> <p>Use of in-house facilities maximised to reduce costs.</p>
<p>Overheads - general support costs</p> <p>Total estimated annual cost £1,475,000 comprising:</p> <ul style="list-style-type: none"> • IT £525,000 • HR £94,000 • facilities £280,000 • finance £81,000 • governance £138,000 • executive £172,000 • corporate publications and website £64,000 • depreciation £121,000 	<p>Overheads - general support costs</p> <p>Total annual cost £1,319,000 comprising:</p> <ul style="list-style-type: none"> • IT £493,000 • HR £73,000 • facilities £299,000 • finance £36,000 • governance £92,000 • executive £166,000 • corporate publications and website £66,000 • depreciation £94,000 	<p>Appropriate share of the overhead costs that directly relate to core team and assessment activities. This covers:</p> <ul style="list-style-type: none"> • IT costs: including provision and maintenance of hardware, software including Extranet for reviewers, help desk support, website, telecommunications, printing • HR costs: including recruitment, training • facilities costs: including rent, rates, fixtures and fittings, maintenance, including cleaning, utilities • finance costs: including invoicing, debt collection, supplier payments, reporting, payroll, treasury management • governance costs: including internal and external audit, legal costs, committee and Board costs, oversight of HE policy • senior executive oversight costs • corporate publications: including annual reports and accounts, website updates • depreciation. 	<p>The overhead costs cover all of QAA's work and so are apportioned across the QAA activities to which they contribute and scaled according to usage. The activity-based cost allocation method has been used for those areas where specific allocations cannot be identified. Activity-based costing is a standard, accepted methodology for more precisely allocating overhead to those items that actually use it. The system can be used for the targeted reduction of overhead costs, eg HR cost allocation is based on headcount in each of the areas.</p> <p>The resultant overhead level has been benchmarked against the support costs of other bodies.</p>

Fee 2: Assessment fee for a provider requiring a DAPs assessment

QAA fees for assessment for degree awarding powers (DAPs)

In accordance with the guidance document, the size and composition of the review team and the scale of evidence gathering activities for each DAPs assessment will be tailored to the complexity and characteristics of the provider being assessed. It will take into consideration factors such as the number of students, the number of subjects offered, and type and levels of provision.

New DAPs test

The total 2020-21 reconciliation fee 2 refund for assessment activity is £7,676 or a refund per provider of 9.1% for New DAPs. This has arisen mainly because the travel and subsistence costs per assessment activity were lower than anticipated.

Assessment method	Number of reviewers	Fee £	Reconciliation fee 2 (refund) £
New DAPs test	3	15,006	(1,367)
	4	19,317	(1,760)
	5	23,628	(2,153)

New DAPs monitoring and assessment - there is no reconciliation fee, as no assessments were completed in the year 2020-21.

Full DAPs

The total 2020-21 reconciliation fee 2 refund for assessment activity is £6,360 or a refund per provider of 17.4% for Full DAPs. This has arisen mainly because the travel and subsistence and observations costs per assessment activity were lower than anticipated.

We will charge an initial assessment fee of £871 for all providers.

Where a provider progresses to the detailed scrutiny stage, total fees are as follows:

Assessment method	Number of reviewers	Total fee £	Reconciliation fee 2 (refund) £
Full DAPs scrutiny	3	35,652	(6,208)
	4	45,509	(7,925)
	5	55,367	(9,641)

DAP variation and revocation

The total 2020-21 reconciliation fee 2 refund for assessment activity is £16,222 or a refund per provider of 13.8% for Full DAPs. This has arisen mainly because the travel and subsistence and observations costs per assessment activity were lower than anticipated.

In accordance with the guidance document, the size and composition of the review team and the scale of evidence gathering activities for each DAPs assessment will be tailored to the complexity and characteristics of the provider being assessed. It will take into consideration factors such as the number of students, the number of subjects offered, and type and levels of provision. The costs below are the fees for the activity based on the number of visit days to the provider and team size.

Days at provider	Number of reviewers	Base fee £	Reconciliation fee 2 (refund) £
0	3	17,025	(2,343)
	4	20,204	(2,780)
1	3	19,770	(2,720)
	4	23,597	(3,247)
2	3	21,608	(2,973)
	4	25,877	(3,561)
3	3	23,359	(3,214)
	4	28,069	(3,862)

Additional charges for DAPs

These fees cover the costs of assessment up to and including the assessment team's final report to QAA. Where additional activities beyond those identified are required, additional fees may be payable.

Where assessment activity identifies complexities requiring additional work for a review team, the following rates are an indication of costs for any additional days that might be required. These would be notified in advance to the provider:

Additional fees	Days		Charge £
Desk based	1	Reviewer	270
Onsite	1	Reviewer	647
	2	Reviewer	1,089
	3	Reviewer	1,531

If the submission from the provider is considered insufficient to proceed to the assessment stage, the provider will be reimbursed for any activity not yet undertaken.

Fee 3: Assessment fee for a new provider seeking registration and requiring a QSR

The total 2020-21 reconciliation fee 2 refund for assessment activity is £7,653 or a refund of 6.2% per provider for QSRs. This has arisen mainly because the travel and subsistence costs per assessment activity were lower than anticipated.

The following are the fees for QSR activity based on the number of visit days and team size:

Days*	Number of reviewers	Base fee £	Extra reviewer	Reconciliation fee 2 (refund) £
2	2	12,063	3,317	(746)
	3	15,402		(953)
3	3	17,160	3,759	(1,061)
	4	20,941		(1,295)
4	3	18,918	4,201	(1,170)
	4	23,141		(1,431)
	5	27,364		(1,692)
	6	31,587		(1,954)
5	5	30,006	4,643	(1,856)
	6	34,671		(2,144)

*This will be confirmed at the provider briefing, in advance of the visit.

Additional charges for QSR

Where assessment activity identifies complexities requiring additional work for a review team, the following rates are an indication of costs for any additional days that might be required. These would be notified in advance to the provider:

- extra reviewer desk-based activity: £270 per day
- specialist adviser desk-based activity: £270 per day
- specialist adviser onsite visit - see table below.

Days	Charge £
1 day	647
2 days	1,089
3 days	1,531

Fee 4: Assessment fee for a registered provider to assess whether the ongoing conditions are satisfied

Quality and Standards Review - Monitoring and Intervention (QSR (MI))

The total 2020-21 reconciliation fee 2 refund for assessment activity is £2,582 or a refund per provider of 2.9% for a QSR (Monitoring and Intervention). This has arisen mainly because the travel and subsistence costs per assessment activity were lower than anticipated.

The following are the fees for QSR (MI) activity based on time, number of visit days and team size:

Timeline*	Days	Number of reviewers	Base fee £	Reconciliation fee 2 (refund) £
T2	2	2	9,998	(289)
		3	12,662	(366)
	3	2	11,314	(327)
		3	14,420	(417)
T3	2	2	11,663	(337)
		3	14,867	(430)
	3	4	20,271	(586)
		5	23,917	(691)
T4	2	2	12,063	(349)
		3	15,402	(445)
	3	3	17,160	(496)
		4	20,941	(605)
		5	27,364	(791)
	4	3	18,918	(547)
		4	23,141	(669)
		5	27,364	(791)
		6	31,587	(913)
	5	5	30,006	(867)
6		34,671	(1,002)	
T5	3	4	24,961	(722)
		5	29,552	(854)
	4	4	27,161	(785)
		5	32,194	(931)
	5	4	29,361	(849)
		5	35,901	(1,038)

*This will be confirmed at the provider briefing, in advance of the visit.

Additional charges for QSR (MI)

Where assessment activity identifies complexities requiring additional work for a review team, the following rates are an indication of costs for any additional days that might be required. These would be notified in advance to the provider:

- extra reviewer desk-based activity: £270 per day
- specialist adviser desk-based activity: £270 per day
- specialist adviser onsite visit - see table below.

Days	Charge £
1 day	647
2 days	1,089
3 days	1,531

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