Care Quality Commission

Annual report and accounts
2022/23




HC 159

Care Quality Commission (CQC)

Annual report and accounts
2022/23

Presented to Parliament pursuant to paragraph 10(4) of Schedule 1
of the Health and Social Care Act 2008.

Ordered by the House of Commons to be printed on 25 July 2024.

HC 159

This publication is available at www.gov.uk/official-documents.

Any enquiries related to this publication should be sent to us at enquiries@cqc.org.uk

ISBN 978-1-5286-5040-3

E03154323 07/24

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

Contents

Who we are and what we do

The Care Quality Commission (CQC) was established under the Health and Social Care Act 2008 as the independent regulator of health and adult social care in England.

Our purpose

Our purpose is to make sure health and social care services provide people with safe, effective, compassionate, high-quality care and we encourage care services to improve.

Our organisational values are

Excellence: Meeting our challenge to be a high-performing organisation.

Caring: Treating everyone with dignity and respect.

Integrity: Demonstrating our passion for 'doing the right thing.'

Teamwork: Enabling us to be the best we can be.

The Health and Care Act 2022 gave us a new responsibility from April 2023 to give a meaningful and independent assessment of care in a local area.

Our role

Our regulation involves:

- Registering health and adult social care providers.
- Assessing and inspecting services to check whether they are safe, effective, caring, responsive and well-led.
- Providing independent assurance to the public of the quality of care in their area.
- Publishing our judgements and ratings for the quality of health and care services and for the performance of local authorities and integrated care systems in meeting the health and care needs of their local population.
- Enforcing the regulations by using our legal powers to take action to protect people where we identify poor care.
- Speaking independently by publishing national and regional commentary and views of the major quality issues in health and social care, and encouraging improvement by highlighting good practice.
- Protecting the rights of people in more vulnerable circumstances, including those restricted under the Mental Health Act.
- Listening to and acting on people's experiences and involving the public and people who receive care.

How we are organised

Under our Executive Team, there are 5 area of work:

- Regulatory Leadership
- Operations Group
- Regulatory, Customer and Corporate Operations
- Engagement, Policy and Strategy
- Technology, Data and Insight

Strategic priorities

Our Strategy from 2021 sets out 4 strategic ambitions:

1. People and communities

Regulation driven by people's needs and experiences, focusing on what's important to people and communities when they access, use and move between services.

2. Smarter regulation

Smarter, more dynamic and flexible regulation that provides up-to-date and high-quality information and ratings, easier ways of working with us and a more proportionate response.

3. Safety through learning

Regulating for stronger safety cultures across health and care, prioritising learning and improvement and collaborating to value everyone's perspectives.

4. Accelerating improvement

Enabling health and care services and local systems to access support to help improve the quality of care where it's needed most.

Running through each theme are 2 core ambitions:

- **Assessing local systems:** Providing independent assurance to the public of the quality of care in their area.
- **Tackling inequalities in health and care:** Pushing for equality of access, experiences and outcomes from health and social care services.

Who we work with

- We report to Parliament through the Department of Health and Social Care (DHSC).
- We work with other regulators, local authorities and commissioning groups, health and social care organisations, and organisations that represent, or act on behalf of, people who use services, including the Healthwatch network.
- Healthwatch England, the national consumer champion for users of health and social care services, is a statutory committee of CQC's Board.
- The National Guardian's Freedom to Speak Up Office (NGO) is jointly funded by CQC, NHS England and NHS Improvement. CQC's Chief Executive has responsibility as Accounting Officer for the NGO and for Healthwatch England.

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Performance report

The performance report consists of 4 sections:

Foreword

Ian Dilks OBE
Chair

Kate Terroni
Interim Chief Executive

We are pleased to introduce this report and accounts outlining the performance of the Care Quality Commission during the financial year 2022/23. The substantial delay in the provision of this report is beyond our control – it is due to delays in information from Local Government Pension Schemes. This information is material to our accounts.

We have evaluated the options available to address the delays – unfortunately we expect the delays will continue for the foreseeable future.

In relation to the 2022/23 year, we would emphasise the following performance outcomes in our priority areas. More detail can be found in this report.

- In our priority for people and communities, we focused our regulatory activity around specific population groups and types of services. This was to gather further evidence to inform our regulatory activity and to target improvements to reduce inequalities. This work covered services for autistic people and people with a learning disability, services for people using maternity services, observations for people receiving mental health treatment, and oral health services for people in care homes.
- In our priority for smarter regulation through our regulatory approach, we began implementation of our new assessment framework, which was the result of over 2 years of co-production and consultation with a range of people.
- In our priority for safety through learning, we strengthened our regulatory approach to make clear that we expect services and providers to have a proactive and positive culture of safety based on openness and honesty, in which concerns about safety are listened to, safety events are investigated and reported thoroughly, and lessons are learned to continually identify and embed good practices.
- In our priority for accelerating improvement, we laid the groundwork for our next research to understand how we create change most effectively and how our impact mechanisms apply at a local system level.

Since the 2022/23 period, we have continued to progress with the delivery of our strategic objectives. Central to this has been the work undertaken on our regulatory transformation programme. More detail about the highlights and challenges with this programme will be contained in the 2023/24 annual report and accounts.

Since 31 March 2023 there have been some changes in our Board membership. We welcomed four new non-executive directors, including a new Chair of our Audit and Risk Assurance Committee. At the end of June 2024, Ian Trenholm stood down as Chief Executive, Board member and Accounting Officer. On 1 July 2024, Kate Terroni was appointed as the Interim Chief Executive and is now the Accounting Officer.

We would like to thank colleagues for their unrelenting commitment to our purpose. Without them we could not have delivered the results we share in this report.

Ian Dilks OBE
Chair

Kate Terroni
Interim Chief Executive

Performance overview

This section provides a summary of our performance against our strategic priorities and core ambitions, how we have performed and significant highlights for 2022/23. The performance overview is intended to enable readers to understand the organisation, its purpose, the outcomes and objectives, and the impact and management of key risks.

People and communities

- We have continued to strive for people's voice and experience to be a key part of our regulation by gathering information about people's experiences across all types of health and care services. This is to ensure our activity is driven by people's experiences.
- We received 96,300 contacts with feedback on care throughout the year, compared to 64,000 the previous year.
- We delivered a programme of work to transform the way we regulate services for autistic people and people with a learning disability. As part of the programme, we inspected 947 services.
- After the pandemic, we continued to use a varied approach to regulating services. We carried out over 10,000 on-site inspections, some of which were in response to risk (both new and emerging risks, and inherent risks), but also to support thematic work such as maternity or mental health services.
- We use evidence from our inspections to help inform and share information with providers and the public. In November 2022 we published 'Who I am matters: experiences of being in hospital for people with a learning disability and autistic people'. The publication focused on access to care, communication, experiences of people with other equality characteristics, and the quality of their care.
- Specialist professional advisors are key to our regulatory activity and offer knowledge and expertise to our inspections. The number of inspections involving a specialist advisor increased by 36% compared with last year.
- Throughout the year, we trialled a new webchat service for the public where people can start a live chat with a member of our Customer Services team. We also improved the accessibility of our website and partnered with Disability Rights UK to encourage people who are deaf and hard of hearing to contact us about their experiences.

Smarter regulation

- We used our independent voice to publish several reports summarising what we know from our assessments – we use the findings of these reports to drive improvement in care for the public.
- We have spent time across the year, through careful co-production and consultation, building our new approach to assessment, which we will start to implement at the end of 2023.
- Following a joint consultation with Ofsted, we implemented a new assessment framework to inspect services for children and young people with special educational needs and disabilities (SEND). The new framework is designed to allow inspectors to better understand what it is like to be a child or young person with SEND in a local area.
- We inspected safehouse and outreach support services, in a programme commissioned by the Home Office. These services are used by people who are survivors of human trafficking and modern slavery.
- During 2022/23, we undertook a range of activity to prepare for our new responsibilities from April 2023 in assessing care in a local area. This included partnership working and test and learn projects.

Safety through learning

- We received and processed 15,792 enquiries from workers who were speaking up and took appropriate regulatory action to ensure people receive safe, effective, compassionate, and high-quality care.
- We improved our approach to understanding and assessing a safety culture following a research project that explored current understanding of safety cultures and the conditions required to develop good safety cultures.
- We published 3 safety bulletins to enable registered persons to learn and make improvements. These included issues of capacity and consent, promoting sexual safety and unsafe management of sepsis.
- We referred 97% of patient safeguarding risks to the relevant organisation within one day of receiving the information, a 2% increase from the previous year.
- In March 2023, we published 2 reports designed to improve how we listen to, learn from and act on concerns raised in the sector. We want to encourage people to share their thoughts and ideas and raise concerns knowing these will be welcomed and heard. Our publications and recommendations strive for further improvements in this area.

Accelerating improvement

- In our 2022 annual provider survey, 77% of providers agreed or strongly agreed that they had the right support from CQC that is needed for them to improve.
- We published our CQC research programme with the 5 priority areas to focus our research on in June 2022. This included increasing the level of research.

- In December 2022, we launched a research project reviewing improving cultures in health and adult social care settings and, in March 2023, we initiated further research in improvement support offers across the sector.
- In March 2023, we published a follow-up piece to 'Smiling Matters', our previous work on access to oral health care in care homes, published in 2019..
- We collaborated with health and care leaders to co-produce resources to support improvement and encourage innovation. In October 2022, we published PEOPLE FIRST: a response from health and care leaders to the urgent and emergency care system crisis.

Core ambition: assessing health and social care systems

- In October 2022 we published our annual State of Care report – our assessment of health care and social care in England. This highlighted the need to focus on systems, with local areas taking a whole system view that recognises the relationship between health and social care.
- In 2022 we carried out initial 'test and learn' activity to test our assessment approaches for integrated care systems and local authorities, and used the findings to inform our assessment methods.
- From 1 April 2023, we started to review data and documentary evidence from all integrated care systems. This was to build a national view of performance, initially focusing on themes of equity in access to care.

Core ambition: tackling inequalities in health and social care

- During the year ,we continued to integrate our equality objectives into our research, data and engagement strategies.
- We are continuing to collaborate with other national bodies to develop our approach to health inequalities, to ensure alignment and best use of our respective powers. This includes NHS England, the National Institute for Health and Care Excellence, Office for Health Improvement and Disparities, and the Equality of Human Rights Commission.

Our key risks:

Throughout the year, we have revised our corporate risk register to include new risk categories, our risk definitions and the appetite and tolerance we set for them. We have managed some key risks across the year as follows:

- Challenges in recruiting specialist technology, intelligence and legal roles has been a risk that has needed additional action to mitigate. We have explored a variety of recruitment options and closely reviewed capacity in these key areas to understand the risk to business delivery.
- While we are completing our technology and business change, there is a risk that our legacy systems do not meet the business need.

- Our people survey and other sources have identified risks in relation to engaging our colleagues in our culture change and ways of working.
- We have set an ambitious organisational transformation, and we need to closely monitor the risk of delivering both the transformation programme and the aspirations of our strategy, such as driving improvement in the sector. Within the year, we revised our transformation programme plan and shared all updates and changes with colleagues across the business to ensure that they understand the key aims of the programme.
- There is a risk that, as we change our regulatory methodology and technology, it will have an impact on our operational colleagues – specifically on their productivity and ability to deliver their regulatory activity. Through governance forums, we have agreed clear operational priorities to assure ourselves that we are using our resources in the most valuable way.

In all these areas, we have worked to build assurance and effective mitigation. This work continues in 2023/24.

Our financial resources

Our funding structure

Our funding structure consists of 5 core aspects:

1. **Fee income** – we are mainly funded through annual fees charged to registered providers.
2. **Revenue grant-in-aid (GIA)** – an allocation provided by the Department of Health and Social Care (DHSC) for costs that, under HM Treasury rules, are not chargeable through our fee structure.
3. **Capital grant-in-aid (GIA)** – provided by DHSC to fund our capital expenditure activity as this is not chargeable through fees.
4. **Non-cash allocation** – provided by DHSC to fund depreciation for non-chargeable activity.
5. **Contract and other income** – we have a small level of contract income for reimbursement for services and other income.

HM Treasury has clear rules for recovering the full cost of relevant chargeable regulatory activity through our fees, as outlined in *Managing Public Money*. Our current fees scheme became effective on 1 April 2019 and is set at a level to cover the cost of our chargeable regulatory activities. To provide stability and help providers in their financial planning, our fee scheme again remained unchanged for 2023/24, the fourth consecutive year.

We will be reviewing our fee scheme and aim to transition to a new simpler fees scheme at a future point. This is to ensure that our fee scheme remains relevant to the changing health and social care landscape, our new regulatory accountabilities and approach, and to provide greater certainty to CQC-registered providers,

We continue to work with the Department of Health and Social Care to keep under review the regulatory activities that are chargeable through fees. This is because we aim to reduce our reliance on GIA to save the public purse and to be as efficient and economic as possible, with the aim to absorb additional costs rather increasing fees to our providers.

Our total financial resource

In 2022/23, the total financial resource available to us for revenue and capital activities amounted **£263.8m**, which we used and managed effectively, spending **£263m** (*Figures 1 and 2*).

Figure 1 – CQC Total Financial Resource, Revenue Operating Resource and Capital Resource for 2022/23

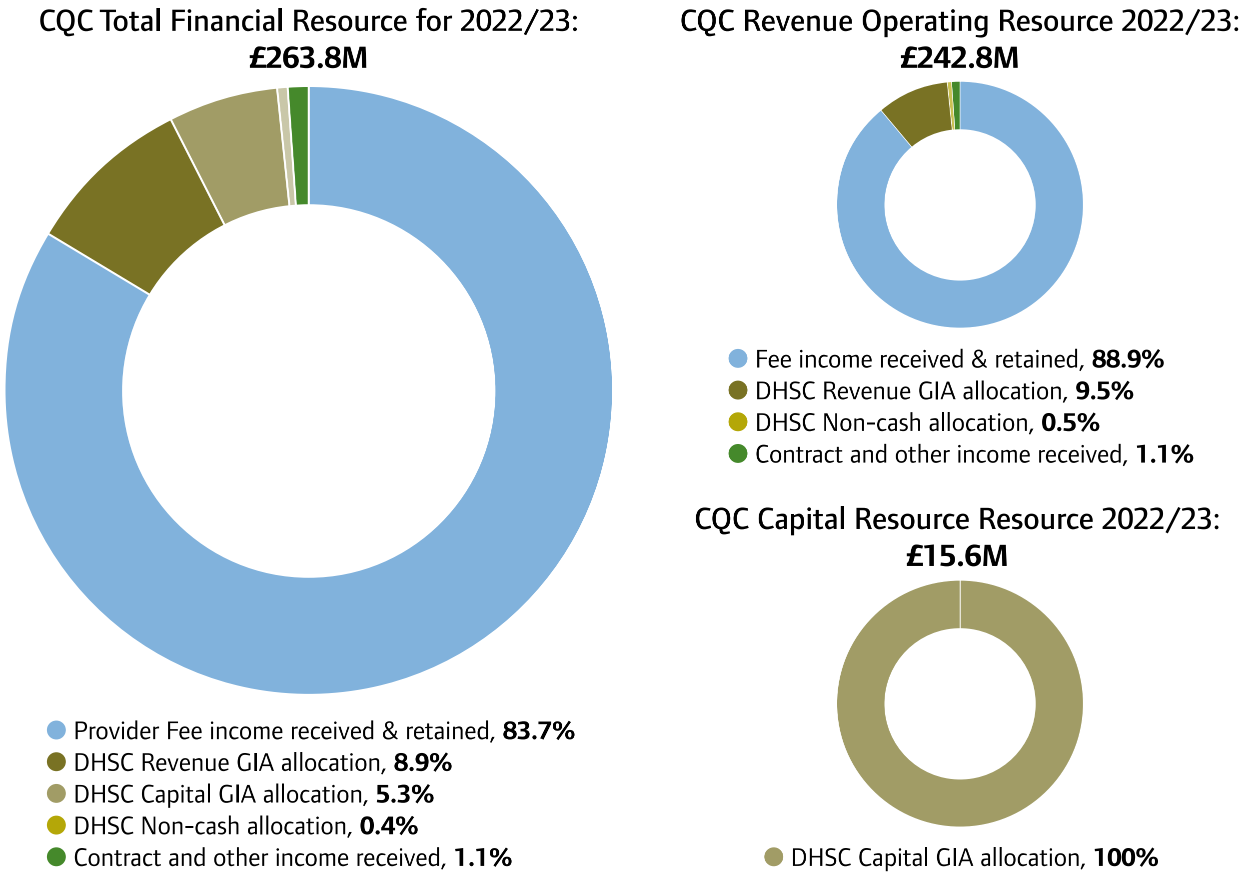
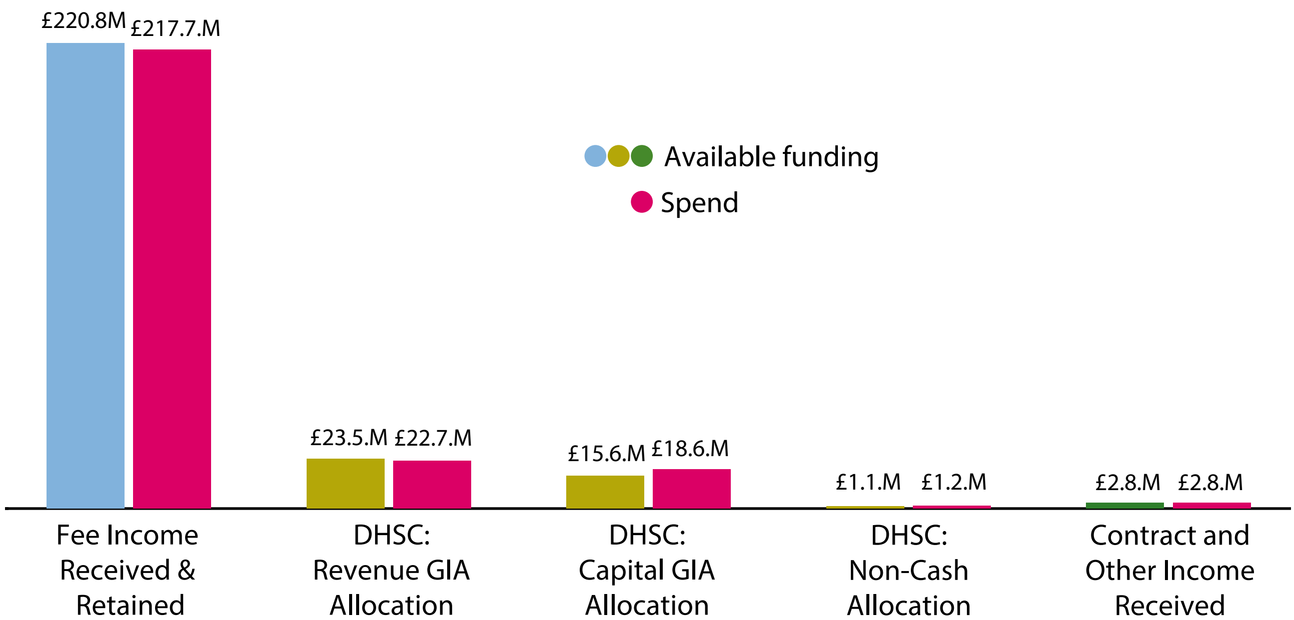


Figure 2 – Utilisation of our Financial Resources



Fee income

Fee income from registered providers is the main source of our revenue funding accounting for **88.9%** of our annual revenue operating budget (£220.8m), and **83.7%** of our total funding.

Figure 3 illustrates the provider sectors from which fee income was generated in 2022/23, with **50.7%** from private sector organisations and **49.3%** from public sector organisations such as NHS trusts, NHS GP practices, local authorities and NHS Blood and Transplant (*Figure 4*).

Figure 3 – Private vs Public sector split of Fee Income 2022/23

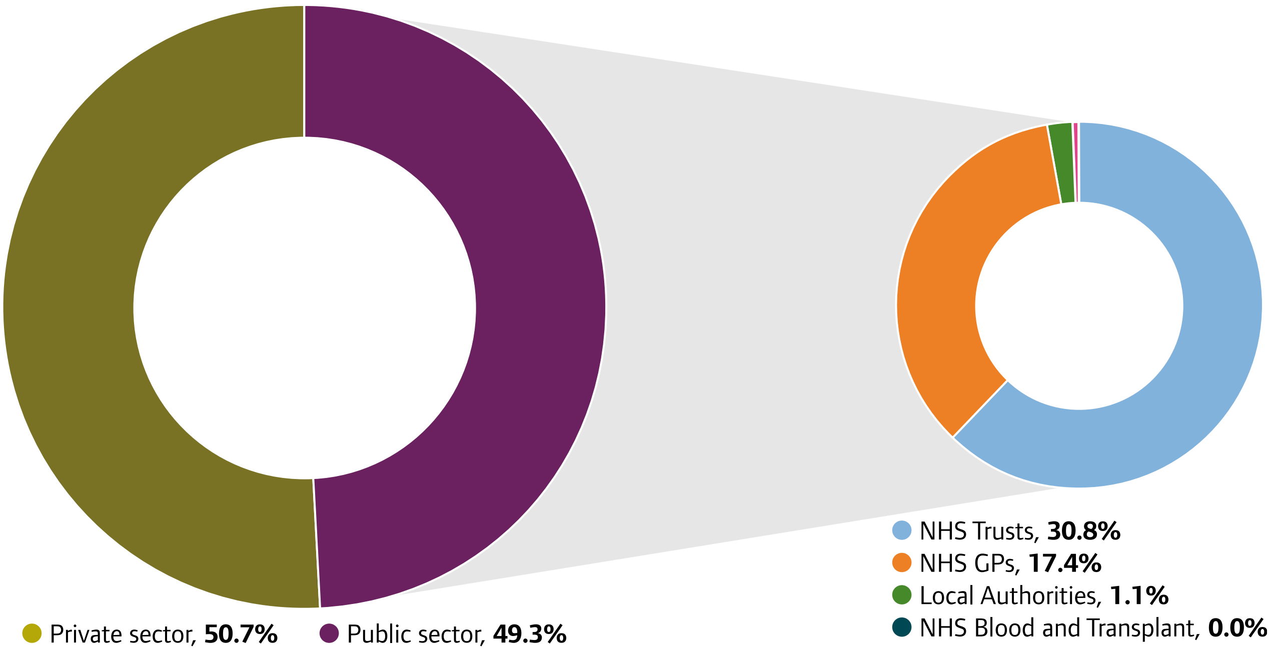
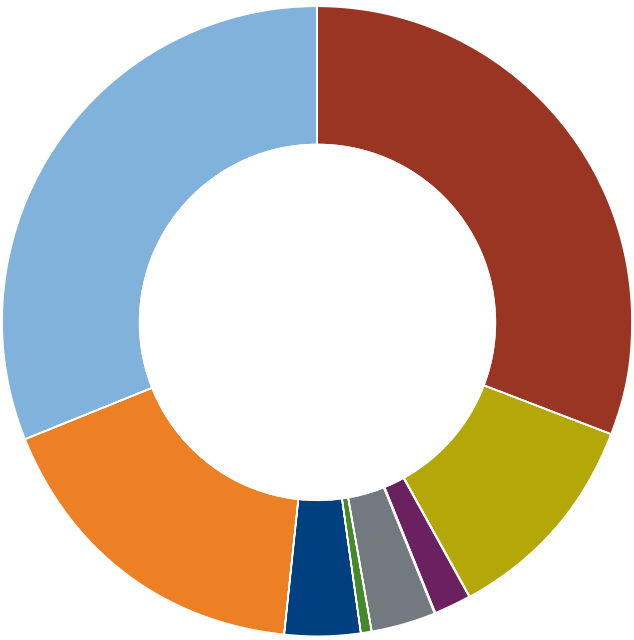


Figure 4 – CQC Fee Income by Sector 2022/23

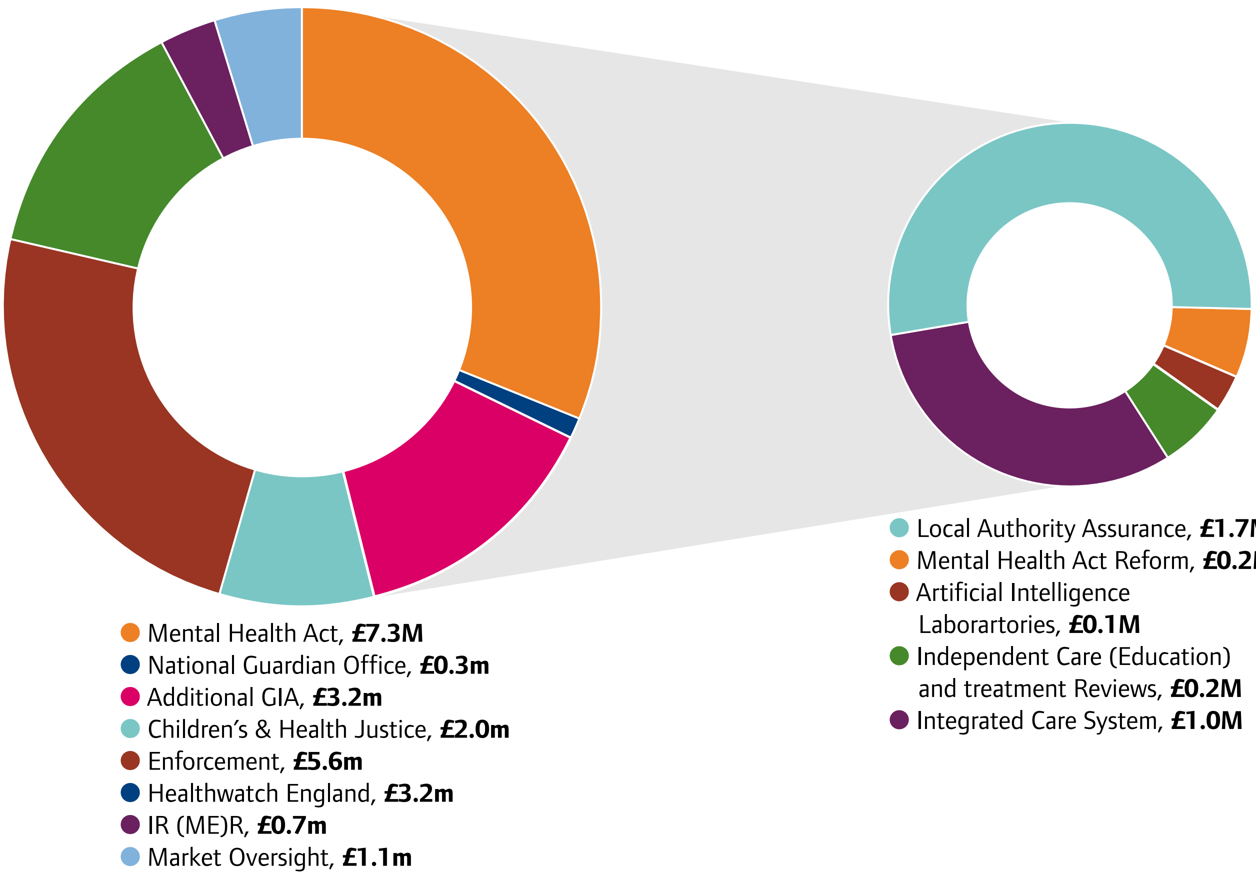


Department of Health and Social Care Grant in Aid (GIA) funding allocations

In 2022/23, CQC was allocated a total of **£40.2m** from DHSC (*Figure 1*). This funding source forms **9.5%** of our annual operating revenue budget (£23.5m) and **100%** of our annual capital budget (£15.6m) and non-cash allocation for non-chargeable depreciation (£1.1m).

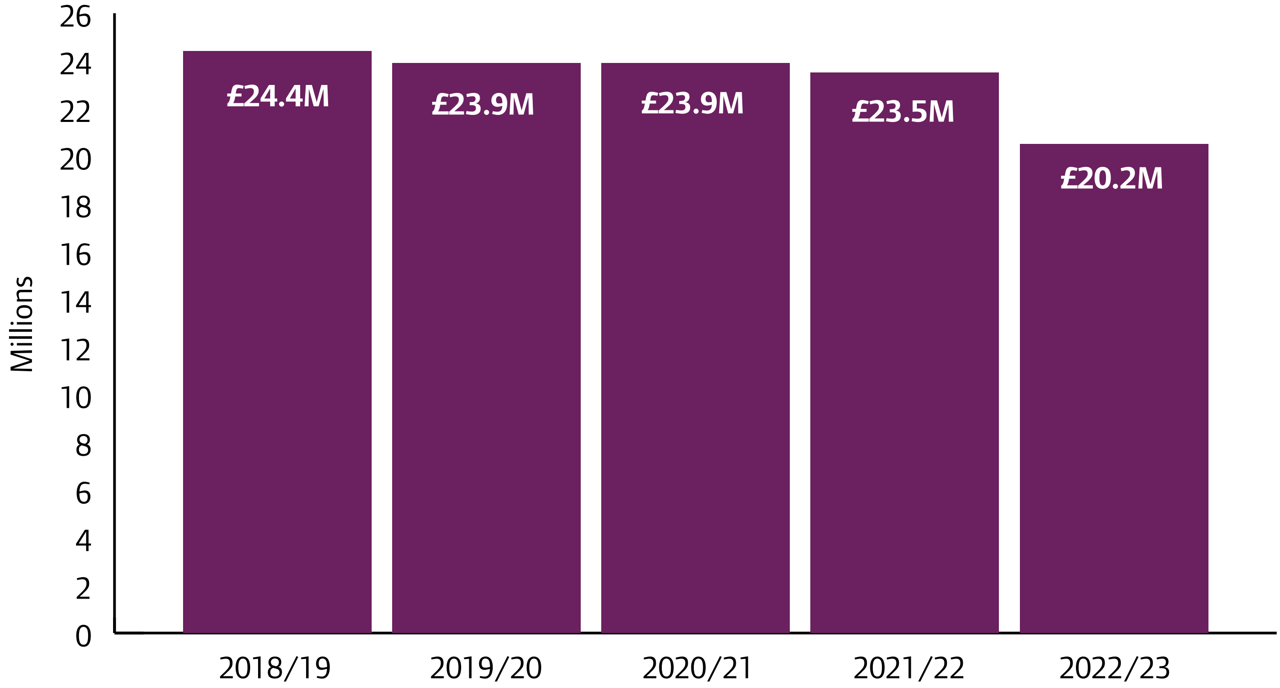
Our revenue GIA allocation funds our recurrent non-chargeable statutory activities such as enforcement, Mental Health Act activities, Healthwatch England, Market Oversight, IR(ME)R, Health & Justice inspections, Childrens Services inspections and the National Guardian's Freedom to Speak Up Office. In 2022/23, we also received a non-recurrent revenue GIA allocation to scope out additional work and duties in relation to local authority assurance, integrated care systems, and Mental Health Act reform (*Figure 5*).

Figure 5 – 2022/23 CQC Revenue Grant in Aid allocation from DHSC (£23.5M)



In 2022/23, we continued to deliver within our allocations and continue to provide savings against our baseline allocation in line with DHSC targets. During the year, we saw a **13.7%** or **£3.2m** reduction to our recurrent revenue GIA allocation provided by DHSC compared with that in 2021/22, despite inflationary pressures, continuing our trend of saving the public purse since 2018/19 as (*Figure 6*).

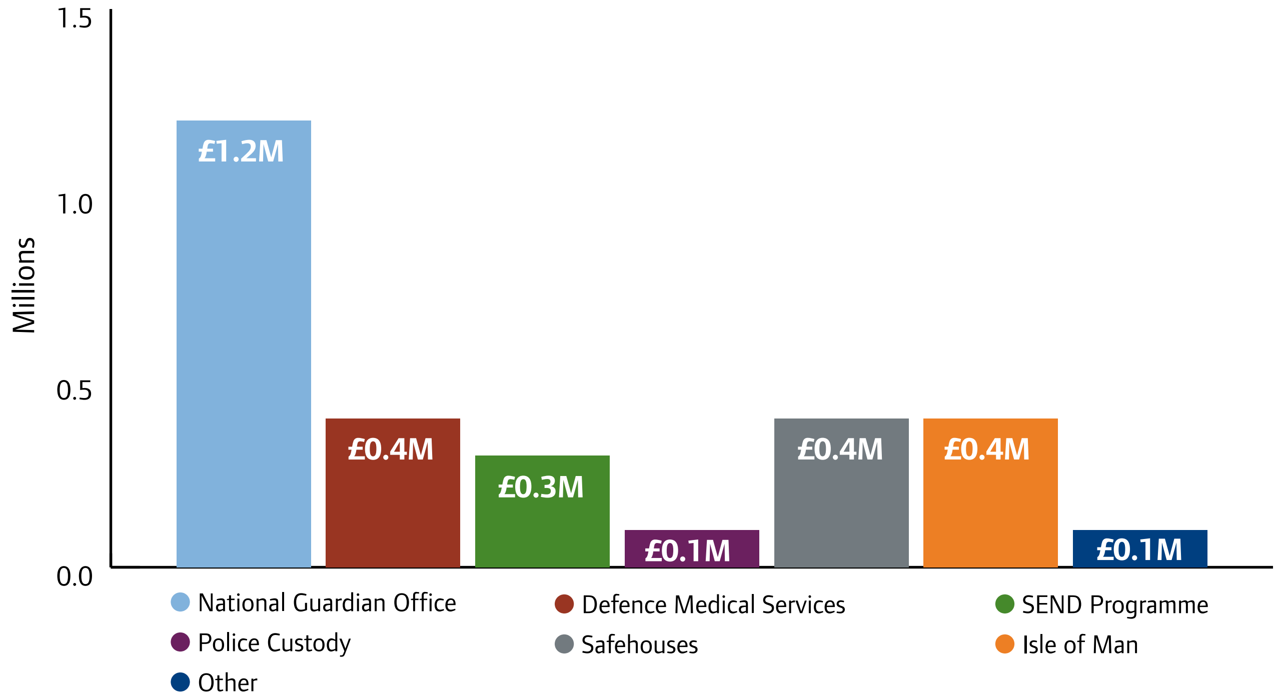
Figure 6 – Our recurring Revenue GIA allocation since 2018/19



Contract and other income

A small proportion (1.1% or £2.8m) of our funding is driven by contract income and reimbursement for services from other external sources, in which we recover what we spend from the associated organisations we contract with. We do not charge a profit. *Figure 7* highlights our contracted income funding for 2022/23.

Figure 7 – 2022/23 Contract and other income (£2.8M)



How we used our financial resource

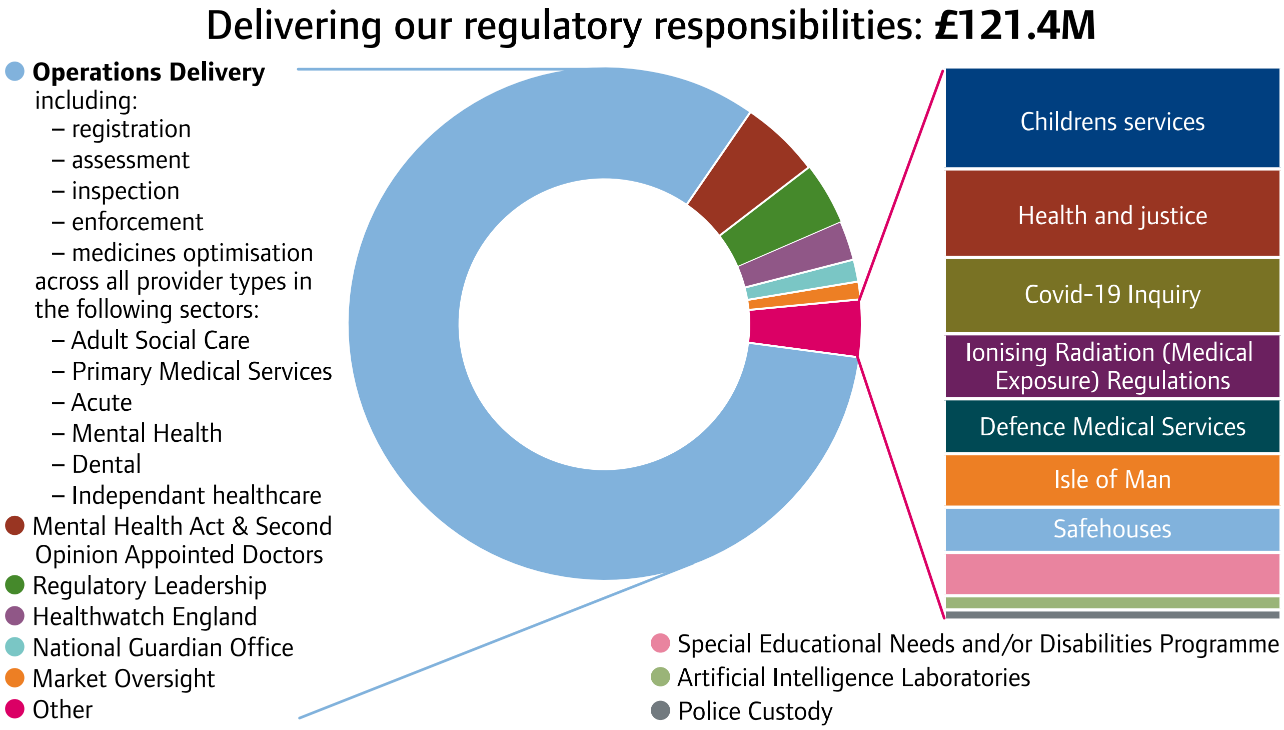
During 2022/23, we used £263m of the total financial resource available to us (both revenue and capital). Figure 8 shows that was used against 3 main areas of our operation: delivering our regulatory responsibilities, supporting the delivery of our purpose, and developing our regulation and accelerating improvement. A small amount was used for depreciation and amortisation of our assets.

Figure 8 – We utilised £263.0M of the financial resource available to us in 2022/23

Delivering our regulatory responsibilities

We directed the majority (46.2% or £121.4m) of our total financial resource in 2022/23 to directly delivering our regulatory responsibilities, of which £100.3m (82.6%) was focused on our Operations Delivery. CQC has a plethora of regulatory and statutory responsibilities. *Figure 9* highlights the wide range of our regulatory activity and the difference we make in health and social care. Our regulatory responsibilities grow further in 2023/24 when we provide an assessment of the performance of local authorities and integrated care systems under the Health and Care Act 2022.

Figure 9 – Delivering our regulatory responsibilities



Supporting the delivery of our purpose

We spent £85.3m, or 32.4% of our total resource supporting the delivery of our purpose and discharging our regulatory responsibilities in 2022/23. This reflects the changing nature of our regulatory approach, with the greater part of our support costs incurred in Technology, Data and Insight as we become a smarter regulator.

Developing our regulation and accelerating improvement

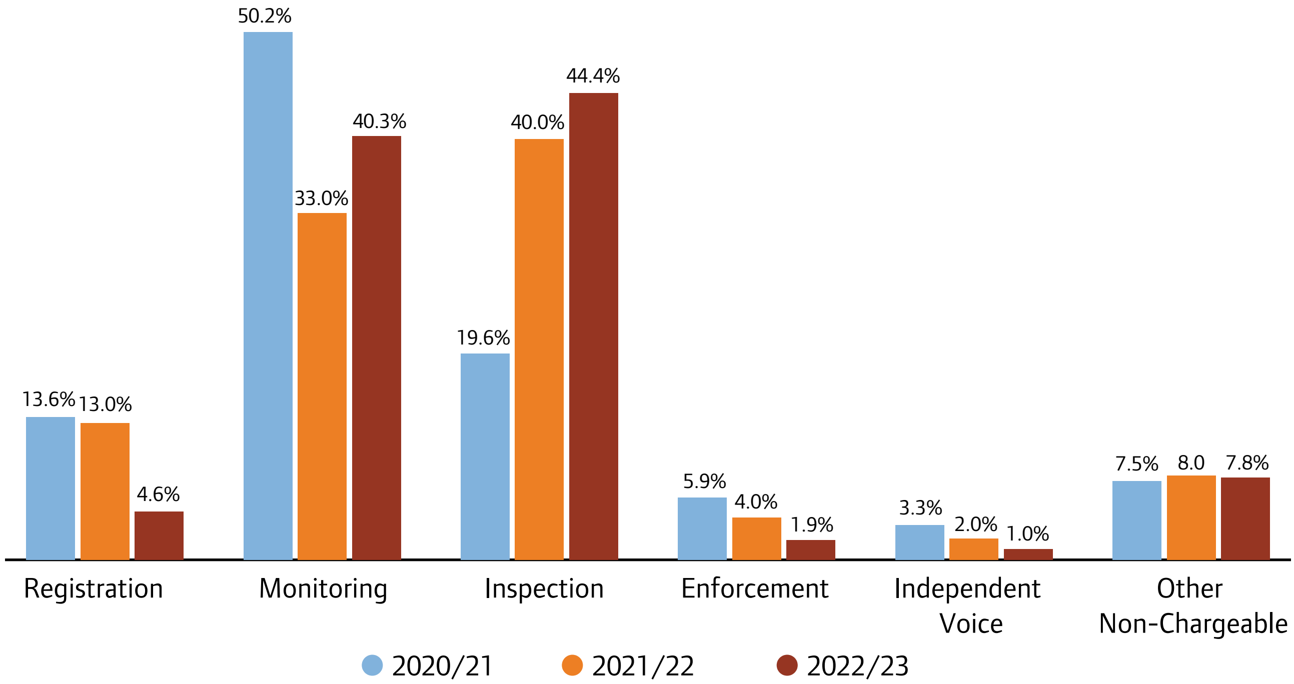
Throughout 2022/23, we invested £45.0m or 17.1% of our total financial resource to continue drivingforward our transformation programme, to enable us to realise our new strategy and deliver effective regulation for the years ahead. This includes £19.7m (43.5%) capital investment in assets, tools and technological platforms, and the remainder on delivering transformational change and new regulatory responsibilities.

Our expenditure profile

During 2022/23, against the total resource available to us, our total revenue expenditure (excluding non-cash items – see note 2.2 to the financial statements) was £232.5m, with a further £19.7m invested through capital expenditure.

Figure 10 shows how our revenue expenditure relates to each area of our regulatory operating model. As we regulate in a proportionate and appropriate way, there is a strong focus on higher risk providers. We are transitioning to a new approach to regulation and continue to appreciate that there are still COVID-19 challenges for providers, which need us to take a flexible approach to accommodate. This, and the year-on-year change in expenditure aligned to both monitoring and inspection, is evident in *Figure 10*.

Figure 10 – Expenditure by operating model segment



Efficiency of our operation

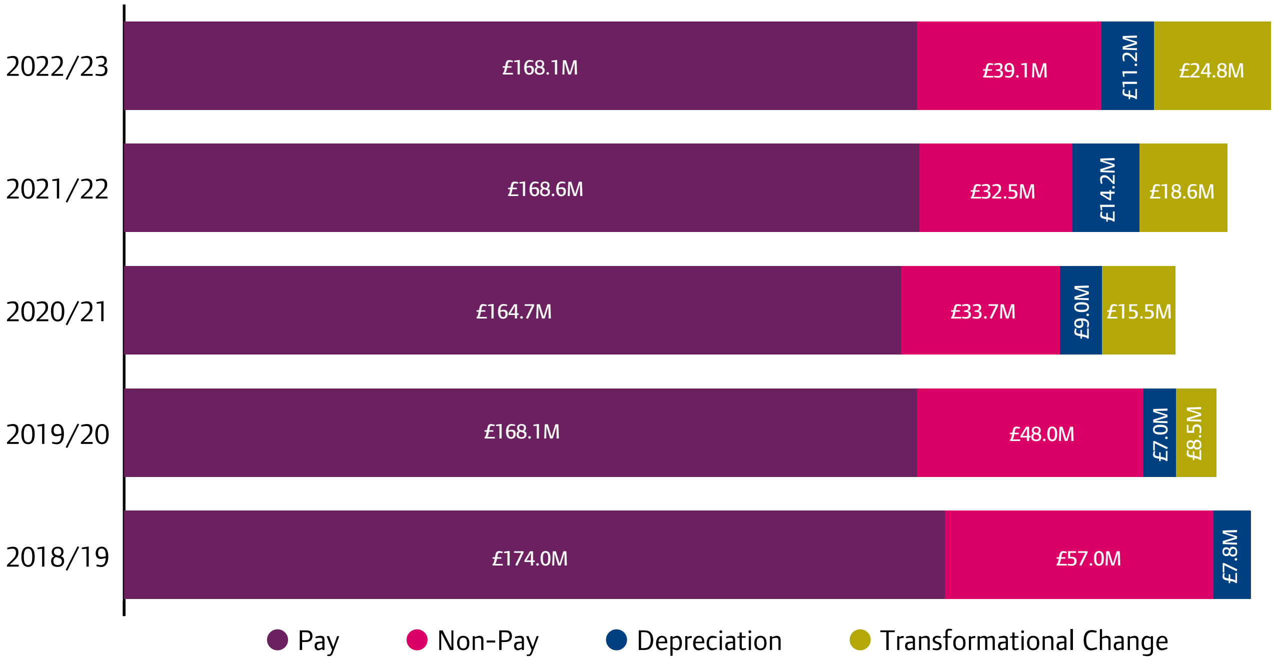
In 2022/23, we have again delivered our work within our operating revenue budget. Our business as usual (BAU) expenditure (excluding transformational change) profile is less than it was 5 years ago despite rising costs and inflation during this period, as we aim to conserve costs and operate efficiently as well as effectively, to deliver value for money for the public purse and become more self-reliant financially.

The sections in this report on our Performance summary and Performance analysis show our delivery across the year for our financial outlay. Highlights include:

- more informed, targeted and smarter regulatory activity during the year
- undertaking a range of activities to develop and test our approach and methodology for our new responsibilities from April 2023
- continuing to develop our new regulatory approach to provide further benefits for the public and those we regulate
- carrying out research and surveys to gather evidence and better understand the quality of care across different areas of health and social care
- using our independent voice to publish a number of reports, employing their findings to focus our regulatory activity, as well as publishing safety bulletins.

Although our total cost base is comparable to that in 2018/19, *Figure 11* shows the reduction in our pay and non-pay cost-base both before and after the COVID-19 pandemic, enabling a smarter use of our overall financial resource. We have become more efficient in our operation over the last 5 years despite a challenging economic environment and inflationary pressures. Pay costs have reduced by 3.4% or £5.9m as headcount is 5.3% lower than in 2018/19; and non-pay costs have decreased by 31.4% or £17.9m through reduced travel and subsistence expenditure and a 55% reduction to our estate.

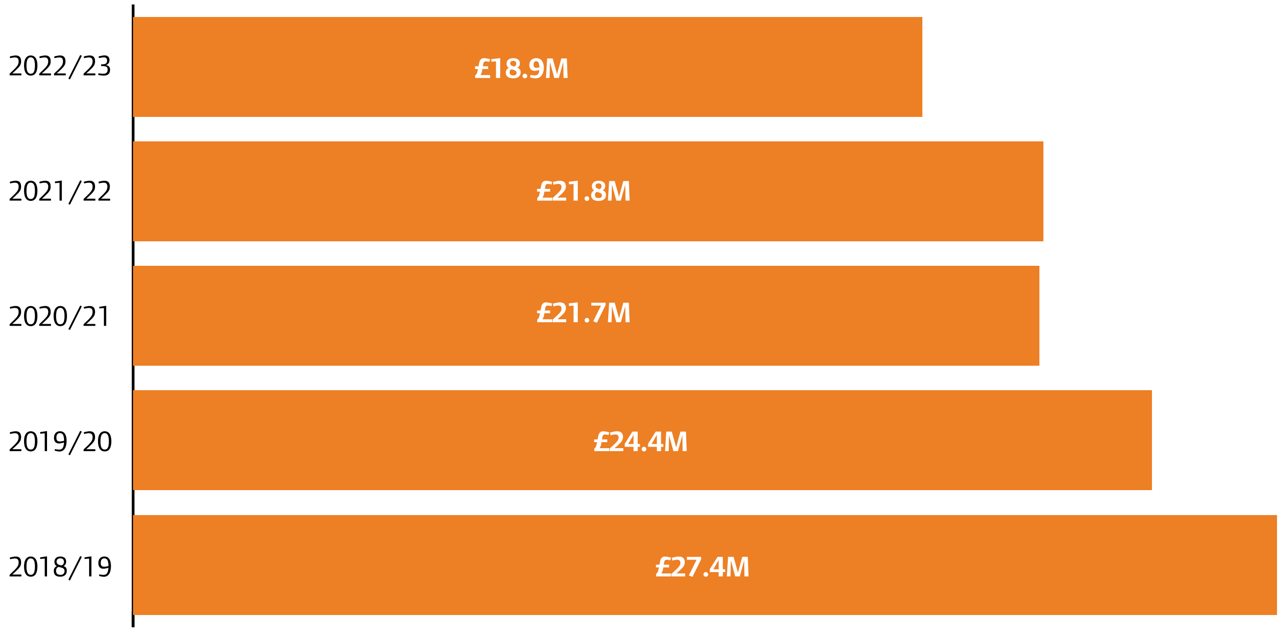
Figure 11 – Total revenue expenditure since 2018/19



These reductions to our base expenditure over this period have allowed us to drive forward our transformation programme to deliver our strategic ambitions, increasing our investment to make future savings. The benefits delivered by this transformation will include smarter regulation, reducing the burden on providers and driving a more economical and effective use of our operating budget – this provides greater value for money for the providers we regulate and for taxpayers. We continue our investment.

We have again realised Spending Review reductions in our GIA allocation for core activities (*Figure 6*) while absorbing the cost of our contribution to the Covid-19 Inquiry and inflationary pressures. *Figure 12* shows there has been a reduction in actual Grant in Aid expenditure on recurrent 'Core' non-chargeable activities since 2018/19. Our expenditure has reduced by 31% or £5.8m, benefitting the public purse and demonstrating how we are more financially self-reliant.

Figure 12 – Grant-in-Aid expenditure on ‘core’ non-chargeable activities since 2018/19



Finally, as well as reducing revenue cost-base, we have worked hard to become more efficient in our finance operational delivery. By the end of 2022/23, our 60+aged debt and total overdue debt amounted to £2.5m (£2.5m at the end of 2021/22), and we have on average over 2 months working capital cover. We are also paying our suppliers more quickly and more consistently. We have achieved the 90% HM Treasury 5-day payment target for volume and value in March 2023, which is also our average performance across the financial year.

Find out more about our financial performance in the Statement of comprehensive net expenditure.

Performance analysis

The performance analysis for 2022/23 is a detailed explanation of our performance during the year, with evidence to support the performance overview. It is arranged under the priorities, ambitions and outcomes of our strategy.

Priority 1

People and communities

Our ambition is to be an advocate for change, with our regulation driven by people's needs and their experiences of health and care services. This means focusing on what matters to the public, and to local communities, when they access, use and move between services.

Outcomes:

- Our activity is driven by people's experiences of care.
- We clearly define quality and safety in line with people's changing needs and expectations. This definition is used consistently by all people, and at all levels of the health and social care system.
- Our ways of working meet people's needs because they are developed in partnership with them.

People and communities: summary for 2022/23

- We've created many more ways for people to give us feedback about their care. Our enhanced capability to listen to feedback has enabled us to better identify and target risk of harm in the sector, to ensure people receive safe, effective, compassionate, and high-quality care.
- We received over 96,300 contacts with feedback about care, an increase from 64,000 received in 2021/22.
- We continued to carry out at least 10,000 inspections of health and social care services, with a marginal increase on 2021/22 (10,356 in 2022/23 compared with 10,306 in 2021/22).
- A programme of work to transform the way we regulate services for autistic people and people with a learning disability included 947 inspections of these services to improve people's experiences and outcomes from their health care.
- A new national inspection programme started, with the aim of supporting frontline staff in delivering NHS maternity services. We shared our emerging findings to help accelerate improvements and facilitate wider learning across NHS trusts.
- We carried out a programme of observations in mental health services to get beneath the surface of high-risk services and understand whether the culture is safe and caring.

During 2022/23, we carried out over 10,000 on-site inspections of health and social care services across all sectors to ensure people receive safe, effective, compassionate, and high-quality care (10,356 in 2022/23 compared with 10,306 in 2021/22).

We use a risk-based approach to prioritising our inspection activity. During 2022/23, we used this approach for over 7,300 of our service inspections. In September 2022, we introduced a new way of capturing the risk trigger that led us to inspect. This includes both new and emerging risks, for example information from whistleblowing enquiries or complaints and from inherent risk, or a provider's previous rating and the length of time since the previous inspection. Over 50% of inspections triggered by new and emerging risk have resulted in a rating of inadequate or requires improvement since we started tracking this in September 2022.

As well as our inspections, we also carried out further regulatory activity for over 32,000 registered services. This involved reviewing data and evidence that informed our regulatory judgements and supported our prioritisation. For over 15,000 services, we carried out more direct monitoring activity to gather further evidence, for example through a telephone call with the provider.

Specialist professional advisors are health and social care professionals who offer knowledge and expertise to our inspections when needed. We carried out more inspections using specialist advisors to over 4,100 in 2022/23 (compared with 3,027 inspections during 2021/22).

We are responsible for inspecting all registered health services provided to children; during 2022/23, we completed 61 inspections of children's services.

We also monitor, inspect and regulate health and social care in the criminal justice and immigration detention system, to make sure people who use services in secure settings receive the same quality of care as the rest of the population. The services we inspect range from health services that form part of youth offending teams to prison healthcare. We work in partnership with other inspectorates and use different frameworks to inspect different types of service. In 2022/23, we carried out 125 inspections of health and care services in this sector.

During 2022/23, we also focused our regulatory activity around specific population groups and types of services. This was to gather further evidence to inform our regulatory activity and to target improvements to reduce inequalities. This work included:

- services for autistic people and people with a learning disability
- services for people using maternity services
- observations for people receiving mental health treatment
- oral health services for people in care homes.

Autistic people and people with a learning disability

We undertook a programme of work to transform the way we regulate services for autistic people and people with a learning disability. This was aimed at improving people's experiences and outcomes from health care as our inspection work has consistently shown higher risks for these groups of people, and unacceptable levels of poor-quality care.

We completed 947 inspections and spoke with 220 people using these services and 227 family members to gather evidence to inform our regulatory actions. Approximately a fifth (21%) of our inspections were carried out outside of normal hours to check the consistency of the quality of care throughout the day.

Evidence from our inspections also informed our review 'Who I am matters: experiences of being in hospital for people with a learning disability and autistic people', published in November 2022. This focused specifically on:

- access to care
- communication
- care and treatment in hospital
- other equality characteristics and quality of care
- workforce skills and development.

Our review concluded that there is a real need for more meaningful engagement with autistic people and people with a learning disability at a local level to understand their experiences of acute hospital care and the improvements needed. There are opportunities to learn from both positive and negative experiences and to use this learning to drive improvements in services.

To strengthen our regulation of services for autistic people and people with a learning disability, we imposed a new routine condition on providers who are either registering to carry on certain regulated activities or applying to vary a condition of their existing registration. This is to ensure that all registered providers that deliver specialist services meet the principles in our statutory guidance, Right Support, right care, right culture.

We also improved our ability to identify and take appropriate regulatory action in services that fail or are failing to meet people's needs, aspirations and skills development. To do this, we developed a framework and published a quality of life tool. This supports CQC colleagues to assess quality and safety indicators when inspecting specialist services for autistic people and people with a learning disability. We developed the tool in collaboration with academic colleagues from Warwick University and Bangor University. We are currently piloting the tool and will evaluate findings from the pilot.

People using maternity services

During the last year, we continued to focus on our regulation of maternity services. Again, our inspection work has consistently shown too many areas of higher risks, and unacceptable levels of poor-quality care for maternity service users. We launched a national inspection programme to support frontline staff in their delivery of care, help accelerate improvements and facilitate wider learning across NHS trusts. Overall, we gathered evidence from 104 maternity services as part of 54 inspections. For the national inspection programme, we developed an assessment framework using views and experiences of frontline maternity staff and key stakeholders. We have since shared emerging themes from inspections at 20 trusts and will continue to share wider themes and good practice that we identify across the programme. The inspection programme continues to be one our priorities.

Observations of cultures in mental health services

In early 2023, we continued a programme of work to explore high-risk mental health services and whether their culture is safe and caring. In this programme, we use observation as a primary method to observe the culture of the services we visit. We evolved our ongoing observational framework to develop a short observational framework for inspection tool (SOFI 2) in collaboration with the University of Bradford’s School of Dementia Studies. It allows us to capture the experiences of people who may not be able to express these for themselves.

We want to use our findings to influence providers to identify warning signals of unsafe and uncaring cultures on their own wards and encourage them to carry out their own observations. We also want to be able to identify services ourselves where wards are not safe and caring and take the necessary enforcement action.

Oral health for people in care homes

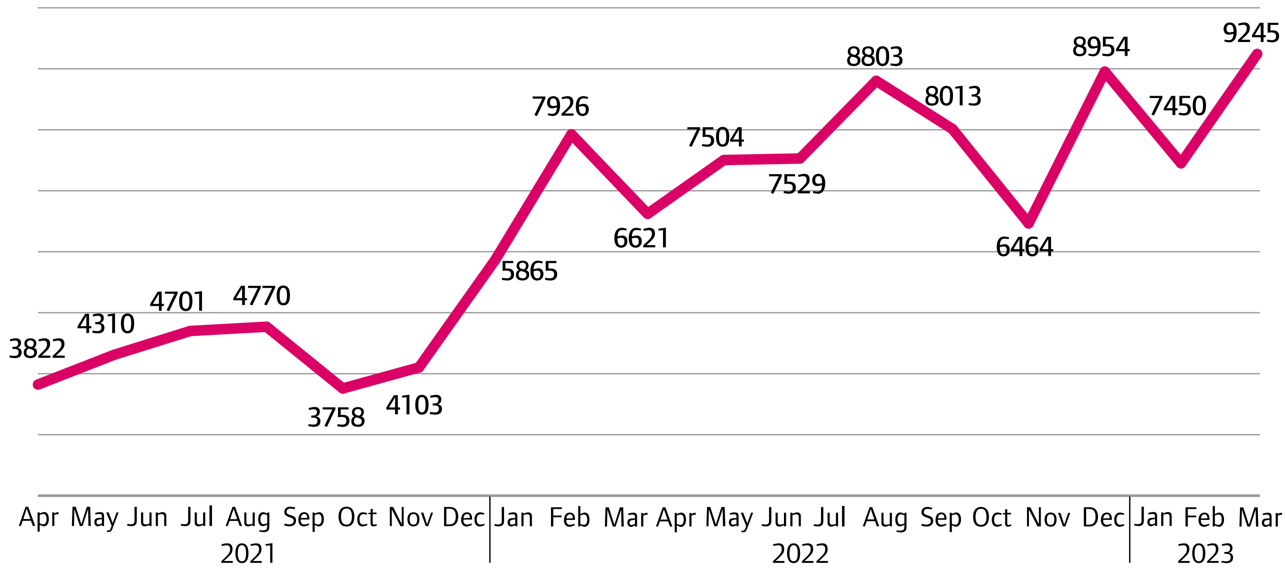
We know that good oral health not only enhances people's quality of life, but is vital to making sure they can eat, drink, take their medicines and stay healthy. As a follow-up to our previous work in 2019, between April and June 2022, we inspected 50 care homes, asking in-depth questions about oral health care. We published the findings in our report Smiling matters: Oral health in care homes - progress report. The report found that, although there were some examples of good practice between care homes and dental practices, many people living in care homes were not being supported to maintain and improve their oral health.

Further work to gather people’s experiences

As well as targeting our regulatory activity across certain population groups, we've continued to gather wider information about people's experience of care across all types of health and care services. This is to ensure our regulatory activity is driven by people's experiences of care and that our ways of working meet people's needs.

We received over 96,300 contacts from people giving us feedback on care in 2022/23, compared with 64,600 contacts the previous year. *Figure 12* – Grant-in-Aid expenditure on ‘core’ non-chargeable activities since 2018/19

Figure 13 – Monthly Volumes of Giveaway Feedback on Care Received



Some examples of our activity to gather more experiences include:

- promoting our public participation platform to encourage people and organisations to connect with us and share their expertise and experience
- involving Experts by Experience in more than 4,000 regulatory activities and in over 600 engagement activities, speaking with approximately 40,000 people, and capturing people's views and experiences at our corporate speaking engagements
- improving the accessibility of our website to enable people to contact us and give feedback using British sign language; we partnered with Disability Rights UK to specifically encourage people who are deaf and hard of hearing to contact us about their experiences
- launching our 'Because we all care' campaign, to encourage people to share their thoughts on the standards of their care from GPs, dentists, hospitals and care homes; we ran specific campaigns focusing on gathering information from people who are hard of hearing and people aged over 55
- trialling a new webchat service for the public where people can start a live chat to a member of our Customer Services team
- providing written information such as letters, summaries of inspection reports and other information in other languages.

We continue to monitor the impact of our publications and accessibility work through our annual surveys covering the views and awareness of the public, stakeholders and providers.

In our annual provider survey for 2022/23, three-quarters of respondents agreed that we used people's experiences effectively in regulatory decisions and judgements about their service. Over three-quarters of respondents (82%) also agreed that we make sure they involve people in decisions throughout their health and care journey. We carried out our provider survey between October 2022 and December 2022. Over 13,700 providers responded (a response rate of 27.7%) and survey results are weighted to represent the population surveyed.

Priority 2

Smarter regulation

Our ambition is to be smarter in how we regulate. We'll keep pace with changes in health and care, providing up-to-date, high-quality information and ratings for the public, providers and all our partners. We'll target our resources where we can have the greatest impact, focusing on risk and where care is poor, to ensure we're an effective, proportionate and efficient regulator.

Outcomes:

- we are an effective, proportionate, targeted, and dynamic regulator.
- we provide an up-to-date and accurate picture of quality.
- it is easy for health and care services, the people who use them and stakeholders to exchange relevant information with us, and the information we provide is accessible, relevant, and useful.

Smarter regulation: summary for 2022/23

- Our new approach to assessment and our single assessment framework is the result of over 2 years of careful co-production and consultation with a range of stakeholders. We will begin to implement our single assessment framework at the end of 2023.
- We've worked with health and social care providers to develop a new online provider portal. This will be much easier to submit information and keep details up-to-date, allowing providers to focus on delivering high-quality care. We will continue to roll out our new provider portal.
- We carried out preparatory work for our new legislative responsibilities from April 2023 to provide an assessment of the performance of local authorities and integrated care systems under the Health and Care Act 2022.
- To design and develop our regulatory approach, we've collaborated with other regulators and government departments, including a joint consultation with Ofsted to develop a new framework.
- Our published reports provided an evidence-based summary of the quality of health and social care in England, for example State of Care 2021/22.
- 850 inspections related to the Mental Health Act; our Monitoring the Mental Health Act in 2021/22 report summarises evidence from our findings.
- Over 11,300 second opinion appointed doctor (SOAD) visits provided a safeguard against inappropriate treatments and protected patients whose rights are restricted under the Mental Health Act. SOADs visited patients within 3 and a half days once appointed.
- Programmes of inspections commissioned by other organisations included the Home Office, Isle of Man Department of Health and Defence Medical Services Regulator to use our expertise and inspection capabilities for independent inspection programmes.

Our regulatory approach

To deliver the ambitions in our strategy, we are continuing to develop our regulatory approach to provide further benefits for the public and those we regulate. Our new assessment framework is the result of over 2 years of careful co-production and consultation with a range of people. As well as publishing details about our assessment framework in summer 2022, we have been working with health and care providers to develop a new online provider portal. This will make it much easier for providers to submit information and keep their details up to date, allowing them to focus on delivering high-quality care.

During 2022/23, we updated our guidance on the Scope of Registration. This explains in a more accessible way who and what needs to be registered with us and sets out all the regulated activities and exemptions to registration.

Following a joint consultation with Ofsted, we implemented a new assessment framework to inspect services for children and young people with special educational needs and disabilities (SEND) in a local area. This emphasises the importance of hearing from children with special educational needs and their families. The new framework will allow inspectors to better understand what it's like to be a child or young person with SEND in a local area. We also signed a new memorandum of understanding (MoU) agreement with NHS Resolution, setting out how we will work together to share information. The agreement confirms that we will act in the public interest by sharing information about the quality of NHS services.

Our new responsibilities: care in a local area

The Health and Care Act 2022 gave us new responsibilities from April 2023, allowing us to provide a meaningful and independent additional assessment of care in a local area. This includes assessing the performance of local authorities in meeting their duties under Part 1 of the Care Act 2014, and assessing whether integrated care systems are meeting the needs of their local populations. During 2022/23, we undertook a range of activity to develop our approach and test our methodology.

To do this work, we are applying a consistent assessment methodology using specific elements of our new assessment framework. We gathered views and insights from stakeholders firstly through a survey and by working closely with a wide range of partners to develop our approach. Examples of partners include:

- people who use health and social care services and their families and carers
- groups representing communities
- government departments, including the Department of Health and Social Care and Department of Levelling up, Housing and Communities
- groups that represent providers
- other strategic partners.

We undertook 2 'test and learn' projects for local authority assessments, in Hampshire and Manchester, during summer 2022. Using our learning from these projects, we published interim guidance on our approach and a draft version of the local authority assessment framework in February 2023. We also carried out 2 test and learn activities to inform our assessment approach to integrated care systems in North East London and South Yorkshire, and have used feedback to refine our approach. We published interim guidance on our approach to assessing integrated care systems in March 2023.

We will continue to pilot our approach and review data and published evidence for local authorities and integrated care systems before starting formal assessments over the next 2 years.

Using our independent voice

We used our independent voice to publish several reports in 2022, summarising what we know from our assessments of health and social care. We use the findings of these reports to focus our regulatory activity to improve care for the public.

We have a statutory duty to publish some reports including:

- The State of health and social care in England. Our annual overall assessment of health and social care in England highlights trends, shares examples of good and outstanding care, and highlights where care needs to improve.
- Our report on Monitoring the Mental Health Act. This annual report reviews how providers are caring for patients who are detained and treated under the Mental Health Act, and whether patients' rights are being protected.

We completed 850 inspections related to the Mental Health Act and the report summarises evidence from our findings. We also carried out focused visits to review how Mental Health Act community treatment orders (CTOs) were being implemented in 9 London boroughs. Our report highlights areas of concern including:

- a lack of care planning and access to advocacy services
- people being on CTOs for years
- a disproportionate use of community treatment orders for Black British people.

Under the Mental Health Act, we have a statutory duty to administer a second opinion function as a safeguard for patients whose rights are restricted under the Act. Although we administer the process, we are independent and not involved in clinical decisions within second opinions. When we receive a request for a second opinion, we arrange for a suitable doctor to visit the patient, organise the bidding for a doctor, and track the outcome. In 2022/23, we arranged over 11,300 second opinion appointed doctor (SOAD) visits to patients, which took place in just under 3 and a half days once the SOAD was appointed.

We also reported on our activities under other legislation.

Ionising Radiation (Medical Exposure) Regulations 2017 (IR(ME)R): The regulations protect people against the dangers of being exposed to ionising radiation in a healthcare setting. Our IR(ME)R annual report 2021/22 provides details from:

- reviewing statutory notifications from healthcare services about significant accidental or unintended exposures to patients
- our inspection and enforcement activity
- our programme of themed inspections in specific areas.

The report highlights areas of concern and provides examples of actions that employers have taken to improve safety, so that other employers, healthcare professionals and academic bodies can learn from them.

Controlled Drugs (Supervision of Management and Use) Regulations 2013: We are also responsible for making sure that service providers, and other regulators, maintain a safe environment for the management and use of controlled drugs in England. As part of our responsibilities under these regulations, we report annually on what we find through our oversight. Our annual update on the Safe management and use of controlled drugs in 2021 captured insights to help to strengthen arrangements for safely managing controlled drugs in health and adult social care.

Business Impact target: We also published our Business impact target 2021 to 2022, which was a requirement under the Small Business, Enterprise and Employment Act 2015.

Registrations

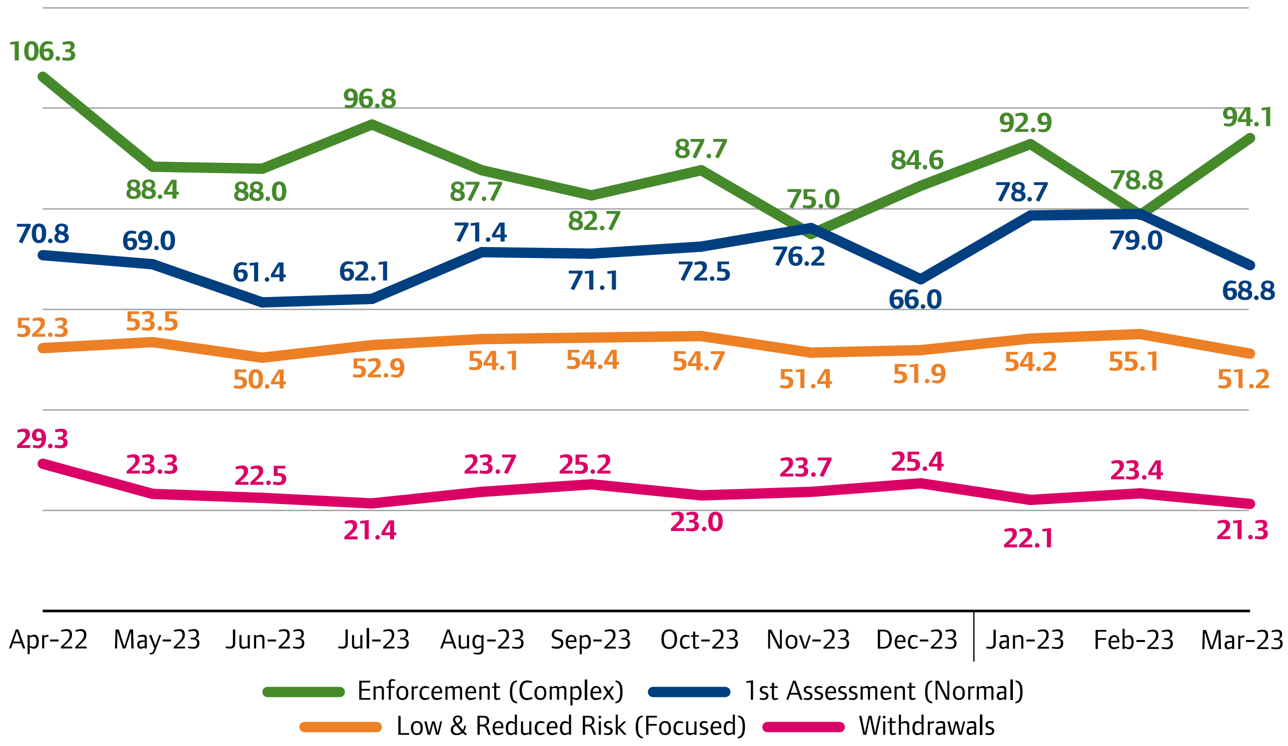
We expect our new online provider portal (being implemented during 2023) to help to speed up the process of registering new providers as well as making it easier for them to apply to register, and to vary conditions of their registration.

In total, we processed over 35,600 types of registrations during 2022/23. These new registrations increase capacity in health and social care services, and ensure more people have access to health and care services. We improved our efficiency and speed in processing a range of registrations for different types of providers.

We define applications into 3 types:

- **Simple applications:** These are minor registration amendments, such as changing company details. We processed 17,619 registrations, taking an average of 24 days to complete – a reduction of 6.3% over the previous year.
- **Normal applications:** These require a registration inspector to carry out a registration application review. We processed 17,042 registrations, taking an average of 53 days to complete – a reduction of 3.6% over the previous year.
- **Complex applications:** These may result in enforcement activity. We processed 944 registrations, which took an average of 88 days – a reduction of 25% compared with the previous year.

Figure 14 – Average days taken to complete applications by type



Projects with other government departments

During the year, other government departments and organisations commissioned us to carry out inspection programmes in other areas. This is an opportunity to apply the benefits of our expertise and assessment capabilities to improve the quality of services for people.

The Home Office commissioned us to inspect safehouse and outreach support services in England and Wales. These services are used by people who are survivors of human trafficking and modern slavery. We developed an assessment framework in collaboration with the Home Office specifically for this programme and inspected 26 safehouses. We designed the framework to reflect our human rights-based approach and have since updated our statement on modern slavery and human trafficking.

The Defence Medical Services Regulator continued to commission us to undertake a programme of independent inspections of defence medical treatment facilities. This is to ensure armed forces personnel and their families have access to the same high-quality health care as the rest of society. Last year, we published our annual report highlighting key findings from 31 inspections.

The Isle of Man Department of Health also commissioned us to develop a regulatory framework and to undertake a programme of inspections of health services on the Isle of Man. During 2022/23, we carried out 75 inspections and produced assessment reports for Isle of Man health services.

Enforcement activity

Our Enforcement policy sets out a wide range of enforcement powers that allow us to protect the public and hold registered providers and managers to account. If we find that a registered provider or manager is in breach of the regulations, we take action to make sure they improve. Our powers enable us to act, with both criminal and civil enforcement, where we identify poor care or where registered providers and managers do not meet the standards required by the regulations. This will be proportionate to the impact of the breach on the people who use the service and how serious it is.

During 2022/23, we issued 1,391 Warning Notices to a registered person where the quality of the care they are responsible for fell below what is legally required and to make sure they improved. We served 2,775 notices during this period, which includes Notices of Proposal and Notices of Decision. To protect the public, our enforcement activity included 215 urgent enforcements and we cancelled 127 provider registrations. From our inspection activity, approximately:

- 2% resulted in civil enforcement.
- 6% led to a Warning Notice.
- 23% led to a Requirement Notice.

We received and processed information relating to 355 complaints during 2022/23 (a 21% increase over the previous year). For 96% of these complaints, we agreed a regulatory action within 7 days.

Priority 3

Safety through learning

Our ambition is for all services to have stronger safety and learning cultures. We want to prioritise safety: creating stronger safety cultures, focusing on learning, improving expertise, listening, and acting on people's experiences, and taking clear and proactive action when improvement takes too long, or changes won't be sustainable.

Outcomes:

- there is improvement in safety cultures across health and care services and local systems that benefit people because of our contribution.
- people receive safer care when using and moving between health and social care services because of our contribution.

Safety through learning: summary for 2022/23

- We have strengthened our regulatory approach, ensuring that our new assessment framework includes a clear expectation of a learning culture in services and providers.
- To inform our regulatory approach, we completed 3 pieces of research to better understand safety and learning cultures. The evaluation of our national maternity programme, which is currently underway, includes developing our understanding of what safety cultures look like in a maternity setting.
- To support all services to have stronger safety and learning cultures, we published 3 more resources to help the sector learn from safety incidents that occurred in health and social care services.
- We published 2 reports designed to improve how we listen to, learn from and act on concerns raised. We published a barrister-led independent review to determine whether we took appropriate action as a regulator in response to information that health and care staff shared with us.
- A second listening, learning, responding to concerns review explored wider issues of culture and process that we need to address. The recommendations will mean we are better able to listen and act when information of concern is shared with us.
- We received and processed 15,792 whistleblowing enquiries during 2022/23 and took appropriate regulatory action to ensure people receive safe, effective, compassionate, and high-quality care.
- We referred 97% of patient safeguarding risks to the relevant organisation within one day of receiving the information (this is an increase from 95% in the previous year).

The importance of a culture of safety

We strengthened our regulatory approach to make clear that we expect services and providers to have a proactive and positive culture of safety based on openness and honesty, in which concerns about safety are listened to, safety events are investigated and reported thoroughly, and lessons are learned to continually identify and embed good practices.

To inform the implementation of our new assessment approach and wider regulatory activity, we undertook research to deepen our understanding of safety cultures. We completed a research project on safety cultures, which explored current understanding of how safety cultures are defined across health and social care, and the conditions required for safety cultures to develop. We also completed 2 rapid reviews that drew on learning from other safety-critical sectors: The characteristics of safety cultures and Improvement cultures in health and adult social care settings. These reviews further support our understanding of what safety cultures look like, the processes and structures that underpin safety cultures and the regulatory approaches that can support them.

We are currently evaluating our national maternity inspection programme. This explores what a good safety culture looks like in maternity care as well as maximising learning from the programme to inform our future approach.

Using our independent voice

To support all services to have stronger safety and learning cultures, we publish regular learning from safety incidents bulletins. These enable registered persons to learn from recent prosecutions and make relevant improvements, to improve how they can prevent such incidents from happening in their service. Each bulletin describes a critical safety issue including what happened, what we and the provider did about it, and the steps a provider can take to avoid it happening. During the last year we published safety bulletins on the following areas:

- capacity and consent
- promoting sexual safety
- unsafe management of sepsis

We also carried out extensive research and surveys to gather evidence and better understand the quality of care across different areas in health and care. We embedded the findings into our regulatory activity to help improve safety cultures. The following are some research and survey findings published during 2022/23:

- Maternity survey 2022: capturing experiences of women and other people who had a live birth in early 2022 (we are also undertaking another maternity survey for 2023). At a national level, the 2022 maternity survey shows that people's experience of care has deteriorated in the last 5 years. However, there has been a positive upward trend for women and other people reporting there was no delay with discharging them from hospital.
- Adult inpatient survey 2021: exploring experiences of people who stayed at least one night in hospital as an inpatient. Most respondents reported a positive experience in their interactions with doctors and nurses, such as being included in conversations and having confidence and trust. This generally remained consistent with the previous year, although those receiving clear answers to questions has decreased slightly.

- Community mental health survey 2022: capturing experiences of people who use community mental health services. This report shows that people's experiences of mental health services provided in the community remain poor. Many of those areas with the poorest historical results, are still the poorest in 2022.
- 4,000 voices: a survey of 4,013 people aged 65 and over about their experiences of using health and social care services. The questionnaire was undertaken over the phone and covered use of health and social care services, experience when accessing these, waiting lists for health services and/or care assessment, as well as social networks.
- Adult social care services survey: exploring views (2,411 responses) from registered managers on: current capacity; staff recruitment and retention challenges; financial stability; support required to increase capacity; current support from local authorities and the wider system.
- Annual provider survey: capturing responses from providers in areas relating to staffing, demand, and issues affecting a provider's ability to deliver good quality care or to improve.

Dealing with complaints and safeguarding concerns

During 2022/23, we received and processed 15,792 enquiries from workers speaking up. Workers speaking up is the term used when someone who works for an employer raises a concern about malpractice, risk (for example, about patient safety), wrongdoing or possible illegality, which harms, or creates a risk of harm, to people who use the service, colleagues or the wider public. We triage the information in each enquiry, according to the level of risk to people and apply an appropriate risk-based regulatory action. As well as enquiries from workers speaking up, we also receive and process other wider complaints and safeguarding concerns from the public and other stakeholders. We triage each enquiry based on risks to people and take appropriate regulatory action. During 2022/23, we referred 97% of safeguarding risks to the relevant organisation within one day of receiving the information (this is an increase from 95% in the previous year).

Listening, learning, responding to concerns

We know that, when the public and health and care workers raise concerns with us, it can also often be a last resort following a lack of response from the provider or other parts of the health and care system. Speaking up is invited, welcomed, celebrated, inclusive, and listened to. We aim to deliver outstanding customer service to the public when raising concerns about care with us. We want everyone to feel safe to speak up and we want to respond humanely and openly and take appropriate action.

In March 2023, we published 2 reports designed to improve how we listen to, learn from and act on concerns raised in the sector. These reports followed the outcome of an employment tribunal in October 2022 where the findings were highly critical of the Care Quality Commission. We since commissioned and published a barrister-led independent review to determine whether we took appropriate regulatory action when health and care staff shared information with us.

We also published a second listening, learning, responding to concerns review to explore wider issues of culture and processes. The review has a focus on inclusivity, including understanding whether race or any other protected characteristic has an impact when we receive information of concern.

We want to build a strong and vibrant culture at CQC and make it a place where speaking up is a way of life. We want people to share their thoughts and ideas and raise concerns knowing these will be welcomed and heard. Earlier in 2023, we updated our freedom to speak up policy, which we prepared in line with guidance from NHS England and the National Guardian's Office. Our updated policy is clearer, more succinct, and more person-centred.

In line with recommendations from the listening, learning and responding to concerns review, we are also investing in our freedom to speak up guardian roles, providing an increased number of roles and more protected time within the role, to support colleagues and enable effective coverage across the organisation (see governance report section for further detail about our freedom to speak up work).

We know we are most effective when we are open and honest with our colleagues and stakeholders, building and sustaining trust by doing what we say we will do. We acknowledge there is much for us to do to improve our listening skills internally and externally, and it is essential we deliver on the 80 recommendations from the review. We are continuing to work through the recommendations to ensure the actions we take are embedded into our ways of working and the systems we use. We will develop and improve our approaches where they need to change to achieve the overarching aims of the review.

Priority 4

Accelerating improvement

Our ambition is to do more with what we know to drive improvements across individual services and systems of care. We'll use our unique position to spotlight the priority areas that need to improve and enable access to support where it's needed most.

Outcomes:

- we have accelerated improvements in the quality of care.
- we have encouraged and enabled safe innovation that benefits people or results in more effective and efficient services.

Accelerating improvement: summary for 2022/23

- We initiated 2 research projects to better understand improvement cultures and offers of improvement support across health and adult social care.
- We published several thematic reviews including PEOPLE FIRST: a response from health and care leaders to the urgent and emergency care system crisis to encourage innovation and accelerate improvements in urgent and emergency care and a follow up piece to our 2019 work on access to oral health care in care homes, 'Smiling Matters'.
- We partnered with Yorkshire and Humber Academic Health Science Network with funding from the Regulators' Pioneer Fund to encourage innovation and improvement in NHS GP practices through partnership working and published our findings in Regulatory recognition and sharing of innovative practice by NHS GP providers to reduce health inequalities.
- We began work to explore and pilot ways of developing the right regulatory environment for innovation to flourish with further funding from the Regulators' Pioneer Fund.
- In partnership with the National Institute for Clinical Excellence, Medical Healthcare products Regulatory Agency and Health Research Authority, with funding from the NHS AI Lab, we delivered the AI & Digital Regulations Service to support AI innovators through the regulatory pathway.
- To accelerate improvements and protect the public, our enforcement activity during 2022/23 included 215 urgent enforcements and we cancelled 127 provider registrations.

The importance of a culture of safety

We strengthened our regulatory approach to make clear that we expect services and providers to have a proactive and positive culture of safety based on openness and honesty, in which concerns about safety are listened to, safety events are investigated and reported thoroughly, and lessons are learned to continually identify and embed good practices.

To inform the implementation of our new assessment approach and wider regulatory activity, we undertook research to deepen our understanding of safety cultures. We completed a research project on safety cultures, which explored current understanding of how safety cultures are defined across health and social care, and the conditions required for safety cultures to develop. We also completed 2 rapid reviews that drew on learning from other safety-critical sectors: The characteristics of safety cultures and Improvement cultures in health and adult social care settings. These reviews further support our understanding of what safety cultures look like, the processes and structures that underpin safety cultures and the regulatory approaches that can support them.

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Using our independent voice

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- unsafe management of sepsis

We also carried out extensive research and surveys to gather evidence and better understand the quality of care across different areas in health and care. We embedded the findings into our regulatory activity to help improve safety cultures. The following are some research and survey findings published during 2022/23:

- Maternity survey 2022: capturing experiences of women and other people who had a live birth in early 2022 (we are also undertaking another maternity survey for 2023). At a national level, the 2022 maternity survey shows that people's experience of care has deteriorated in the last 5 years. However, there has been a positive upward trend for women and other people reporting there was no delay with discharging them from hospital.
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Engaging and collaborating

We continued to engage closely with the system to shape our work on accelerating improvement. In our 2022 annual provider survey, 77% of providers agreed or strongly agreed that they had the right support from CQC to help them to improve. Similarly, 74% of providers agreed or strongly agreed that their service knows when they need to contact us in relation to innovation, adopting an innovation, and trying new ways to deliver care, and 68% felt CQC provides an environment where their service feels they can innovate and try new ways to deliver safe care.

In January 2022, we published the findings from our research to explore whether ethnic minority-led GP practices receive the same regulatory outcomes from us as providers led by GPs of a non-ethnic minority background. We did not identify any causal link between ethnic minority-led GP practices and regulatory outcomes, such as ratings and frequency of inspection. However, the report, Ethnic minority-led GP practices: impact and experience of Care Quality Commission regulation identified several contextual factors that can disproportionately affect ethnic minority-led practices and their ability to demonstrate how they provide good care. We are fully committed to being a fair regulator for all health and care providers and have since focused on embedding the recommendations into our new regulatory approach.

We also collaborated with health and care leaders to co-produce resources to support improvement and encourage innovation. In October 2022, we published PEOPLE FIRST: a response from health and care leaders to the urgent and emergency care system crisis. This is a practical resource to help system leaders and service providers support the design of person-centred urgent and emergency care services, and to encourage innovation across integrated care systems. We developed the resource with contributions from over 250 colleagues and stakeholders from across health and social care, who attended an urgent and emergency care workshop, and members of our National Emergency Medicine Specialist Advisor Forum.

In November 2022, we were awarded further funding from the Regulators' Pioneer Fund. This will help continue the conversation about how CQC encourages and enables innovation to support providers to improve. We will work with a group of innovators and partners within the health and care system to make it easier for health and social care to design and adopt high quality innovation and ensure that regulation is seen as an enabler, not a barrier, to innovation. This project explores the way we can use our impact mechanisms to share learning about innovation in the most impactful way and includes a number of rapid pilot projects to test potential of different impact mechanisms to support innovation.

We have continued our partnership with the National Institute for Clinical Excellence, Medical Healthcare products Regulatory Agency and Health Research Authority to deliver the AI & Digital Regulations Service, a multi-agency project funded by NHS AI Lab to ensure an effective regulatory pathway for AI and data-driven innovations for health and care and to support innovators through the regulatory pathway

Core ambition: assessing health and social care systems

We will provide independent assurance to the public of the quality of care in their area. We will review how the care provided in a local system is improving outcomes for people and reducing inequalities in their care. This means reviewing how services are working together within an integrated system, as well as how systems are performing as a whole.

Outcome:

- we have contributed to an improvement in people receiving joined-up care.

Assessing health and social care systems

- In October 2022, we published our annual State of Care report – our assessment of health care and social care in England. This highlighted the need to focus on systems, with local areas taking a whole system view that recognises the relationship between health and social care.
- We also raised the importance of long-term planning and investment in a local area to find what causes problems and how to address them. This needs local leaders to understand their performance using data and information from health and care services and other stakeholders so they can agree success measures based on people's experience of care – not just on the type of organisation or sector.
- The Health and Care Act 2022 gave us new responsibilities to assess how integrated care systems are working together to meet the needs of their local populations and how local authorities are meeting their duties under the Care Act (2014).
- In 2022, we carried out initial tests of our assessment approaches for integrated care systems and local authorities and used these findings to inform our assessment methodology. Working in partnership with stakeholders, we then developed frameworks and guidance for assessing integrated care systems and local authorities (published in early 2023). The initial frameworks and guidance focus on an initial baselining period and include how we plan to gather evidence, report on findings and assess performance.
- From 1 April 2023, we started to review data and published documentary evidence across all integrated care systems and local authorities to begin establishing a national view of performance. Our initial work will focus on key areas of our assessment frameworks. For example, for integrated care systems we will focus on gathering data and evidence relating to the area of 'equity in access' from our assessment framework. For local authorities, we will focus on the areas of 'care provision, integration and continuity' and 'assessing needs'. Later in 2023, we will pilot our assessment approach with 2 integrated care systems and 5 local authorities, before starting formal assessments.

- In summer 2022, we held a workshop to bring together over 250 leaders from across health and care. These leaders came from all sectors: adult social care, primary care, community health care, urgent care, NHS acute, ambulance, and mental health trusts. We published the output of the discussions in our PEOPLE FIRST resource, identifying opportunities to improve integrated systems that see **partners and regulators working together for the benefit of patients and populations**. We also include examples of good practice and local innovations to support with new ways of working.
- Our state of care 2021/22 report recognised the need for more support for the adult social care sector to address **workforce and other challenges and to increase capacity**. In early 2023, we surveyed adult social care providers to gather further evidence and insight on workforce issues and other challenges. We will use this evidence to inform our regulatory activity and support health and care systems to address these challenges.

Core ambition: tackling inequalities in health and social care

We will push for equality of access, experiences and outcomes from health and social care services. Everyone in health and social care has a role to play in tackling the inequalities in health and care. We're committed to regulating to advance equality and protect people's human rights.

Outcome:

- we have influenced others to reduce inequalities in people's access, experiences and outcomes when using health and social care services.

Tackling inequalities in health and social care

- "Health inequalities exist across England. For those who experience them, they can lead to reduced life expectancy, behavioural risks to health, and avoidable harm or death. They also increase pressure on the health and social care system." (Care Quality Commission, PEOPLE FIRST).
- We are committed to promoting equality, diversity and human rights in our work and for our staff and to deliver on our equality objectives 2021 to 2025.
- We are continuing to collaborate with other national bodies to develop our approach to health inequalities, to ensure alignment and best use our respective powers. These organisations include NHS England, National Institute for Health and Care Excellence, Office for Health Improvement and Disparities, and the Equality and Human Rights Commission.
- Our new single assessment framework includes robust quality statements to cover equity in access, experience and outcomes from care and workforce equality.
- During 2022/23, we continued to integrate our equality objectives into our research, data and engagement strategies. We are developing a public engagement strategy to have a strong focus on people more likely to have poor access, experience and outcomes from care.
- Addressing health inequalities is one of the 4 key strategic aims of integrated care systems. System leaders will need to work closely with partner organisations to achieve this. We'll be looking for system leaders to demonstrate a strong understanding of their local populations to address inequalities and improve access to health and care services.

- Our State of care report for 2021/22 highlighted concerns about specific types of service where people continue to face huge inequalities when accessing and receiving health and social care. In particular, **maternity services and those that care for autistic people and people with a learning disability**, are areas where our inspections continue to find issues with culture, leadership, and a lack of genuine engagement with people who use services.
- We know we need to listen to people using maternity services so we can understand what makes a good experience and what needs to improve. The results of our 2022 maternity survey highlight where there are inequalities and show where providers can make changes to improve people's experiences when using maternity services. We launched a national maternity inspection programme sharing emerging themes from inspections at 20 trusts. We are undertaking another maternity survey in 2023 to further understand existing inequalities and how they can be addressed.
- We are determined to improve care for **autistic people and people with a learning disability**. We strengthened our regulation of these services by imposing a new condition on providers at registration. In November 2022, we published Who I am matters: experiences of being in hospital for people with a learning disability and autistic people. We also developed our quality of life tool to support with inspections of specialist services for autistic people and people with a learning disability.

Improving organisational efficiency and effectiveness

Our approach

During 2022/23, we continued to drive forward our ambitious transformation programme that will support us to deliver our strategy. In December 2022, we updated our timescales and communicated our revised plan and approach for transformation.

We are changing our technology, our processes and our ways of working to be a smarter regulator, accelerating improvements in how people experience health and care services, for a safer future.

We are making some important changes including:

- introducing a new regulatory approach for health and care providers, integrated care systems and local authorities
- establishing a new Regulatory Leadership team to shape our priorities and drive improvement
- changing how our operational teams and corporate services are structured to better deliver and support our regulatory activity
- delivering a new and improved online provider portal.

An important achievement during the year was publishing our new assessment framework. The framework is at the centre of our new regulatory approach and has been designed around what people want from health and care services. We also published our interim guidance for assessing local authorities and integrated care systems, and we created our new integrated assessment and inspection team structure.

Our people survey

We conducted our annual people (pulse) survey in September 2022 and received a completion rate of 79% (our highest response rate for 2 years). We used the survey results to understand how colleagues feel about working at CQC, and how their experiences align with our 3 cultural principles of trust, confidence, and empowerment. The survey also included questions regarding colleague engagement as part of our transformation change programme.

The results provide an important point from which to measure and develop the work on developing our culture. From colleagues responding to the survey, 73% felt trusted to carry out their job effectively, and 70% felt they have a choice in how to manage their work. In general, there was an overall reduction in positive responses, with a higher proportion of colleagues strongly disagreeing with statements compared with our previous survey, and colleagues had less positive responses to questions relating to change and transformation.

Senior management and Board are committing to learning lessons and making improvements as required. Following results from our people survey, a new cross organisational people-centred advisory group was set up, to develop an action plan and drive the implementation of necessary changes. The 'pulse survey advisory group' includes colleagues at all levels of the organisation. Colleagues will work across directorates, engage with senior leaders, and play an active role in shaping change. Implementing the action plan will happen alongside implementing recommendations from our ‘listening, learning, responding to concerns’ review and within our overarching organisational people plan (see People section later in the report for further information).

We will continue to conduct regular surveys to gather and understand colleagues' views and use these results to drive change.

Recognition

Everyone is encouraged to notice and celebrate the good work of colleagues and use the tools to say thank you and to celebrate success throughout the organisation. We want to nurture a culture of recognition that engages, motivates, and inspires us to excellence. In 2022/23, 885 individual colleagues (27.9% of the organisation) received one or more vouchers in recognition of their demonstration of our values and success profile behaviours.

Our estate

We've continued to make changes to ensure our estate matches our requirements. During the year we have:

- refurbished one floor of our Newcastle office to provide a more modern working environment that better supports flexible working
- surrendered the lease on our Leeds office a year early and moved into a significantly smaller space with the Department of Health and Social Care office
- closed our 2 smaller satellite offices in Plymouth and Penrith
- provided accommodation for colleagues from the United Kingdom Health Security Agency in our Birmingham office
- given notice to the Government Property Agency that we intend to vacate our Bristol office at the end of March 2024.

Our sustainability

A Sustainability Fellow joined the team on secondment in September 2022 followed by a Sustainability Manager who joined CQC in January 2023. To support our sustainability, we aim to actively promote this among our colleagues through our internal engagement processes, and we have an Environmental Sustainability Steering Group (ESSG) to help in this process.

We are transitioning our 5-year Green Plan into a Net Zero Plan and we are improving our governance through more frequent updates to our Executive Team, the Board, and the Department of Health and Social Care.

Greening Government Commitments (GGCs): As part of our work towards achieving net zero by the 2050 GGC target, we have analysed our travel. As a result, we have changed permissions for colleagues travelling by air and updated the travel policy because, as is shown in the 'Sustainability Data' section below, this is an area with increasing emissions at CQC. We are, therefore, working to ensure we can reduce these emissions for our domestic flights to adhere to the GGC standards. Due to our lack of fleet, we have no need to convert to ULEVs.

We are also working to ensure our overall, and direct, greenhouse gas emissions are reduced from the GGC set 2017/18 baseline. However, due to improvements in data collection and wanting to be more ambitious in our comparisons / targets, as detailed in the 'Sustainability Data' section below, we are using a 2019/20 year to determine our performance in reducing travel emissions and a 2021/22 year to determine performance in reducing our ICT emissions. This is intended, in part, to ensure we have an aggressive approach to emissions reduction by setting ourselves more ambitious but, importantly, feasible targets.

To help achieve our goal to minimise waste and promote resource efficiency, we have undertaken a successful RCCO project to reduce the use of printers. Our current target is to reduce the consumption of printer ink and paper in the coming year by 20%. We have made significant changes in how we manage our information communication technology (ICT) assets across their lifecycle by using KOcycle, an organisation that has ensured we send none of our ICT waste to landfill. We do not promote single-use plastic among colleagues. Instead, information on our intranet and our Green Plan has outlined our position of removing all single-use plastic from our offices. Colleagues can still use their own single-use plastic, if they wish. As part of our position against using single-use plastic, all our offices, except one, have Zip HydroTaps installed rather than plastic water coolers.

To help with our current water, energy, and carbon management, we have reduced the overall size of our estate, and plan to reduce this further in the coming years. The majority of CQC colleagues also work from home, with 184.49 full-time equivalents (FTEs) in our offices and 2,922.26 FTE working from home.

We have started to assess the need for a procurement policy for the small number of supplies and services we procure through our own systems. This is because sustainability is not currently formally embedded within our procurement processes. We have stopped our procurement of single-use plastic, including for example, coffee cups, plastic water cups, plastic cutlery and plastic document wallets. We are also planning on re-negotiating a contract with our vehicle hire company to ensure it includes electric and hybrid vehicles.

As our estate does not have any form of green spaces and does not intend to acquire any, we have not made any developments regarding nature or biodiversity at CQC.

We have been working on several initiatives regarding the impact of our current ICT and travel, which is one of the few sustainability areas of the organisation we can actively control. We are currently assessing potential ICT systems to help us have a better understanding of our environmental impacts. This system should also give us oversight on the impact of cloud-based services. We are also assessing our current ICT equipment and whether we can improve them to be less energy-intensive when in use. The assessment is focused on ensuring that we include eco-friendly elements in selecting equipment for colleagues.

At the moment, we do not have a formalised climate change adaptation strategy. However, as part of ensuring climate change impacts are mitigated within our governance processes, CQCs commercial approach is framework first and most of our procurement activity is undertaken via government frameworks through which the framework operator assesses potential supplier policy and environmental credential as part of their selection criteria for inclusion on the government framework. We are currently also working to ensure we embed climate change adaptation is embedded throughout the organisation. We will do this by examining guidance from the Task Force on Climate-Related Financial Disclosures (TCFD) and determining the best way to align CQC with this guidance, as well as developing guidance pieces for colleagues travelling for work, particularly our inspectors, on extreme weather events such as high winds and extreme temperatures.

Sustainable Development Goals (SDGs): The main SDGs that our action contribute towards are:

- SDG 12 – Ensure sustainable consumption and production patterns. We contribute to SDG 12 through our targets to reduce consumption of paper, ink, and printers as well as by using KOcycle, a zero-to-landfill organisation, for our ICT equipment.
- SDG 15 – Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. We contribute to SDG 15 through our work with KOcycle, which uses our contribution to support sustainable projects throughout the world that focus on sustainability education and the support of ecosystems.

Sustainability data

This section discusses two types of sustainability data: Emissions and Finances.

Unlike previous years, this year's data does not include the impact of utilities, waste, and paper. This is due to us only reporting externally on our 2 leased office locations and sharing our other 5 office locations with other public sector bodies, with no separate data available. This results in less clarity in determining ownership over improvements or failings regarding sustainability data in our shared office spaces, due to our lack of ability to control our impact in these areas. So, instead, we describe this in the narrative for these areas of operations in 'Greening Government Commitment (GGCs)'. However, this data is provided to the Department of Health and Social Care and the Department for Environment, Food & Rural Affairs as part of our GGC compliance. Therefore, only the impact of travel and ICT is included.

Also, unlike previous years, the data being shown will be in emissions of tonnes of carbon dioxide equivalent (CO_2e) generated by the activities. (CO_2e covers all greenhouse gas emissions that contribute to climate change, including carbon dioxide (CO_2), methane (CH_4), nitrous oxide N20), and refrigerant gases like hydrofluorocarbons (HFCs)). This is to align with a shift in CQC towards using more comparable values for sustainability and taking an emissions-first approach.

Emissions:

	CQC Distances (km) 2019/20	CQC Distance (km) 2022/23	Distance Difference 2019/20–2022/23(%)
Travel			
Domestic Rail	3,695,491	4,033,899	9.16%
Domestic Air Travel*	181,376	129,744	-28.47%
International Air Travel*	1,326	44,950	3289.90%**
Car use	6,099,294	2,953,198	-51.58%
Total Travel Distance	**9,977,487**	**7,161,791**	**-28.22%**

* All domestic and international flights are economy class, and all international flights are short haul

** The significant increase in this figure is due, in part, to the substantial increase in the number of international flights post-COVID as well as the increased flight distance due to inspections taking place in locations such as overseas military bases

	CQC Number of Flights 2019/20	CQC Number of Flights 2022/23
Travel		
Domestic Rail	274	210
Domestic Air Travel	1	15

	CQC Emissions (tCO2e) 2019/20*	CQC Emissions (tCO2e) 2022/23	Emissions Difference 2019/20 - 2022/23 (%)
Travel			
Domestic Rail	152.07	143.16	-5.86%
Domestic Air Travel**	46.24	31.90	-31.01%
International Air Travel**	0.21	6.90	3185.71%***
Car use	1,102.20	519.41	-52.88%
Total Travel Emissions	**1,272.53**	**701.37**	**-44.88%**

*2019/20 was chosen as the comparison year to compare the pre-COVID and post-COVID travel numbers with a year as recent as possible.

**Emissions from flights include both direct (CO2, CH4 and N2O) and indirect (non-CO2 emissions e.g., water vapour, contrails, NOx) climate change effects

*** The significant increase in this figure is due, in part, to the substantial increase in the number of international flights post-COVID as well as the increased flight distance due to inspections taking place in locations such as overseas military bases

	CQC Emissions (tCO2e) 2021/22*	CQC Emissions (tCO2e) 2022/23	Emissions Difference 2021/22 - 2022/23 (%)
ICT			
Computacenter	16.15	14.42	-10.71%
Vodafone WAN	3.60	2.64	-26.57%
Vodafone LAN	9.08	7.50	-17.44%
Vodafone Wi-Fi	14.04	11.72	-16.54%
Data Hosting	30.57	25.20	-17.57%
Total ICT Emissions	**73.44**	**61.48**	**-16.29%**

*2021/22 was chosen as the comparison year to reflect changes in our emissions since last year, as COVID would not have an impact on our ICT data and our data quality, and confidence in the data, for ICT improved immensely in 2021/22

The emissions difference between our 2019/20 figures for Travel and our 2021/22 figures for ICT compared with our recent 2022/23 figures demonstrates improvement across all fronts except international air travel. We have managed to generate feasible emissions reductions across each area examined when compared against our chosen baselines. However, our air travel emissions have risen, largely due to an increase in international air travel post-COVID and the distance to overseas destinations.

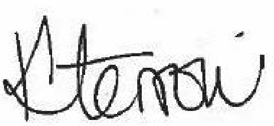
We intend on continuously improving the quality of our data collection by: Working with our two main landlords, the Department of Health and Social Care, and the Government Property Agency to better our estate data. Working with our Digital team, and our 3rd party suppliers, to generate more detailed reports on our ICT data. We also plan to generate guidance pieces and establish strict workflows on how data collection should be undertaken to reduce mistakes and improve upon the overall quality of the data.

Finances:

All the below figures refer to expenditure for 2022/23 financial year.

Estate Expenditure	
Electricity	£126,750.87
Gas	£1,011.83
Water	£22,687.27
Total	**£150,449,97**

Travel Expenditure	
Air	£ 37,750.97
Rail	£ 667,920.90
Car Hire	£ 126,872.90
Car Expenses	£ 846,167.14
Total	**£ 1,678,711.91**



Kate Terroni
Interim Chief Executive

23 July 2024

2

Accountability Report

The accountability report consists of 4 sections:

Corporate governance report

The corporate governance report provides an explanation of how the organisation is governed, how this supports our objectives and how we make sure that there is a sound system of internal control allowing us to deliver our purpose and role.

Governance statement

The Care Quality Commission (CQC) is an executive non-departmental public body established by legislation to protect and promote the health, safety and welfare of people who use health and social care services and as the regulator of all health and adult social care services in England.

Our statutory functions are set out principally in the Health and Social Care Act 2008 ("the 2008 Act"), together with the Health and Social Care Act 2012 and the Care Act 2014. There is additional relevant primary and secondary legislation.

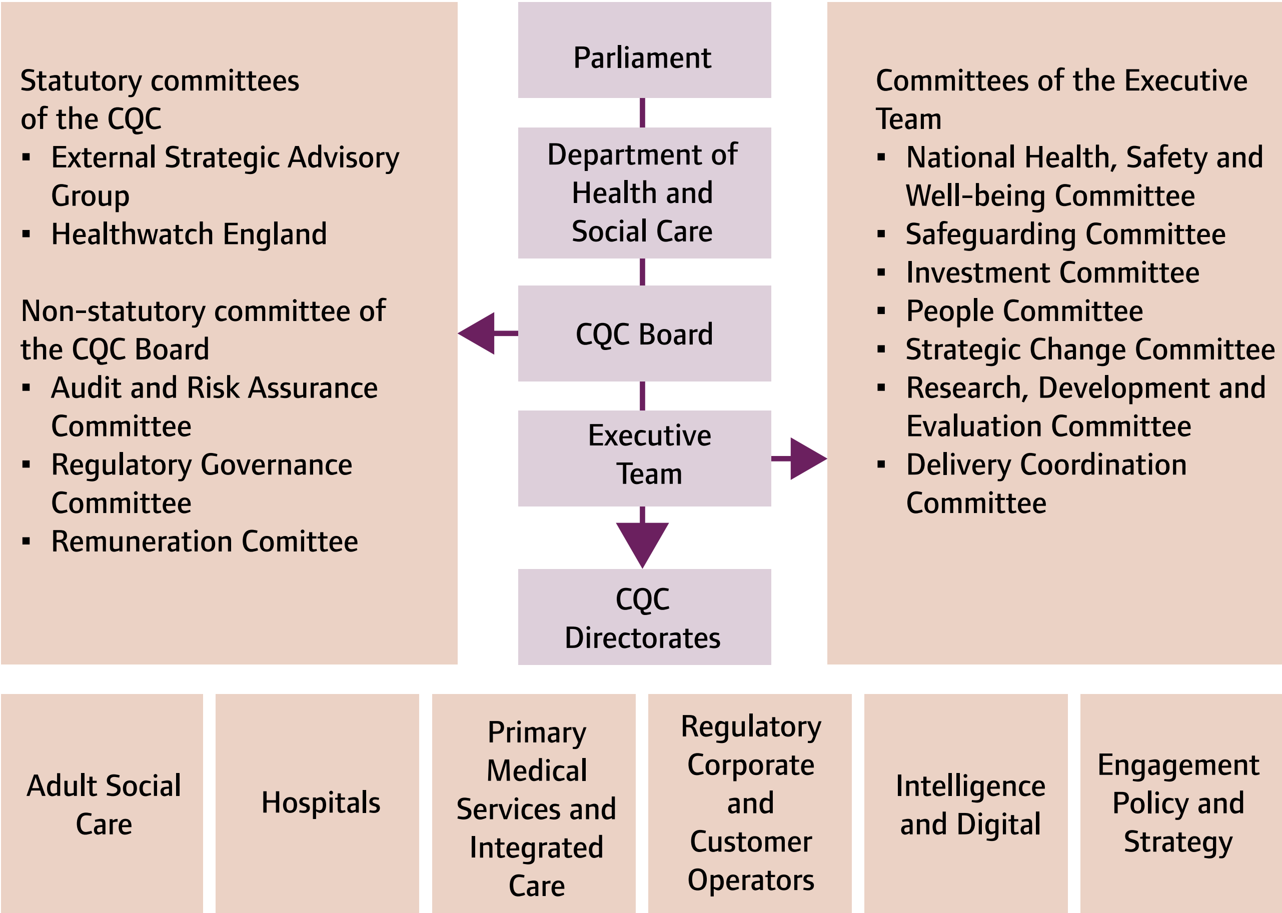
The powers and constitution of CQC's Board are derived from Schedule 1 to the 2008 Act, and regulations made under it in 2012 and again in May 2014, that make provision for Board membership.

As an Arms-Length Body, we aim to have a good working relationship with our Sponsor Department, the Department of Health and Social Care (DHSC), where our responsibilities and accountabilities are clear and delivered through appropriate governance arrangements in line with the principles of the UK Corporate Governance Code. We have a Framework Document with DHSC which sets out our purpose, governance and accountability, management and financial responsibilities and reporting procedures.

CQC's governance framework and structures

Our corporate governance framework describes the governance arrangements of the organisation and how they help make sure that our leadership, direction and control enables long-term success. This document can be found on our website.

Figure 15 – CQC's governance structure



CQC's Board

Purpose and leadership

The Board has key roles that are set out in legislation and in our framework agreement with the Department of Health and Social Care (DHSC). These are reflected in our corporate governance framework and other related governance documents. There have been no significant departures from the processes set out in these documents during the year.

The Board carries out a range of business in line with its main responsibilities, which are to:

- provide strategic leadership to CQC and approve the organisation's strategic direction
- set and address the culture, values and behaviours of the organisation
- assess how CQC is performing against its stated objectives and public commitments.

In response to the findings of the Board Evaluation carried out in October 2021, the Board decided on 18 May 2022 to reduce the number of times the Board meets in a year, with Board Strategy Days held twice a year. The Board met 8 times over the course of the financial year – though some of these meetings took place virtually where rail industrial action meant that face-to-face meetings were not possible. The Board meets both in public and private session throughout the year and the public sessions, both online and in-person, have been recorded and are available to view on our website following each meeting. Our public sessions were live streamed as well as being recorded.

In relation to performance, at each meeting, the Board:

- receives information setting out our current performance, including the latest risk register and financial position
- reviews details of activity to address where performance is under business plan targets

The Board also provides strategic oversight of the transformation programme and has worked with senior leadership on benefits realisation and to shape its scope. The Board also receives regular reports on issues such as information and cyber security risk. Further information on data security is included on page 65. Papers and data which are received by the Board to support decision making are generally of a good standard, but we continue to keep this under review.

The Board is committed to following the same standards of governance that we would expect of providers when assessing whether they are well-led. It has done this by providing oversight and challenge on key issues. Through the scrutiny of the Audit and Risk Assurance Committee, the Regulatory Governance Committee and in Board meetings, the Board seeks assurance that there are systems, processes and accountabilities for identifying and managing risks and to enable CQC's continued regulatory oversight across health and social care.

The Board reviews our corporate risk register on a quarterly basis, and our Executive Team have a risk discussion monthly. Further scrutiny of risk controls and mitigating actions is undertaken as part of the risk discussion at Audit and Risk Assurance Committee. In 2021/22 the Board commenced a review of our approach to categorising and recording risk which has led to changes in the format and information held on the risk register so that it now shows clear risk appetites for each risk category. All development was done in line with Governments 'The Orange Book – Management of Risk'.

Board composition

Our unitary Board is made up of our Chair (Ian Dilks) and up to 14 Board members, the majority of whom must be non-Executive members. The composition of the Board as at 31 March 2023 was the Chair, 3 further non-Executive members, 2 Associate Non-Executive members, our Chief Executive (who is also the Accounting Officer), our 2 Chief Inspectors, and our Chief Operating Officer (who acts in a dual capacity as Chief Inspector of Adult Social Care).

There were a number of changes to our Board membership over the financial year:

- Mark Saxton retired from his role as Non-Executive Director and Senior Independent Director on 28 February 2023 and was replaced as Senior Independent Director by Mark Chambers.
- Robert Francis KC also retired from his role as Non-Executive Director on 15 November 2022.
- Sally Cheshire resigned as Non-Executive Director on 31 December 2022.
- Rosie Benneyworth, our Chief Inspector of Primary Medical Services and Integrated Care, and Kirsty Shaw, our Chief Operating Officer, resigned on 31 July 2022 and 12 August 2022 respectively.
- Dr Sean O' Kelly's remit as Chief Inspector of Hospitals was expanded to include Primary Medical Services from 1 August 2022.

- Kate Terroni took up the dual role of Chief Operating Officer and Chief Inspector of Adult Social Care on 1 August 2022 on an interim basis.
- Jora Gill's term as a Non-Executive Director ended on the 31 October 2022 and he was appointed an Associate Non-Executive Director from 1 November 2022.

Subsequent to the year end:

- Dr. Ali Hasan became a Non-Executive Director from 1 June 2023 having been an Associate Non-Executive Director up to that date
- Christine Asbury, Dr Mark Chakravarty and Professor David Croisdale-Appleby were all appointed as Non-Executive Directors on 1 June 2023. Professor David Croisdale-Appleby is also Chair of Healthwatch England.
- Jora Gill's term as an Non-Executive Director ended on the 31st October 2022 and he was appointed as Associate Non-Executive Director from 1 November 2022. .

Subsequent to the year end:

Jora Gill's term as an Associate Non-Executive Director ended on 31 May 2023.

Dr. Ali Hasan became a Non-Executive Director from 1 June 2023 having been an Associate Non-Executive Director up to that date

Christine Asbury, Dr Mark Chakravarty and Professor David Croisdale-Appleby were all appointed as Non-Executive Directors on 1 June 2023. Professor David Croisdale-Appleby is also Chair of Healthwatch England.

James Bullion, Chief Inspector of Adult Social Care and Integrated Care, Mark Sutton, Chief Digital and Data Officer, and Tyson Hepple, Executive Director of Operations, were all appointed as Executive Board members on 28 November 2023.

Charmion Pears was appointed Non-Executive Director and Chair of the Audit and Risk Assurance Committee on 1 February 2024.

Ian Trenholm stood down as CQC's Chief Executive and Executive Board member from 28 June 2024 with Kate Terroni appointed as Interim Chief Executive. As an executive non-departmental public body, CQC's Non-Executive Board appointments are made by ministers within our sponsor department, the Department of Health and Social Care. The department oversees the Care Quality Commission in its delivery of effective corporate governance.

Biographies of all our Board members and their declarations of interest are on our website.

Board Committees

Audit, Risk and Assurance Committee

This committee met four times for the year to consider matters relating to financial reporting, risk management and internal controls, whistleblowing, internal audit and external audit. Committee meetings were attended by committee members and independent members as well as the National Audit Office (NAO), the CQC's internal auditors and a representative from the Department of Health and Social Care (DHSC).

The committee's main business included risk tolerance, risk management and management assurance; emerging risks in our regulatory governance approach; emerging risks in relation to the transformation programme; internal and external audit reports and action plans; and counter fraud.

Remuneration Committee

This committee met five times for the year to consider matters in relation to Executive remuneration, pay and reward policy, succession planning and senior talent management.

Its main business during the year included management of change, redundancy payments, voluntary exit scheme, creation of new Executive roles, the recruitment of the Chief Inspector of Hospitals, and Executive Team contractual changes.

Regulatory Governance Committee

The committee met twice for the year to consider matters relating to our regulatory approach and effectiveness. Its main business included reviewing planned changes to the regulatory model and reviewing policies and processes across registration, monitoring, inspecting, rating, enforcement and Independent Voice.

Figure 16 – Board and committee membership and attendance to 31 March 2023

Name	Role	Position	Term of appointment	Attendance[1] Board	ACGC/ ARAC	RGC	Rem Com	ACGC Sub-Com
Ian Dilks OBE	Non-Executive	Chair and Chair of RemCom	1 April 2022 – 31 March 2025	8/8			5/5	
Ian Trenholm	Executive Director	Chief Executive	30 July 2018	8/8				
Dr. Sean O'Kelly	Executive Director	Chief Inspector of Health Care	20 June 2022	5/6				
Dr. Rosie Benney-worth	Executive Director	Chief Inspector of Primary Medical Services and Integrated Care	4 March 2019 – 31 July 2022	4/4				
Belinda Black	Non-Executive Director		1 May 2021 – 30 April 2024	8/8		2/2	5/5	
Sally Cheshire CBE	Non-Executive Director	Chair of ARAC and ACGC sub com	4 January 2021 – 31 December 2022	6/7	3/3	1/1	4/4	2/2
Mark Chambers	Non-Executive Director	Chair of RGC	4 January 2021 – 3 January 2024	8/8	4/4	2/2	5/5	
Sir Robert Francis QC	Non-Executive Director	Chair of Healthwatch England from 2018	1 July 2014 – November 2022	3/4			1/3	
Jora Gill2	Associate Non-Executive Director4		1 November 2016 – 31 May 2023	7/8	4/4		4/5	2/2
Dr. Ali Hasan3	Non-Executive Director		4 January 2021 – 3 May 2026	8/8	4/4		5/5	2/2
Stephen Marston	Non-Executive Director		4 January 2021 – 3 January 2024	8/8		2/2	3/5	
Mark Saxton	Non-Executive Director		1 March 2018 – 28 February 2023	8/8	2/3		4/5	2/2
Kirsty Shaw	Executive Director	Chief Operating Officer	1 October 2018 – August 2022	4/4				
Kate Terroni	Executive Director	Interim Deputy Chief Executive	1 May 2019	7/8				
Jeremy Boss	Independent member of ACGC/ARAC	Chair of ARAC5	1 January 2020 – 31 December 2023		3/4			
David Corner	Independent member of ARAC/ACGC		1 January 2020 – 31 December 2024		4/4			

Notes:

1 The first figure shows the number of meetings attended and the second figure shows the number of meetings it was possible to attend. For example, there were 8 Board meetings that Ian Trenholm could have attended, and he was able to attend all 8 (represented as 8/8). Greyed cells indicate that the person is not a member of that committee, although Non-Executive Directors do also attend those committees of which they are not formally members.

2 Jora Gill was a Non-Executive Director from 1 November 2016 to 31 October 2022 and an Associate Non-Executive Director from 1 November to 31 May 2023.

3 Dr Ali Hasan was an Associate Non-Executive Director from 4 January 2021 to 31 May 2023 and then a Non-Executive Director from 1 June 2023.

4 The role of Associate Non-Executive Director is an appointment to the Board similar to a Non-Executive Director.

Although an Associate Non-Executive Director attends Board meetings and contributes fully to the issues being considered, they are not able to vote on any matters, should this be required.

5 Jeremy Boss is the Chair of the ARAC on an interim basis until recruitment is completed and an appointment made by DHSC.

Key:

ACGC/ARAC = Currently Audit and Risk Assurance Committee, previously Audit and Corporate Governance Committee

RGC = Regulatory Governance Committee

RemCom = Remuneration Committee

ACGC sub-com = ACGC sub-committee on transformation, this committee was dis-established on 8 June 2022

Performance Evaluation

An internal Board Effectiveness Review was conducted by our Board Secretariat in March 2023. There were no new significant issues arising, although some of the actions agreed in response to the external review conducted in October 2021 remain in progress.

Risk management

Our framework

Our corporate risk framework covers the identification and management of risks to the delivery of our purpose, strategy and business plan. We use the 3 lines of defence model in managing, monitoring and independently assuring risk. Our risk framework and guidance supporting it defines risk responsibilities in the organisation as follows:

Governance

The Board; The Audit and Risk Assurance Committee; The Regulatory Governance Committee

All staff	**All managers**	**Directors** (Directorates)	**Senior leadership**	**Audit**
Can recognise, assess and manage risks in their business area Identify cross-CQC risks Know how to escalate risks outside their control	Should support a positive risk culture in their teams by: Discussing risks with their people Ensuring people understand risk principles, and how to escalate risks Take responsibility for risks escalated to them – and feedback to staff who raise them Understand which risks they are managing, where the risks are recorded and how they are monitored	Identify and manage their Directorate risks through risk registers. Regularly monitor risk actions and escalate risks appropriately. Understand their responsibilities in managing risks in the Corporate risk register.	ET* monitors the highest-level risks, escalating these to DHSC where appropriate (*Advised by a Senior managers risk group known as the SLT30 risk group	Review risk framework and provide independent challenge and assurance
1st line of defence			**2nd line of defence**	**3rd line of defence**

We see the effective management of risks to the delivery of our purpose (corporate risk) as critical to our assurance and governance. During 2022/23 we began a transformation of our risk management approach. The CQC Board agreed 6 new risk categories for corporate risks. The Board agreed an overall category level risk appetite for each one.

Risk category	Category appetite level
Strategy risk	Open – willing to consider all options and choose one that is most likely to result in successful delivery.
People Risk	
Operational Risk	Cautious – preference for safe business delivery options that have a low degree of residual risk.
External Risk	
Reputational Risk	
Security Risk	
Financial Risk	Minimalist – preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver.

The Executive team and the Board held a number of horizon-scanning discussions before agreeing 25 Strategic level risks within the risk categories (set out in the 'Risks we managed in 2022/23' section below), with further discussions refining these risks and determining a risk level appetite and tolerance for each one.

Our strategic and high-level corporate risk register is regularly reviewed and monitored, with risk discussions occurring at various levels across CQC from the Board level to Directorate levels, to ensure appropriate escalation and mitigation of risks at all times. DHSC reviews the risk register as part of a quarterly budget and assurance meeting and at a quarterly accountability meeting, where CQC's finance position and performance delivery are also discussed.

However, we recognise we need to make further significant progress to develop our approach to risk management in CQC in the coming year, and to support this, discussions are advanced in respect to introducing a software package to support our risk management; and the resourcing and skills requirements for roles across CQC that support the risk management process.

Risks we managed in 2022/23

Strategy risks:

- Our strategy does not match the current needs of the sector.
- We do not have effective governance and risk management frameworks in place.
- We do not deliver our organisation transformation effectively.
- We do not obtain enough feedback from people to ensure that user voice is central to our regulatory activity.
- We are unable to obtain the right data from external stakeholders to accurately assess the risk in services we regulate.
- We do not have enough quality data to be an intelligence-based regulator that shares information with others so they can act.
- We are unable to drive improvement and therefore do not add value to the health and social care sector.

Operational risks:

- Our operational workforce is not as productive as it should be.
- We do not make an accurate and timely assessment on the quality of care for people using services.
- Our operational workforce does not comply with policies and procedures.
- Our operational processes and controls are not flexible enough to respond to changing demands and priorities.
- There is the risk that business continuity and IT disaster recovery arrangements do not meet business needs.
- If risk within the sector significantly increases, there is a risk that we do not have operational resources to respond in a timely manner.

Reputational risks:

- We do not have a productive relationship with key stakeholders.
- The current legislation is inappropriate to cope with innovations.

People risks:

- We cannot attract and retain our workforce.
- Our colleagues don't have the appropriate skills (including clinical skills).
- Our colleagues are insufficiently engaged in our culture change and ways of working.
- We have not delegated roles and responsibilities appropriately, clearly and/or effectively.

Security risks:

- Interruption to our technology systems due to ransomware or other malign attacks.
- Unauthorised access to our systems and misuse of information we hold.

Financial risks:

- The fees we charge are considered to be excessive by those we regulate.
- We do not get appropriate funding to deliver our commitments.
- We do not have appropriate departmental controls and financial oversight.

Our most significant focus over the year has been in the following areas:

- We have had challenges in recruiting specialist technology, intelligence and legal roles, which has been a risk that we have had to take additional action to mitigate. Our people survey and other sources have identified risks in relation to engaging our colleagues in our culture change and ways of working.
- Although we are completing our technology and business change, there is a risk that our legacy systems do not meet the business need.

- We have set an ambitious organisational transformation and we need to closely monitor the risk of delivery both the transformation programme and also the aspirations of our strategy, such as driving improvement in the sector.
- As we change our regulatory methodology and technology, there is a risk of the impact on our operational colleagues, specifically on their productivity and ability to deliver their regulatory activity.

In all these areas we continue to monitor the risks and work to build assurance and effective mitigation.

Management assurance

CQC has a management assurance framework that has been designed to seek assurance from all parts of the organisation that internal controls are working effectively. Regular assessments against standards within the framework inform our risk control assurance process and help to identify where our risks are increasing or where there are new risks.

There are 6 management assurance areas:

1. Performance planning and risk
2. Financial management systems and controls
3. People management and development
4. Information and evidence management
5. Continuous improvement
6. Governance and decision-making.

We carried out assessments against standards in the framework in January 2023. The assessment process showed that 43% of standards are met in full; 39% partly met; and 18% not met. Because we reviewed and updated the standards during 2022, a direct comparison with the previous year is not possible.

Directorates did less well on:

- our 95% targets for required learning completion by colleagues
- having structures in place for taking forward quality improvement activity
- the responses from their people to staff survey questions about being clear about how their work contributes to achieving the objectives of the organisation, and being informed about the changes happening as part of our transformation programme.

Directorates have action plans in place to enable them to make improvements as a result of the assessments, and further assessment will gauge the progress that has been achieved.

We will continue to review the management assurance process against our developing approach to quality management and risk control monitoring, to ensure these processes correspond.

Other areas of assurance

Freedom to Speak Up

During 2023, CQC's Board approved a new Freedom to Speak up policy, which was prepared following the guidance from NHS England and National Guardian Office. It is part of a wider cultural drive to build confidence and encourage colleagues to speak up well. The policy follows national best practice in relation to speaking up arrangements for organisations. It is intentionally short and is written to be inclusive for all workers at CQC including those who are contractors or specialist advisors.

The policy makes it clear that line managers have a responsibility for nurturing a positive speaking up culture in their teams and that they are pivotal in supporting colleagues. They are also usually the people who offer the easiest and simplest way of resolving matters. The new policy is an important first step and further work is needed to build a vibrant speak up culture.

In March 2023, we published 2 reports designed to improve how we listen to, learn from and act on concerns raised within the sector. These reports followed the outcome of an employment tribunal in October 2022 where the findings were highly critical of the Care Quality Commission. We since commissioned and published a barrister-led independent review to determine whether we had taken appropriate regulatory action where health and care staff had shared information with us.

We also undertook and published a second listening, learning, responding to concerns review to explore wider issues related to our culture and processes.

This second report acknowledged there had been a lack of proactive support for the CQC Guardian. The 2 Guardian posts that were vacant in 2022/23 were not replaced and administrative support had been withdrawn. The remaining Guardian has continued to support people within the limitations of the available resource. However, we have recognised the need to invest in the Freedom to Speak Up Guardian role and in line with the recommendations of the Listening Learning and Responding to concerns review, we are reviewing the number required to cover the whole organisation and giving protected time to enable the role to be carried out in full.

The National Guardian's Office has an improvement tool that organisations are encouraged to use to assess their Freedom to Speak up arrangements and identify areas for improvement. The Board has agreed to complete this tool, which will support us to make recommendations for further improvements to our arrangements.

Security

Information and cyber security are important areas of focus at CQC. As in previous years, there has been ongoing improvement work throughout 2022/23 as we strive to improve our resiliency to an evolving cyber threat landscape.

This includes observed changes to prime threats, threat actors and attack vectors affecting organisational security risk posture, mitigation measures and focuses. The Russia-Ukraine conflict reshaped the threat landscape during the reporting period, with increased attacks on Global Cloud Infrastructure also reflected across CQC Azure environments, pivoting our cyber operations focus. Malware, social engineering, and insider threats (by way of inadvertent data breaches) continue to be our main vectors, although we continue to be vigilant of the threat that supply chain subversion, zero day/critical vulnerabilities and ransomware pose to CQC and are equally taking steps to mitigate these risks.

Numbers of security incidents have grown steadily over the 2022/23 financial year due to the evolving cyber threat landscape, a maturing security monitoring capability and positive results from security awareness campaigns focused on collective responsibility and championing staff to report suspected or confirmed information security incidents. In total, the Security team has resolved 1,553 incidents of varying nature, including malware infections, social engineering (including phishing), data breaches, account compromises, and network intrusions, with 20 of these being significant incidents requiring a specific response and recovery effort and response. Examples including attempted intrusions, multiple-device malware infections and targeted multi-user phishing campaigns.

Data breach incidents were consistently low throughout the year with 115 reported in total. One data breach was reported to the Information Commissioner's Office (ICO) in line with NHS Egland DSPT guidelines. Hardware losses remain low with 20 lost devices, and 430 low commodity phishing attacks were conducted against CQC.

We continue to liaise with the Department of Health and Social Care, NHS England & Improvement, NHS Digital and the Information Commissioner's Office on matters of information security and privacy.

There continues to be a low number of cases being reported and investigated in relation to fraud, bribery and corruption. We have received 6 allegations against members of CQC staff. All these allegations have been fully investigated and 4 have been closed as there was no evidence to substantiate them. There does appear to be evidence to suggest that there may be other reason for concern in 2 of the cases and these are both currently still active.

Conclusion

The work we have done in the year with the Board and Executive team in reviewing our risks, and setting appetite and tolerance levels for risks, has enabled us to start to improve the quality of our risk management, with more to do. We need to make further progress to develop our assurance relating to risk management, and to mature the organisation's approach more widely at the directorate and team levels in the coming year. The introduction of dedicated software for risk and the strengthening of our central risk team will be central to this.

Our management assurance assessment process remains an important method for gaining assurance and facilitating improvement in key areas of management responsibility. While we made useful improvements to the process aided by Internal Audit, who reported on the process at the start of the year, we need to ensure this works in a complementary way with our developing approach to risk assurance and quality assurance. Our directorates need to ensure that we act on identified areas for improvement against the standards.

Head of Internal Audit opinion

Reasonable or moderate assurance. Governance, risk management and control in relation to business-critical areas is generally satisfactory. However, there are some areas of weakness and/or non-compliance in the framework of governance, risk management and control, which potentially put the achievement of objectives at risk. Some improvements are needed in those areas to enhance the adequacy and/or effectiveness of the framework of governance, risk management and control.

Basis of opinion

Our opinion is based on:

- all audits undertaken during the year
- any follow-up action taken in respect of audits from previous periods
- any significant recommendations not accepted by management and the resulting risks
- the effects of any significant changes in the organisation's objectives or systems
- any limitations that may have been placed on the scope or resources of internal audit
- the proportion of the organisation's audit needs that have been covered to date.

Purpose of the annual opinion

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based on and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management, and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

We are satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given about the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

Compliance with the code of ethics and internal audit standards

We have a firm, wide internal audit methodology that is aligned to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. This is designed to standardise the approach to conducting internal audit engagements. All our work is documented in our dedicated internal audit software, which sets out the procedures needed to achieve compliance with the standards. The inbuilt workflow functionality ensures that work is adequately documented and reviewed before results are shared. This is further supported by relevant training, supervision and review of the work performed by those with adequate experience and skill in the relevant areas. We also review a random selection of engagements to ensure they comply with the firm's requirements and have appropriately followed the internal audit methodology.

We can confirm that our work has been performed in accordance with this methodology.

Scope of the report

This report outlines the internal audit work we have carried out for the year ended 31 March 2023.

We would like to take this opportunity to thank CQC's staff, for their co-operation and assistance provided during the year.

Governance, risk management and internal control

Our programme included a focus on strategy and key transformation programmes in addition to governance, risk management and other elements of internal control.

As at August 2023, we have completed the fieldwork and issued reports for 15 internal audit reviews. From this, we have identified the following risk findings:

- 2 high risk
- 20 medium risk
- 6 low risk
- 10 advisory rated

We will use these to improve weaknesses in the design of controls and/or operating effectiveness. No critical risk findings were reported.

Transformation reviews – regulatory platform

A high-risk report was issued during the year in relation to the regulatory platform programme. Shortly after this high-risk report was submitted, CQC completed its own gap analysis on the programme to determine what happened previously, alongside reviewing the audit recommendations to ensure they apply the right mitigations to prevent this from happening again.

We have performed 2 further follow-up reviews, specifically in relation to the regulatory platform programme. A further review into the regulatory programme (Deep Dive – Planning and Governance) was completed during May/June 2023 and has been classified as a Medium risk report. This review comprised a deep dive into CQC's governance and planning approach for the regulatory transformation 'new' programme following the reset.

Regulatory programme

Reporting produced in the Programme Board packs for senior programme stakeholders was not aligned to the Programme Business Case to contextualise the long-term delivery and spend profile of the programme. Within the reporting for the current year, project managers took a mixed approach in reporting the percentage of completed figures relevant to their project line. There was no reporting to provide an understanding of the progress of Service Design in mapping DevOps items, and no DevOps delivery plan reporting that would provide an overview of current delivery metrics.

IR35

We tested a sample of 20 contractors falling under the scope of IR35. This identified a lack of awareness of the existing process, as we highlighted 4 instances where the hiring managers did not follow the process. This meant we were unable to inspect evidence of approval being granted in some cases. Furthermore, the 'Off Payroll Workers IR35 Internal Process' requires staff to "save email and determinations on workers' P files that have been set up for audit purposes". For 13 out of 20, we could not locate any evidence of the second determination being provided to the worker, and 5 out of 20 did not have evidence of appropriate approval response stored in the P file.

Accounting Officer's conclusion

Our regulatory and organisational transformation has continued this year following the launch of our strategy in May 2021 for the changing world of health and social care. Our internal auditor's work has therefore focused on reviews to support the effective delivery of the regulatory programme. We have found many areas of good practice, and have worked to implement the agreed actions from the recommendations made to support successful delivery.

The Head of Internal Audit has provided an annual opinion providing reasonable / moderate assurance that there are adequate and effective systems of governance, risk management and control. We note that improvements are suggested in some areas to enhance the adequacy and/or effectiveness of the framework of governance, risk management and control and these will be implemented.

I agree with their conclusion.

CQC has complied with HM Treasury's Corporate Governance in Central Government Department's Code of Good Practice to the extent that they apply to a non-departmental public body.

I conclude that CQC's governance and assurance processes have supported me in discharging my role as Accounting Officer. I am not aware of any significant internal control problems in 2022 to 2023. Work will continue to maintain and strengthen the assurance and overall internal control environment in CQC.

Statement of Accounting Officer's responsibilities

Under the Health and Social Care Act 2008, the Secretary of State for Health and Social Care has directed CQC to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of CQC and of its income and expenditure, Statement of Financial Position and cash flows for the financial year. This annual report and accounts was prepared on time during 2022/23. The lateness of publication is due to delays in the audit of local authorities and their pension schemes, which is beyond our control and also affects other organisations. I have reviewed the information contained in the report and accounts, which has been updated to ensure it remains accurate for the reporting period and relevant.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by the Secretary of State for Health and Social Care, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Secretary of State for Health and Social Care has appointed the Chief Executive as the Accounting Officer of CQC. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding CQCs assets are set out in Managing Public Money, published by HM Treasury.

As Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that CQC's auditors are aware of that information. So far as I am aware, there is no relevant audit information which the auditors are unaware.

Remuneration and people report

This section provides details of the remuneration (including any non-cash remuneration) and pension interests of Board members, independent members, the Chief Executive and the Executive team. The content of the tables and fair pay disclosures are subject to audit.

Remuneration report

Remuneration of the Chair and non-executive Board members

Remuneration for non-executive Board members is determined by the Department of Health and Social Care based on a commitment of 2 to 3 days a month.

There are no provisions in place to compensate for the early termination or the payment of a bonus in respect of non-executive Board members.

The Chairman and non-executive Board members are also reimbursed for expenses incurred in fulfilling their commitments to CQC. Expenses are grossed up to account for the tax and national insurance due, in accordance with HMRC rules.

Non-executive Board members are not eligible for pension contributions or performance-related pay as a result of their employment with CQC.

Figure 17 – Emoluments for the Chairman and non-executive Board members (subject to audit)

	2022/23			2021/22		
	Salary (bands of £5,000) £000	Benefits in kind (taxable)[1] to nearest £100 £	Total (bands of £5,000) £000	Salary (bands of £5,000) £000	Benefits in kind (taxable)[1] to nearest £100 £	Total (bands of £5,000) £000
Ian Dilks OBE (Chair)	60–65[2]	1,500	**60–65**			
Peter Wyman CBE DL (Chair)				60–65[7]	4,100	**65–70**
Sir Robert Francis QC	20–25[3]	200	**20–25**	30–35	–	**30–35**
Jora Gill	5–10	1,400	**5–10**	5–10	800	**5–10**
Mark Chambers	5–10	600	**5–10**	5–10	500	**5–10**
Dr. Ali Hasan[9]	5–10	400	**5–10**	5–10	200	**5–10**
Stephen Marston	–[4]	400	**0–5**	–[4]	–	**–**
Belinda Black	5–10	2,800	**10–15**	5–10[8]	1,300	**5–10**
Mark Saxton	5–10[5]	4,500	**10–15**	5–10	600	**5–10**
Sally Cheshire CBE	10–15[6]	1,300	**10–15**	10–15	1,100	**10–15**

Notes:

1 Benefits in kind (taxable) relate to taxable expenses incurred by members in the fulfilment of their commitments to CQC.

2 Ian Dilks OBE was appointed as CQC's new chair on 1 April 2022, full-year equivalent salary £60-65k.

3 Sir Robert Francis QC retired on 15 November 2022, full-year equivalent salary £30-35k.

4 Stephen Marston chose not to receive remuneration for his role.

5 Mark Saxton resign on 28 February 2023, full-year equivalent salary £5-10k.

6 Sally Cheshire CBE resign on 31 December 2022, full-year equivalent salary £10-15k.

7 Peter Wyman CBE DL's appointment expired on 31 March 2022, full-year equivalent salary £60-65k.

8 Belinda Black was appointed on 1 May 2021, full-year equivalent salary £5-10k.

9 Dr. Ali Hasan role was as an Associate Non-Executive Director during the period.

Payments to independent members of ARAC (subject to audit)

Independent members of the Audit and Risk Assurance Committee (ARAC) are paid fees on a per meeting basis and are reimbursed for expenses incurred in fulfilling their commitments to CQC.

Figure 18

	2022/23			2021/22		
	Fees (bands of £5,000) £000	Benefits in kind (taxable)[1] to nearest £100 £	Total (bands of £5,000) £000	Fees (bands of £5,000) £000	Benefits in kind (taxable)[1] to nearest £100 £	Total (bands of £5,000) £000
Jeremy Boss	0–5	100	**0–5**	0–5	–	**0–5**
David Corner	0–5	–	**0–5**	0–5	–	**0–5**

Notes:

1 Benefits in kind (taxable) relate to taxable expenses incurred by members in the fulfilment of their commitments to CQC.

Remuneration and pension benefits of the Executive team

Remuneration

The Chief Executive and members of the Executive team (ET) are employed on CQC's terms and conditions under permanent employment contracts.

The remuneration of the Chief Executive and the ET members was set by the remuneration committee and is reviewed annually within the scope of the national pay and grading scale applicable to arm's length bodies (ALBs).

For the Chief Executive and ET, early termination, other than for gross misconduct (in which no termination payments are made), is covered by their contractual entitlement under CQC's redundancy policy. Contracts of ET members include three months' notice and termination payments are only made in appropriate circumstances. They may also be able to access the NHS pension scheme arrangements for early retirement, depending on age and scheme membership. Any amounts disclosed as compensation for loss of office are also included in our **people report** .

Salary includes gross salary, overtime, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

No performance pay, bonus or compensation for loss of office were paid to any member of the ET, or former members, during 2022/23.

The monetary value of benefits in kind covers any payments or other benefits provided by CQC, which are treated by HM Revenue and Customs (HMRC) as a taxable emolument. CQC operates several non-subsidised salary sacrifice schemes, including lease cars and home electronic vouchers, that are open to all permanent CQC staff, including members of the ET. The benefit-in-kind arising from these arrangements are included in this table, but it should be noted that the costs of the scheme are paid for by the employee.

Figure 19 – Remuneration of the Executive team (subject to audit)

	2022/23				2021/22			
	Salary (bands of £5,000) £000	Benefits in kind (taxable) to nearest £100[1] £	All pension related benefits (bands of £2,500)[2] £000	Total (bands of £5,000) £000	Salary (bands of £5,000) £000	Benefits in kind (taxable) to nearest £100[1] £	All pension related benefits (bands of £2,500)[2] £000	Total (bands of £5,000) £000
Ian Trenholm[9] Chief Executive	200–205	1,000	32.5–35	**235–240**	195–200	600	30–32.5	**225–230**
Mark Sutton Chief Digital Officer	145–150	–	35–37.5	**180–185**	140–145	–	32.5–35	**175–180**
Kate Terroni Interim Deputy Chief Executive	160–165	–	42.5–45	**205–210**	160–165	–	37.5–40	**195–200**
Tyson Hepple Executive Director of Operations	145–150	–	52.5–55	**195–200**	90–95[8]	–	7.5–10	**100–105**
Dr Sean O'Kelly Chief Inspector of Health Care	145–150[3]	–	–[4]	**145–150**				
Kirsty Shaw Chief Operating Officer	60–65[5]	500	17.5–20	**75–80**	140–145	2,200	30–32.5	**175–180**
Dr Rosie Benneyworth Chief Inspector of Primary Medical Services and Integrated Care	50–55[6]	300	5–7.5	**55–60**	160–165	400	30–32.5	**190–195**
Prof. Edward Baker Chief Inspector of Hospitals	10–15[7]	–	–[4]	**10–15**	180–185	–	–[4]	**180–185**

Notes:

1 Benefits in kind represent the monetary value of benefits, treated by HMRC as a taxable emolument, provided by CQC. Ian Trenholm, Kirsty Shaw and Dr Rosie Benneyworth have lease cars provided through a non-subsidised salary sacrifice scheme that is open to all permanent CQC staff including members of the ET.

2 All pension-related benefits calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The real increase exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.

3 Dr Sean O'Kelly was appointed on 20 June 2022, full-year equivalent salary £180-185k.

4 Pension-related benefits for Dr Sean O'Kelly and Prof. Edward Baker are £nil as both opted out of the pension scheme.

5 Kirsty Shaw resigned on 31 August 2022, full-year equivalent salary £140-145k.

6 Dr Rosie Benneyworth resigned on 31 July 2022, full-year equivalent salary £160-165k.

7 Prof. Edward Baker resigned on 27 April 2022, full-year equivalent salary £180-185k.

8 Tyson Hepple was appointed on 9 August 2021, full-year equivalent salary £140-145k.

9 Ian Trenholm resigned as Chief Executive on 28 June 2024.

Pension benefits

Pension benefits were provided through the NHS pension scheme for members who chose to contribute. Pension benefits at 31 March 2023 may include amounts transferred from previous employment, while the real increase reflects only the proportion of the time in post if the employee was not employed by CQC for the whole year.

Figure 20 – Pension benefits of the Chief Executive and ET (subject to audit)

	Real increase in pension at age 60 (bands of £2,500)	Real increase in pension lump sum at age 60 (bands of £2,500)	Total accrued pension at age 60 at 31 March 2023 (bands of £5,000)	Lump sum at age 60 related to accrued pension at 31 March 2023 (bands of £5,000)	Cash equivalent transfer value at 1 April 2022	Cash equivalent transfer value at 31 March 2023	Real increase in cash equivalent transfer value	Employers contribution to stakeholder pensions
	£000	£000	£000	£000	£000	£000	£000	£000
Ian Trenholm[6] Chief Executive	2.5–5	–	110–115	–	1,571	1,696	50	–
Mark Sutton Chief Digital Officer	2.5–5	–	10–15	–	104	146	19	–
Kate Terroni Interim Deputy Chief Executive	2.5–5	–	10–15	–	88	127	12	–
Tyson Hepple Executive Director of Operations	2.5–5	–	0–5	–	23	62	38	–
Dr Sean O'Kelly[1] Chief Inspector of Health Care	–[5]	–[5]	–[5]	–[5]	–[5]	–[5]	–[5]	–
Kirsty Shaw[2] Chief Operating Officer	0–2.5	–	10–15	–	127	163	13	–
Dr Rosie Benneyworth[3] Chief Inspector of Primary Medical Services and Integrated Care	0–2.5	(2.5)–0	25–30	30–35	364	391	5	–
Prof. Edward Baker[4] Chief Inspector of Hospitals	–[5]	–[5]	–[5]	–[5]	–[5]	–[5]	–[5]	–

Notes:

1 Dr Sean O'Kelly was appointed on 20 June 2022.

2 Kirsty Shaw left CQC on 31 August 2022.

3 Dr Rosie Benneyworth left CQC on 31 July 2022.

4 Prof. Edward Baker left CQC on 27 April 2022.

5 Pension benefits of Dr Sean O'Kelly and Prof. Edward Baker are £nil as both opted out of the pension scheme.

6 Ian Trenholm resigned as Chief Executive on 28 June 2024.

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity at CQC to which the disclosures apply.

The CETV figures include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the NHS pension scheme. They also include any additional pension benefit accrued to the member as a result of them purchasing additional years of pension service in the scheme at their own cost. CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement).

Fair pay (subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the 25th percentile, median and 75th percentile remuneration of the organisation's employees. Total remuneration of the employee at the 25th percentile, median and 75th percentile is further broken down to disclose the salary component.

The annualised banded remuneration of the highest paid director in CQC during 2022/23 was £200 to £205k (2021/22: £195 to £200k). The relationship of the highest paid director to the remuneration of the organisation's workforce is disclosed in figure 21 as a pay ratio:

Figure 21

	25th percentile	Median	75th percentile
2022/23			
Total remuneration (£)	35,705	42,543	49,856
Salary component of total remuneration (£)	34,846	42,000	49,440
Pay ratio information	5.7 : 1	4.8 : 1	4.1 : 1
2021/22			
Total remuneration (£)	36,231	41,319	48,334
Salary component of total remuneration (£)	35,717	40,805	48,334
Pay ratio information	5.5 : 1	4.8 : 1	4.2 : 1

The ratios have remained consistent with 2021/22 following a pay increase made to all colleagues in line with HM Treasury guidance. Colleagues in post on 1 September 2022 received a pay increase of between 2.75% and 3% across salaries, a 3% increase to allowances plus a one-off payment of at least £100.

The percentage change in total remuneration of the highest paid director compared to 2021/22 was an increase 2.75% and for CQC colleagues as a whole was an average increase of 1.9%.

In 2022/23, 4 individuals were all engaged as temporary specialist contractors to support our change programme and had annualised equivalent remuneration in excess of the highest paid director (compared with 4 in 2021/22). The calculation is based on the full-time equivalent employees of the reporting entity at the reporting period end date, on an annualised basis. Remuneration ranged from £20-25k to £220-225k (compared with £20-25k to £205-210k in 2021/22).

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

People report

1. Employee costs and numbers (subject to audit)

1.1 Employee costs

Figure 22 – Employee costs

	Permanently employed £000	Others £000	2022/23 total £000	2021/22 total £000
Wages and salaries	124,721	24,857	**149,578**	137,361
Social security costs	13,928	616	**14,544**	13,970
NHS pension costs	20,372	158	**20,530**	20,661
LGPS pension costs	3,250	140	**3,390**	3,448
Other pension costs	55	29	**84**	75
Apprenticeship levy	637	–	**637**	638
Termination benefits	2,255	–	**2,255**	3,014
Subtotal	**165,218**	**25,800**	**191,018**	**179,167**
less capitalised staff costs	(805)	(5,430)	**(6,235)**	(2,419)
less recoveries in respect of outward secondments	(481)	–	**(481)**	(1,720)
Increase in provision for pension fund deficits	2,108	–	**2,108**	2,393
Total	**166,040**	**20,370**	**186,410**	**177,421**

Figure 23 – Other employee costs

	2022/23 total £000	2021/22 total £000
Second opinion appointed doctors	2,907	3,131
Agency	11,703	3,212
Inward secondments from other organisations	1,215	1,243
Bank inspectors, specialist advisors and commissioners	4,545	3,043
Total	**20,370**	**10,629**

1.2 Average number of employees

Figure 24 – Average number of whole-time equivalent employees in 2022/23

	2022/23 Number	2021/22 Number
Directly employed	2,883	2,944
Other	98	47
Employees engaged on capital projects	53	33
Total	**3,034**	**3,024**

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'Other' includes agency staff and inward secondments from other organisations. It does not include bank inspectors, specialist advisors, commissioners or second opinion appointed doctors that are paid per session.

The actual number of directly employed whole-time equivalents as at 31 March 2023 was 2,906 (2,982 at 31 March 2022).

Staff turnover during 2022/23 was 15.6% (10.4% in 2021/22).Turnover has increased as we have carried out management of change restructures in our Intelligence and Operations directorates to support the implementation of our new strategy and operating model. Staff turnover is not subject to audit.

1.3 Pension information

The principal pension scheme for CQC employees is the NHS Pension Scheme and is used for automatic enrolment. Those not eligible to join the NHS Pension Scheme are enrolled with the National Employment Savings Trust (NEST). Due to legacy arrangements CQC also has active members in 13 local government pension schemes (LGPS).

Automatic enrolment applies to all employees under a standard contract of employment with CQC as well as Mental Health Act Reviewers, second opinion appointed doctors (SOADs) and all employees on casual or zero-hour contracts. All employees retain the option to opt out at any time.

NHS Pension Scheme

Past and present employees are covered by the provisions of the 2 NHS Pension Schemes. Details of the benefits payable and rules of the schemes are on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

To avoid the defined benefit obligations recognised in the financial statements differing materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This uses an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2023, is based on valuation data as 31 March 2022, updated to 31 March 2023 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% of pensionable pay.

The actuarial valuation as at 31 March 2020 is currently underway and will set the new employer contribution rate due to be implemented from April 2024.

Employer contributions for employees in the NHS Pension Scheme was 20.68% of each active member's pensionable pay during 2022/23 (20.68% in 2021/22). This rate includes an amount charged to cover the cost of scheme administration equating to 0.08% of pensionable pay.

For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs charged to expenditure was £nil (£nil in 2021/22).

Local government pension schemes (LGPS)

LGPS are primarily open to employees in local government, but also to those who work in associated organisations. The scheme is managed locally and invests pension funds within the framework of regulations provided by government. Details of the benefits payable and rules of the schemes are on the LGPS website at www.lgpsmember.org.

CQC inherited active membership in 17 local government schemes as part of legacy arrangements of predecessor organisations on formation. CQC membership in 4 of the original schemes has now ceased and at 31 March 2023, active membership was held in 13 schemes.

All remaining schemes are closed to new CQC employees. Under the projected unit method, the current service cost will increase as the members of the scheme approach retirement.

Employer contributions for 2022/23, based on a percentage of payroll costs only, were £2,287k (£2,496k in 2021/22), at rates ranging between 0% and 49.2% (0% and 49.2% in 2021/22). Employer contributions relating to the largest scheme, Teesside Pension Fund, were £2,035k (£2,239k in 2021/22) at a rate of 17.9% (17.9% in 2021/22).

During 2022/23, indexed cash sums were levied in addition to a percentage of payroll costs as part of a strategy to reduce fund deficits. In total, £1,002k (£994k in 2021/22) was paid to 7 of the 13 remaining pension funds, with amounts ranging from £14k to £515k (£14k to £515k in 2021/22). No additional sums were paid in respect of the largest scheme, Teesside Pension Fund.

National Employment Savings Trust (NEST)

The National Employment Savings Trust is a qualifying pension scheme established by law to support automatic enrolment.

Employer contributions based on a percentage of payroll costs totalled £84k for 2022/23 (£75k in 2021/22) at a rate of 3% (3% in 2021/22).

2. Exit packages (subject to audit)

To support the implementation of our new strategy and operating model, we have carried out management of change restructures in our Intelligence and Operations directorates. Management of change is an established process allowing individual colleagues to evaluate their skill sets against future organisational needs and, if appropriate, to take voluntary redundancy. The process also allows for a skills audit and includes opportunities for retraining and support in the new organisation structure. These restructures have led to further exit packages being recognised in 2022/23 and have been subject to approval by the Department of Health and Social Care's Governance and Assurance Committee (GAC). This includes a higher number of colleagues opting to take voluntary redundancy and early retirements, an analysis of which is included in the analysis of other departures table (figure 26).

Redundancy and other departure costs are paid in accordance with CQC's terms and conditions approved by the GAC. Where early retirements have been agreed, the additional costs are met by CQC and not by the individual pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the exit packages table below.

Figure 25 shows the total cost of exit packages agreed and accounted for in 2022/23 (2021/22 comparative figures are also presented) and are inclusive of employers national insurance contributions. Exit costs of £4,191k were paid in 2022/23, the year of departure (2021/22: £575k).

Figure 25

						2022/23		2021/22
Exit package cost band	**Compulsory redundancies**		**Other departures**		**Total exit packages**		**Total exit packages**	
	Number	**£**	**Number**	**£**	**Number**	**£**	**Number**	**£**
Less than £10,000	1	5,944	–	–	1	5,944	5	24,029
£10,000 – £25,000	–	–	1	21,422	1	21,422	21	333,077
£25,001 – £50,000	1	36,762	5	174,560	6	211,322	13	454,184
£50,001 – £100,000	–	–	11	811,272	11	811,272	5	359,792
£100,001 – £150,000	–	–	3	396,203	3	396,203	9	1,103,641
£150,001 – £200,000	–	–	2	363,771	2	363,771	4	679,063
More than £200,000	1	224,919	–	–	1	224,919	–	–
Total	**3**	**267,625**	**22**	**1,767,228**	**25**	**2,034,853**	**57**	**2,953,786**

None of the exit packages relate to individuals named in the Remuneration report (none in 2021/22).

Figure 26 – Analysis of other departures

	2022/23		2021/22	
	Agreements Number	**Total value of agreements £000**	**Agreements Number**	**Total value of agreements £000**
Voluntary redundancies including early retirement contractual costs	21	1,688	42	1,947
Mutually agreed resignations (MARS) contractual costs	–	–	–	–
Early retirements in the efficiency of service contractual costs	1	79	2	288
Contractual payments in lieu of notice	–	–	–	–
Exit payments following employment tribunals or court orders	–	–	–	–
Non-contractual payments requiring HM Treasury approval	–	–	–	–
Total	**22**	**1,767**	**44**	**2,235**

No non-contractual payments (£nil) were made to individuals where the payment value was more than 12 months of their annual salary.

3. Off-payroll engagements

As part of the Review of the tax arrangements of public sector appointees we are required to publish (through the Department of Health and Social Care) information about the number of off-payroll engagements that are in place where individual costs exceed £245 per day.

Figure 27

	Number
Number of existing engagements as of 31 March 2023	**66**
Of which, the number that have existed, at the time of reporting:	
for less than 1 year	56
for between 1 and 2 years	10
for between 2 and 3 years	–
for between 3 and 4 years	–
for 4 or more years	–

Figure 28 shows all off-payroll appointments engaged at any point between 1 April 2022 and 31 March 2023 that were for more than £245 per day:

Figure 28

	Number
Number of temporary off-payroll workers engaged between 1 April 2022 and 31 March 2023	**75**
Of which:	
number not subject to off-payroll legislation	33
number subject to off-payroll legislation and determined as in-scope of IR35	42
Of the temporary off-payroll workers engaged between 1 April 2022 and 31 March 2023:	
number engaged directly (via a Personal Service Company contracted to CQC) and are on our payroll	–
number of engagements reassessed for consistency or assurance purposes during the year	–
number of engagements that saw a change to IR35 status following the consistency review	–

During the year, 16 individuals were Board members and senior officials with significant financial responsibilities, none of who were engaged off-payroll.

We are committed to building in-house capacity, but we recognise that, with a significant element of our activity being project based, with peaks and troughs in requirements, making the best use of the temporary labour market is essential. Many of the workstreams within our change programme require specialist input on a temporary basis, and it is not always cost-effective to permanently recruit such skills. In the year we have seen an increase in our off-payroll engagements, which have enabled us to drive forward our transformation programme.

All existing engagements at 31 March 2023 have received approval from the Department of Health and Social Care. We continue to improve our assurance processes so that we categorise all engagements in line with best practice and to ensure that we remain compliant with HMRC's off-payroll working rules.

4. People plan

Our transformation will adapt how we do things to remain relevant, protect people and support providers to improve in a changing world. Our People Plan 2022 to 2025 has been developed to ensure that our people develop the skills and competence required to deliver individual, team and organisational success, where they feel valued in knowing that their contribution makes a difference. The aims of the plan are that our workforce works collaboratively and effectively and colleagues are trusted to deliver on our new ways of working as a confident, highly capable, motivated, and diverse workforce who exemplify the values and cultural expectations that we have all bought into.

Our priorities have been identified as the 3 components that will drive our people workforce strategy, deliver our transformation programme, and enable everyone to perform at their best.

Areas of priority are.

- Diversity and inclusion
- Employee engagement and insights
- Leadership and change

Our People Plan sets out a strategic vision for our workforce and how our people priorities will deliver our transformation from a people perspective, to ensure the services we deliver are timely, focused and work in parallel with the changing needs of the business.

5. People policies and engagement

Our people are involved in a wide range of consultation and engagement on policies in areas such as organisational change and future strategic direction, to make sure all views are heard.

We recognise UNISON, the Royal College of Nursing, the Public and Commercial Services Union (PCS), Unite, and Prospect for the purposes of collective bargaining and consultation. Representatives from across the unions make up our Joint Negotiation and Consultation Committee (JNCC). CQC's management collaborates with the JNCC on a range of issues affecting employees.

We also have a staff forum that represents the voices of all people in the organisation. Representatives come together to update the management team on the views of colleagues.

All our people management policies are legally compliant and follow the Advisory, Conciliation and Arbitration Service (ACAS) code of practice and best practice. We are currently carrying out a review of our People Management policies to check against best practice for Equality Act 2010 compliance. Supporting all our employees is at the heart of our organisational approach, including those with a disability alongside other colleagues with protected equality characteristics. More specifically, our policies on managing sickness absence, critical illness, and reasonable adjustments all make reference to the support available to employees with a disability.

Supporting and equipping line managers remains a high priority. Individual coaching and support is provided by Senior HR Advisors, with advice and guidance when a case arises, supplemented with briefings and presentations at team meetings.

We regularly review our people management policies to make sure they meet best practice guidelines, reflect changes to the culture of CQC, and enable us to support all colleagues to develop. We do this through the lens of inclusivity and caring, using qualitative and quantitative information. Our aim is to be person-centred and caring by improving the presentation, language and flow of the policy. Through our Equality Impact Assessment (EIA) framework, we ensure all our policies are accessible and that they promote inclusion for everyone. In our reviews, we always consult with representatives from the People directorate, the unions, the staff forum and the equality networks. We commit to taking action and apply scrutiny to policies and processes surrounding it to identify improvements. We will continue to engage with these groups to ensure these policies and procedures are updated in accordance with changes to legislation. The EIA framework will be refreshed annually to monitor performance and improve it where appropriate.

We currently have 5 fully supported equality networks. Our networks are key in supporting the delivery of our Diversity and inclusion strategy and Mental health and wellbeing strategy priorities and contributing effectively to organisational improvement. Our network chairs have a seat at Board meetings and are given protected time for their Chair and Vice Chair roles and network activities.

All our People Plan activity contributes to developing an inclusive culture where people can perform at their best and work in a way that supports physical and mental wellbeing.

We engage a wide network of colleagues regularly on diversity and inclusion and mental health and wellbeing to embed healthy and inclusive ways of working. Our assurance of best practice and continuous development comes through our benchmarking activity.

We continue to have good working relations with our joint trade union colleagues. We have met regularly both formally and informally discussing and exploring a wide range of topics. We are engaged fully on all aspects of the transformation, and this will continue.

6. Equality, diversity and inclusion

Our collective capacity to achieve our purpose is enabled through a healthy and engaged workforce, and as a regulator of health and social care it's important that we exemplify good practice. Our People Plan enables a clear focus on activity that enables this, including diversity and inclusion and wellbeing strategies.

Our colleagues work in a variety of roles across the organisation including in inspection teams, in our customer contact centre and in corporate or data and insight roles to support our regulatory activity. Having highly dispersed teams creates its own challenges and complexities in ensuring our diversity and inclusion ambitions reach all our people and everyone feels a sense of belonging to the organisation.

We are fully committed to ensuring we meet our legal responsibilities under the Equality Act 2010. Our approach and commitment to diversity and inclusion includes and goes beyond our legal responsibilities.

'Our inclusive future' is CQC's 3-year strategy, launched in 2020, focusing on diversity and inclusion for our colleagues and within our teams. The strategy sets out our ambition to achieve our vision of being a truly inclusive organisation where all our people are valued and make a difference.

We have 4 overarching strategic priorities to position diversity and inclusion at the heart of everything we do:

- inclusive leadership and accountability
- inclusive culture
- inclusive engagement
- inclusive policies and practices.

We believe this approach ensures that actions are not just delivered but embedded in our day-to-day work.

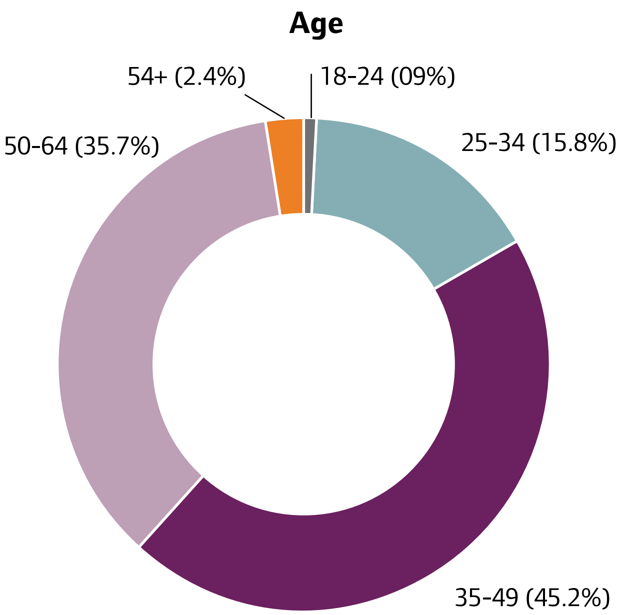
Through setting our priorities in this strategy, we will be open and transparent and show our commitment to providing a fair and inclusive environment for all colleagues. We will engage and work with our equality networks and locally embedded Diversity and Inclusion Co-ordinators to implement cross-organisational priorities of the strategy. Together, we will inspire and encourage colleagues to embed inclusion in their work, to make sure our workforce represents the people we work hard to protect, and to enable our people to feel able to be their best at work. As this strategy comes to a close, the Equity, Diversity and Inclusion (EDI) team intend on evaluating the impact and effectiveness of the strategy. This will inform the development of our future priorities and next Equity, Diversity, and Inclusion strategy. We will incorporate specific responses to the listening, learning and responding to concerns review which explored wider issues of race and inclusion. Our focus is to increase awareness, knowledge and learning on race and inclusion. This will be delivered as a top-down approach beginning with our Board and leadership teams. It will then be cascaded throughout the organisation.

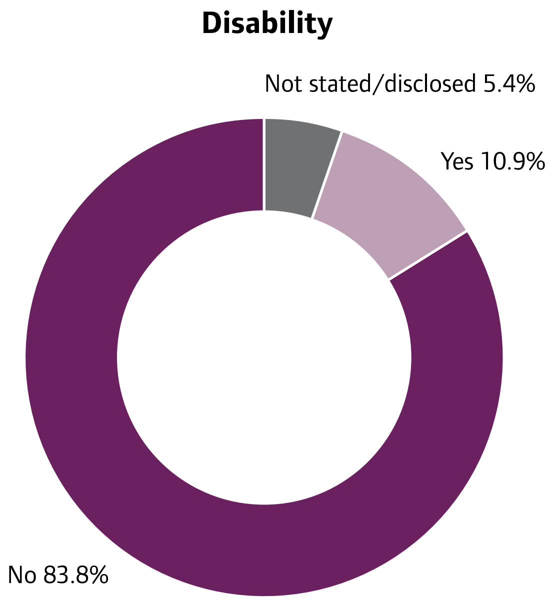
6.1 Equality profiles

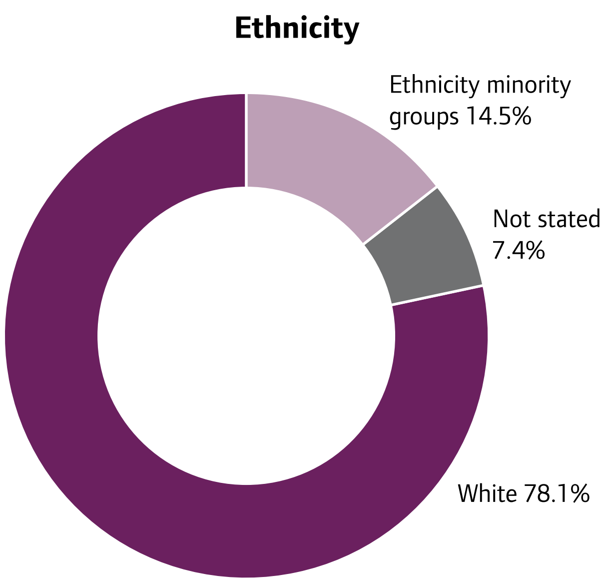
The gender distribution in CQC for each grade as at 31 March 2023 is provided below.

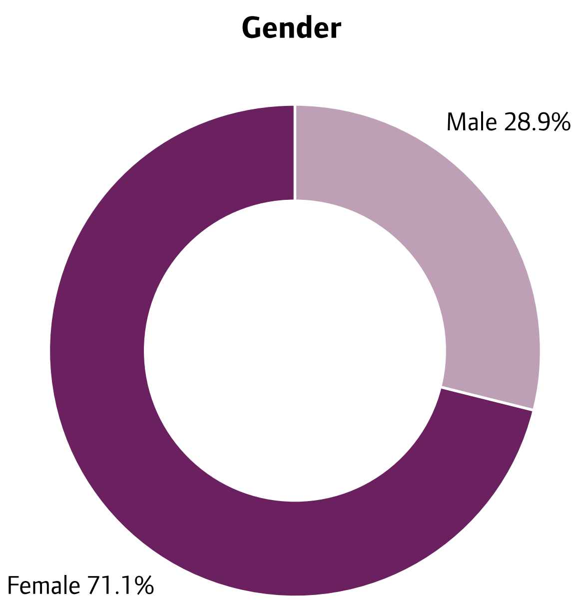
Figure 29 – CQC equality profiles as at 31 March 2023

		2022/23		2021/22	
Role	**Grade**	**Male**	**Female**	**Male**	**Female**
Board members	–	4	1	6	2
Executive directors	E1	4	2	5	4
Directors and senior leaders	E2 – E3	45	82	46	78
Other employees	A – G	818	2,069	860	2,113
Total		**871**	**2,154**	**917**	**2,197**

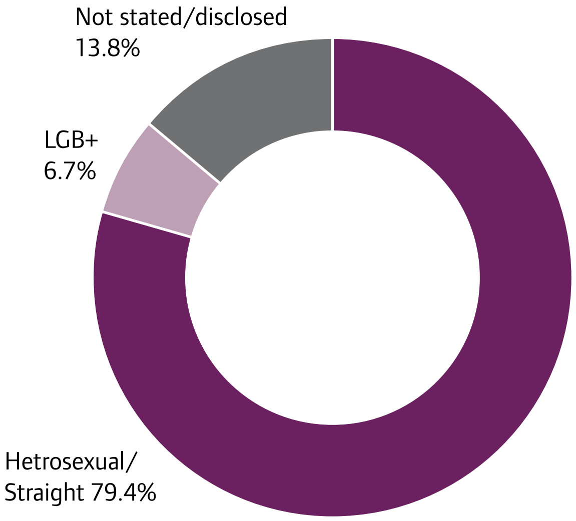








Sexual orientation



6.2 Gender pay gap

The gender pay gap gives a snapshot of the gender balance in an organisation. It measures the difference between the average earnings of all male and female employees, irrespective of their role or seniority.

As at 31 March 2023, the gender split in CQC was 71.1% female employees to 28.9% male employees, and this was closely replicated across the quartile data (31 March 2022: female 70.2%, male 29.8%).

The data shows that there is no gender pay gap in median pay at CQC, as employees are paid within salary bands and the rate of pay is virtually the same across all quartiles. When comparing mean (average) hourly pay, the mean hourly pay for women is 1.88% lower than for men, but when comparing median pay, women's pay is 2.7% higher than men's. This means the pay gap has decreased slightly in mean pay, our pay gap continues to be small and we therefore plan to monitor it over the coming months and put in any measures we need to if we do not see an improvement.

No data is included in CQC's gender pay gap reporting for bonuses as CQC does not pay performance-related bonuses.

Figure 30

Mean pay gap – ordinary pay		1.88%
Median pay gap – ordinary pay		-2.70%
Mean pay gap – bonus pay in the 12 months ending 31 March 2023		n/a
Median pay gap – bonus pay in the 12 months to 31 March 2023		n/a
The proportion of male and female employees paid a bonus in the 12 months to 31 March 2023	Male	n/a
	Female	n/a
Proportion of male and female employees in each quartile:		
Quartile	**Male**	**Female**
First (lower) quartile	33.3%	66.7%
Second quartile	27.9%	72.1%
Third quartile	24.5%	75.5%
Fourth (upper) quartile	30.9%	69.1%

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7. Trade union facility time

We work in partnership with trades union representatives on all matters affecting our people. Joint Negotiation and Consultation Committee (JNCC) meetings are held every quarter, comprising representatives from our People directorate, senior leadership team and trade union representatives from CQC alongside external national union officers. This forum allows discussion, consultation and negotiation on employment-related matters.

Our people are permitted to engage in appropriate trade union activities (figure 31).

Figure 31

Relevant union officials	
Number of employees who were relevant union officials during the relevant period	**Full-time equivalent employee number**
35	34

Percentage of time spent on facility time	
Percentage of time	**Number of employees**
0%	14
1–50%	21
51–99%	–
100%	–

Percentage of pay bill spent on facility time	
Total cost of facility time	£41k
Total pay bill	£124,721k
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.03%

Paid trade union activities	
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (Total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	19.62%

8. Sickness absence

During 2022/23, the average number of long-term days of sickness per absent employee was 10 (10 days in 2021/22) and the average number of short-term days of sickness was 4 (5 days in 2021/22).

9. Health and safety

During the early part of 2022/23, we continued to implement our response to COVID-19 to support the safety of staff and the safe operation of the business, and to allow us to respond quickly and effectively to new and emerging risks. Although the requirement for mandatory PPE was relaxed following government guidance in January 2023, we continue to provide PPE to colleagues who continue to wear it for personal or ill health reasons. An inspection risk assessment was developed to ensure that inspectors were fully assessed and safe when they needed to cross the threshold of a provider's premises. The assessment continues to evolve and has been renamed to the Infection Prevention & Control risk assessment to include other infectious diseases and to reflect new ways of working.

Risk assessments

Flu vaccination programme

A determined effort was made to encourage all colleagues to take up flu vaccinations, with 55% of colleagues vaccinated against flu during 2022/23. If colleagues have the vaccination outside of the CQC scheme, we ask them to record this, so we have as full a picture as possible.

Work-related stress

Work was started to develop an organisation-wide work-related stress risk assessment to identify the main stressors in teams across CQC. This will be used to identify ways of mitigating these risks to support colleagues.

Incident reporting

There were 191 incidents reported 22/23:

- 78 were a result of harassment and intimidation
- 71 were a result of verbal abuse/threats
- 42 included near misses, slips trips and falls and ill-health.

In addition to having a zero tolerance statement on our website contact page, support is in place for colleagues who have experienced harassment or verbal abuse.

10. Expenditure on consultancy

Total spend on consultancy services, as defined by HM Treasury during 2022/23 was £100k (£135k in 2021/22) and was subject to approval from the Department of Health and Social Care in line with our delegations. This spend was driven by the development of our new strategy.

Parliamentary accountability and audit report

The content of notes 1 to 3 are subject to audit.

1. Regularity of expenditure

Losses and special payments are items that Parliament would not have contemplated when it agreed funding or passed legislation. By their nature, they are items that ideally should not arise and should only be accepted if there is no feasible alternative. They are therefore subject to special control procedures compared with the generality of payments.

1.1 Losses

	2022/23	2021/22
Total number of losses	534	567
Total value of losses (£000)	638	1,502

The losses incurred during 2022/23 relate to the write-off of irrecoverable receivables invoices following the exhaustion of collection. CQC incurred no individual losses exceeding £300k during the year (2021/22: no cases).

1.2 Special payments

	2022/23	2021/22
Total number of special payments	11	5
Total value of special payments (£000)	476	11

The special payments incurred during the year relate to ex gratia payments made to individuals. There were no individual special payments exceeding £300k during the year (2021/22: none).

1.3 Gifts

During 2022/23 CQC made no gifts or donations (2021/22: none).

2. Remote contingent liabilities

There were no remote contingent liabilities as at 31 March 2023 (31 March 2022: none).

3. Fees and charges

Fees are charged in accordance with section 85 of the Health and Social Care Act 2008 to cover the cost of our regulatory functions. This includes initial registration, changes to registration and our activities associated with monitoring, inspection and rating registered providers. Other existing responsibilities, such as our work under the Mental Health Act, are funded by grant-in-aid from DHSC.

Registered providers are charged an annual fee based on the type and scale of services provided. The current fees scheme, effective from 1 April 2019, sets fees at a level to recover our chargeable costs in fees as required by HM Treasury policy. See www.cqc.org.uk/guidance-providers/fees/fees for further details.

The following table provides an analysis of the income and costs associated with our regulatory activities for which a fee is charged, see notes to the financial statements (note 2.3) for further details.

			2022/23	2021/22
	Income	**Full cost**	**Deficit**	**Surplus**
	£000	**£000**	**£000**	**£000**
Regulatory fees for chargeable activities	(215,751)	217,921[1]	**2,170**	**(6,116)**

There will always be variation when aligning costs for chargeable activity to our fee income on an annual basis.

4. Better payment practice code

In accordance with the government's prompt payment policy, CQC aims to pay 90% of undisputed and†valid invoices within 5 working days and 100% of all undisputed and valid invoices within 30 days. The table below shows average performance across each financial year.

		2022/23		2021/22	
Average across financial year	**Target**	**Number**	**Value**	**Number**	**Value**
Invoices paid within five working days	90%	90%	93%	87%	90%
Invoices paid within 30 days	100%	100%	100%	100%	100%

Our performance against the target to pay invoices within five working days has improved through the year and we ended the financial year exceeding the target for both volume and value, marking an improvement from our performance during 2021/22.

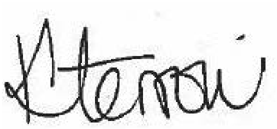
5. Functional standards

The functional standards are designed to promote consistent and coherent working within government organisations. During 2022/23, we identified the appropriate functional standards that were applicable and sought to assess against the minimum requirements – listed in the standards as "shall" which is the first requirement as part of the standard adoption.

This showed that we had good coverage of the minimum requirements and in a lot of areas more than exceeded, however in some standards we didn't meet the minimum across all criteria and therefore need to do more, for example Counter Fraud, Communication and Project Delivery.

1 Full chargeable cost of £217,921k excludes non-cash items totalling £5,327k from the total expenditure relating to chargeable activities presented in note 2.3 in the notes to the Financial Statements. These non-cash items consist of the provision for pension fund deficits £2,108k, net interest on pension scheme assets and liabilities £787k, expected credit loss £209k, provision expenses £1,871k, apprenticeship training grant expense £272k and finance costs £80k all of which are covered by non-cash budgets.

Plans are being developed to ensure the minimum requirements are met in all standards, with a clear action plan to enable that and then we will look to strengthen our position across all standards, focusing on better and best practice.



Kate Terroni
Interim Chief Executive

23 July 2024

Certificate and report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Care Quality Commission for the year ended 31 March 2023 under the Health and Social Care Act 2008.

The financial statements comprise the Care Quality Commission's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

In my opinion, the financial statements:

- give a true and fair view of the state of the Care Quality Commission's affairs as at 31 March 2023 and its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Health and Social Care Act 2008 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Care Quality Commission in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Care Quality Commission's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Care Quality Commission'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.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Care Quality Commission is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Health and Social Care Act 2008.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Health and Social Care Act 2008; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Care Quality Commission and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by the Care Quality Commission or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Board and Accounting Officer for the financial statements

AAs explained more fully in the Statement of Accounting Officer's Responsibilities, the board and Accounting Officer are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Care Quality Commission from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view in accordance with Secretary of State directions issued under the Health and Social Care Act 2008;

- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with Secretary of State directions directions issued under the Health and Social Care Act 2008; and
- assessing the Care Quality Commission'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 Accounting Officer anticipates that the services provided by the Care Quality Commission will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Social Care Act 2008.

My 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 a certificate that includes my 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Care Quality Commission's accounting policies, key performance indicators and performance incentives.
- inquired of management, Care Quality Commission's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Care Quality Commission's policies and procedures on:
- identifying, evaluating and complying with laws and regulations;
- detecting and responding to the risks of fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Care Quality Commission's controls relating to the Care Quality Commission's compliance with the Health and Social Care Act 2008 and Managing Public Money;

- inquired of management, the Care Quality Commission's head of internal audit and those charged with governance whether:
- they were aware of any instances of non-compliance with laws and regulations;
- they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Care Quality Commission for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and valuation of defined benefit pension schemes' assets and liabilities. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Care Quality Commission's framework of authority and other legal and regulatory frameworks in which the Care Quality Commission operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Care Quality Commission. The key laws and regulations I considered in this context included the Health and Social Care Act 2008, Managing Public Money, employment law, pensions legislation and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the
- appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my 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 my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

23 July 2024

3

Financial statements

The financial statements are prepared in accordance with the Financial Reporting Manual 2022/23, published by HM Treasury, and comprise:

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2023

	Note	2022/23 £000	2021/22 £000
Revenue from contracts with customers	3.1	(218,589)	(210,731)
Other operating income	3.2	(272)	(90)
Total operating income		**(218,861)**	**(210,821)**
Staff costs	4.1	186,410	177,421
Purchase of goods and services	4.2	43,616	37,137
Depreciation, amortisation and impairment charges	4.2	11,197	14,162
Provision expense	4.2	1,871	319
Other operating expenditure	4.2	5,605	4,648
Total operating expenditure		**248,699**	**233,687**
Net operating expenditure		**29,838**	**22,866**
Finance expense	4.3	80	–
Net expenditure for the year		**29,918**	**22,866**
Other comprehensive net expenditure:			
Items that will not be reclassified to net operating expenditure:			
– Net (gain)/loss on indexation:			
Intangible assets	6.1	(823)	(40)
Property, plant and equipment	7.1	(207)	13
Right of use assets	8.1	(533)	–
– Impairments charged to revaluation reserve:			
Intangible assets	6.1	–	25
Property, plant and equipment	7.1	7	20
– Actuarial gain in pension schemes	5.4	(116,923)	(53,744)
– Re-measurement of net defined pension asset for changes in asset ceiling	5.4	22,605	2,843
Comprehensive net (income)/expenditure for the year[3]		**(65,956)**	**(28,017)**

Notes 1 to 21 form part of these financial statements.

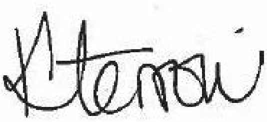
3 During the year, CQC received grant-in-aid funding from DHSC which is not included in the Statement of comprehensive net expenditure but credited to the general reserve in the Statement of Financial Position. This was used to finance non-chargeable operating expenditure and fixed asset additions purchased during the reporting period, excluding those funded using the Retained Earnings reserve. For further details of our financial performance including grant-in-aid funding see note 2.3 to the Financial Statements.

Statement of Financial Position

as at 31 March 2023

	Note	31 March 2023 £000	31 March 2022 £000
Non-current assets			
Intangible assets	6	36,829	23,706
Property, plant and equipment	7	3,583	5,481
Right of use assets	8	7,585	–
LGPS pension assets	5.1	59,279	9,334
Total non-current assets		**107,276**	**38,521**
Current assets			
Trade and other receivables	10	10,185	10,214
Other current assets	10	4,513	4,633
Cash and cash equivalents	11	46,315	61,357
Total current assets		**61,013**	**76,204**
Total assets		**168,289**	**114,725**
Current liabilities			
Trade and other payables	12	(25,378)	(29,186)
Other pension liabilities	12	(15)	(16)
Fee income in advance	12	(18,886)	(18,641)
Right of use lease liabilities	13.1	(2,339)	–
Provisions	14.1	(2,412)	(867)
Total current liabilities		**(49,030)**	**(48,710)**
Total assets less current liabilities		**119,259**	**66,015**
Non-current liabilities			
Right of use lease liabilities	13.1	(5,327)	–
Provisions	14.1	(305)	(329)
Other pension liabilities	12	–	(14)
Total non-current liabilities excluding LGPS pension liabilities		**(5,632)**	**(343)**
Assets less liabilities excluding LGPS pension liabilities		**113,627**	**65,672**
LGPS pension liabilities	5.1	(425)	(41,903)
Assets less liabilities		**113,202**	**23,769**
Taxpayers' equity			
General reserve		97,190	(291)
Revaluation reserve		1,814	283
Retained earnings		14,198	23,777
Total taxpayers' equity		**113,202**	**23,769**

Notes 1 to 21, on pages 106 to 148, form part of these financial statements.



Kate Terroni
Interim Chief Executive

23 July 2024

Statement of Cash Flows

for the year ended 31 March 2023

	Note	2022/23 £000	2021/22 £000
Cash flows from operating activities:			
Net expenditure for the year		(29,918)	(22,866)
Adjustment for non-cash transactions	15.1	16,328	18,384
Decrease in trade receivables and other current assets	10	149	2,094
(Decrease)/increase in trade and other payables	15.2	(3,623)	3,240
Decrease in pension liabilities	12	(15)	(17)
Increase/(decrease) in contract liabilities: fee income in advance	12	245	(24)
Use of provisions	14	(352)	(110)
LGPS pension liabilities: scheme cessation contribution	5.7	–	(2,299)
Net cash outflow from operating activities		**(17,186)**	**(1,598)**
Cash flows from investing activities:			
Purchase of intangible assets	15.3	(17,553)	(11,035)
Purchase of property, plant and equipment	15.4	(2,358)	(1,305)
Proceeds from disposal of property, plant and equipment	15.5	–	240
Net cash outflow from investing activities		**(19,911)**	**(12,100)**
Cash flows from financing activities:			
Grant-in-aid from DHSC: cash drawn down in year		23,477	32,330
Payments in respect of right of use leased assets	13.1	(1,422)	–
Net financing		**22,055**	**32,330**
Net increase/(decrease) in cash and cash equivalents		**(15,042)**	18,632
Cash and cash equivalents at start of year		61,357	42,725
Cash and cash equivalents at end of year	**11**	**46,315**	**61,357**

Notes 1 to 21 form part of these financial statements.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2023

	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
Balance at 1 April 2021		**(60,801)**	**334**	**23,889**	**(36,578)**
Changes in taxpayers' equity 2021/22:					
Grant-in-aid from DHSC: cash drawn down[1]		32,330	–	–	**32,330**
Net expenditure for the year		(22,866)	–	–	**(22,866)**
Revaluation gains:					
– intangible assets	6.1	–	40	–	**40**
– property, plant and equipment	7.1	–	(13)	–	**(13)**
Impairments and reversals:					
– intangible assets	6.1	–	(25)	–	**(25)**
– property, plant and equipment	7.1	–	(20)	–	**(20)**
Transfer between reserves:					
– Disposals and realised depreciation:					
– intangible assets	6.1	–	–	–	**–**
– property, plant and equipment	7.1	33	(33)	–	**–**
– Retained fee income	16	(10,711)	–	10,711	**–**
– Utilisation of retained fee income	16	10,823	–	(10,823)	**–**
Actuarial gain in pension schemes	5.4	53,744	–	–	**53,744**
Re-measurement of net defined pension asset for changes in asset ceiling	5.4	(2,843)	–	–	**(2,843)**
Balance at 31 March 2022		**(291)**	**283**	**23,777**	**23,769**
Changes in taxpayers' equity 2022/23:					
Grant-in-aid from DHSC: cash drawn down[1]		23,477	–	–	**23,477**
Net expenditure for the year		(29,918)	–	–	**(29,918)**
Revaluation gains/(losses):					
– intangible assets	6.1	–	823	–	**823**
– property, plant and equipment	7.1	–	207	–	**207**
– right of use lease assets	8.1	–	533	–	**533**
Impairments and reversals:					
– intangible assets	6.1	–	–	–	**–**
– property, plant and equipment	7.1	–	(7)	–	**(7)**
Transfer between reserves:					
– Disposals and realised depreciation:					
– intangible assets	6.1	5	(5)	–	**–**
– property, plant and equipment	7.1	20	(20)	–	**–**
– Retained fee income	16	(10,148)	–	10,148	**–**
– Utilisation of retained fee income	16	19,727	–	(19,727)	**–**
Actuarial gain in pension schemes	5.4	116,923	–	–	**116,923**
Re-measurement of net defined pension asset for changes in asset ceiling	5.4	(22,605)	–	–	**(22,605)**
Balance at 31 March 2023		**97,190**	**1,814**	**14,198**	**113,202**

[1] During 2022/23 grant-in-aid totalling £23,477k (£32,330k in 2021/22) was drawn down from DHSC of which:
£23,477k (£26,512k in 2021/22) funded non-chargeable activities
£nil (£nil in 2021/22) funded chargeable activities
£nil (£3,519k in 2021/22) funded capital expenditure; and
£nil (£2,299k in 2021/22) funded LGPS pension cessation charges.

Notes 1 to 21 form part of these financial statements.

FINANCIAL STATEMENTS

Notes to the financial statements

1. General information

CQC is a non-departmental government body established under the Health and Social Care Act 2008. See the introduction for more information about our role and purpose. The address of our registered office and principal place of business is provided at the start of this report. We are accountable to the Secretary of State for Health and Social Care for discharging our functions, duties and powers effectively, efficiently and economically. DHSC carries out this role on the Secretary of State's behalf on a day-to-day basis.

1.1 Basis of accounting

Under the Health and Social Care Act 2008, the Secretary of State for Health and Social Care has directed CQC to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

These financial statements have been prepared in accordance with the Financial Reporting Manual (FReM) 2022/23, issued by HM Treasury, as interpreted for the health sector in the DHSC Group Accounting Manual (GAM) 2022/23. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of CQC for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

The financial statements are presented in £ sterling and all values are rounded to the nearest thousand except where indicated otherwise in accordance with the FReM.

1.2 Standards adopted during the year

The following accounting standards have been adopted in the year:

- *IFRS 16 Leases*: effective across the public sector from 1 April 2022. The transition to *IFRS 16* has been completed in accordance with paragraph C5 (b) of the Standard, applying IFRS 16 requirements retrospectively recognising the cumulative effects at the date of initial application. For transition details see note 1.17.

1.3 Going concern

CQC's annual report and accounts have been prepared on a going concern basis. The main source of funding for CQC is income from fees charged to registered providers. The associated credit risk is managed through the management of receivables and regular cash flow reporting, see note 9. In addition, grant-in-aid funding is drawn from DHSC to fund non-chargeable activities and capital expenditure.

1.4 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets at fair value to the extent required or permitted under the FReM as set out in accounting policies.

1.5 Critical accounting judgements and key sources of estimation uncertainty

In applying CQC accounting policies, management is required to make various judgements, estimates and assumptions. These estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed.

Areas of significant judgement include:

- *IAS 19 Employee Benefits*: the most significant judgements relate to the valuation of CQC's share of assets and liabilities in 13 local government pension schemes (LGPS). The underlying assumptions are reviewed on an ongoing basis by the fund actuaries. Financial assumptions are based on market expectations at the Statement of Financial Position date and demographic assumptions reflect the best estimate of the likely future timing of future benefit payments. Key assumptions used are detailed in note 5.2. The value of assets and liabilities are sensitive to changes in discounts rates, a sensitivity analysis is found in note 5.10.
- *IAS 36 Impairments:* management make judgements on whether there are any indications of impairment to the carrying amounts of CQC's non-current assets (see accounting policy note 1.15, note 6 and note 7).
- *IFRS 9 Financial Instruments:* the expected credit loss of receivables is determined by probabilities calculated using historic collection data for groups of receivables (see accounting policy note 1.20 and note 9).
- *Indexation of non-current assets:* intangible assets and property, plant and equipment are revalued annually using indices published by the Office for National Statistics (see accounting policy notes 1.13 and 1.14, note 6 and note 7).

1.6 Operating segments

Net expenditure is analysed in the Operating Segments note (note 2) and is reported in line with management information used within CQC.

1.7 Operating income

Operating income relates directly to the operating activities of CQC and includes revenue from contracts with customers and government's non-cash apprenticeship training grant.

In the application of *IFRS 15 'Revenue from Contracts with Customers'*, several practical expedients offered in the standard have been employed. These are as follows:

- CQC will not disclose information regarding performance obligations as part of a contract that has an original expected duration of one year or less.

- CQC is to similarly not disclose information where revenue is recognised in line with the practical expedient offered in the standard where the right to consideration corresponds directly with value of the performance completed to date; and

The main source of revenue from contracts with customers for CQC is income from annual statutory fees charged to all registered providers of regulated activities in accordance with the Health and Social Care Act 2008 (as amended). This revenue is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer and is measured at the amount of the transaction price allocated to that performance obligation. The FReM has adapted the definition of a contract to include legislation, such as the Health and Social Care Act 2008 (as amended), which enables CQC to receive cash from another entity. Statute requires CQC to perform the continual task of maintaining the register of providers of regulated activities over the whole period of registration, and without being registered it is unlawful for a provider to operate. Fees are charged in accordance with the current fees scheme, published with the consent of the Secretary of State for Health and Social Care, which has been effective from 1 April 2020 and remained unchanged in 2022/23. Fees are invoiced on the anniversary of initial registration. Revenue is recognised equally over the 12-month period of registration that the fee covers as performance obligations are satisfied. In cases of voluntary de-registration, fees are refunded to registered organisations in accordance with the fee rebate scheme detailed on CQC's website.

Where statutory fees are paid and exceed the value of performance obligations satisfied at the end of the accounting period the income is deferred (note 11).

Payment terms are standard reflecting cross-government principles. Statutory annual fees are payable within 30 days of the invoice date otherwise the provider can opt to pay in equal instalments by direct debit.

The value of the benefit received when CQC accesses funds from the government's apprenticeship service are recognised as income in accordance with IAS 20, Accounting for Government Grants. Where these funds are paid directly to an accredited training provider, non-cash income and a corresponding non-cash training expense are recognised, both equal to the cost of the training funded.

1.8 Employee benefits

1.8.1 Short-term employee benefits

Salaries, wages and employment-related payments, including payments arising from the apprenticeship levy, are recognised in the period in which the service is received from employees, and CQC becomes obligated to pay them. The cost of annual leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

1.8.2 Retirement benefit costs

NHS pensions

Past and present employees of CQC are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable CQC to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to CQC of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements, other than those due to ill-health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time CQC commits itself to the retirement, regardless of the method of payment.

The schemes are subject to a full actuarial valuation every four years and an accounting valuation every year.

Local government pensions

Some employees are members of the Local Government Pension Scheme (LGPS), which is a defined benefit pension scheme that is administered through 13 active pension funds. Employees who were members of the LGPS in a predecessor organisation to CQC were permitted to keep their legacy arrangements when their employment transferred to CQC on 1 April 2009. Membership to LGPS is closed to new CQC employees.

Accounting actuarial valuations are carried out at each Statement of Financial Position date. The scheme assets and liabilities attributable to those employees can be identified and are recognised in CQC's accounts. The assets are measured at fair value, and the liabilities at the present value of the future obligations. Charges recognised in the Statement of comprehensive net expenditure are detailed below:

Charged to staff costs:

- Current service cost – the increase in liabilities because of additional service earned in the year.
- Past service cost – the increase in liabilities arising from current year decisions, the effect of which relates to the years of service earned in earlier years.
- Administration expense – charges representing the cost of administering the fund.
- Gains or losses on settlements and curtailments – the result of actions to relieve the liabilities or events that reduce the expected future service or accrual of benefits of employees.

Charged to other expenditure:

- Net interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid which is offset by the expected increase in fair value of scheme assets.

Charged to other comprehensive expenditure:

- Actuarial gain or loss on assets and liabilities – the extent to which investment returns achieved in year are different from interest rates used at the start of the year.

Full actuarial valuations are carried out every 3 years, which determine the contributions payable for the following three financial years. The latest full valuation is based on 31 March 2022 and has set rates payable for the three years from 2023/24.

Other pension schemes

CQC employees that are not eligible to join the NHS Pensions Scheme are enrolled in the National Employment Savings Trust (NEST). The scheme is accounted for as if it were a defined contribution scheme: the cost to CQC of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

1.9 Other expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

1.10 Grants receivable

Grants received, including grant-in-aid received for revenue and capital expenditure is treated as financing and credited to the general reserve.

1.11 Grants payable

Where grant funding is not intended to be directly related to activity undertaken by a grant recipient in a specific period, CQC recognises the expenditure in the period in which the grant is paid. All other grants are accounted for on an accruals basis.

1.12 Apprenticeship levy

CQC is required to pay an apprenticeship levy amounting to 0.5% of the total pay bill, less an allowance of £15,000. The levy is recognised as an expense and included as an additional social security cost within the financial statements.

It is expected that apprenticeship funding will be passed directly to training providers. Where a CQC employee receives training funded by the levy, CQC will recognise a non-cash expense in the period in which the training occurs. An additional non-cash income amount, equal to the costs paid directly to the training provider, is also recognised.

1.13 Value added tax

Irrecoverable value added tax (VAT) is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.14 Intangible assets

1.14.1 Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of CQC's business or which arise from contractual or other legal rights.

They are capitalised if:

- it is probable that future economic benefits will flow to, or service potential will be supplied to CQC

- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably, and either:
- the item has a cost of at least £5,000, or
- collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.
- the total cost of the asset capitalised only includes costs which are permitted by *IAS 38 Intangible Assets*.

Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset.

Expenditure relating to IT software and software developments, including CQC's website, is capitalised if the asset has a cost of at least £5,000 or considered part of a collective group of interdependent assets with a total cost exceeding £5,000 and has a useful life of more than one year.

General IT software project management costs are not capitalised.

1.14.2 Measurement

Intangible assets are initially recognised at cost. The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the criteria for recognition are initially met. Where no internally generated intangible asset can be recognised, the expenditure is recognised in the period in which it was incurred.

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. All assets are revalued annually, at the end of the reporting period on 31 March, using the appropriate producer price index (PPI) as published by the Office for National Statistics

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset, and thereafter to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive net expenditure in the Statement of comprehensive net expenditure.

1.15 Property, plant and equipment

1.15.1 Recognition

Expenditure on office refurbishments, furniture and fittings, office equipment, IT equipment and infrastructure are capitalised if:

- it is held for use in delivering services or for administrative purposes
- it is probable that future economic benefits will flow to, or service potential will be supplied to CQC

- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably, and either:
- the item has cost of at least £5,000, or
- collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

1.15.2 Measurement

All property, plant and equipment is measured initially at cost, representing the cost directly attributable to acquiring the asset and bringing it to the location and in the condition necessary for it to operate in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Assets are restated at current value each year using the appropriate producer price index (PPI) as published by the Office for National Statistics.

Revaluations and impairments are treated in the same manner as for intangible assets, note 1.14.2.

1.16 Amortisation, depreciation and impairments

Non-current assets are depreciated or amortised from the date that they are brought into use. Assets under development are not amortised.

Depreciation and amortisation is charged to write off the costs or valuation of property, plant and equipment and intangible assets, less any residual value, on a straight-line basis over their estimated useful lives. The estimated useful life is the period over which CQC expects to obtain economic benefits or service potential from the asset. This is specific to CQC and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year-end, with the effect of any changes recognised on a prospective basis.

Estimated useful lives:

<table>
<tr><th>Category</th><th>Asset type</th><th>Estimated asset life</th></tr>
<tr><td rowspan="3">Intangible assets</td><td>IT software developments</td><td>Over the estimated life of the asset, or 15 years, whichever is shorter.</td></tr>
<tr><td>Software licences</td><td>Over the term of the licence</td></tr>
<tr><td>Website</td><td>Over the estimated life of the asset, or 15 years, whichever is shorter.</td></tr>
<tr><td rowspan="2">Property, plant and equipment</td><td>Information technology</td><td>Up to 7 years</td></tr>
<tr><td>Furniture and fittings</td><td>Up to 15 years in line with the lease term of the property in which the asset resides.</td></tr>
</table>

At each financial year-end, CQC checks whether there is any indication that its property, plant and equipment or intangible assets have suffered an impairment loss. If there is indication of such an impairment, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are also tested for impairment annually at the financial year-end.

Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure.

1.17 Leases

A lease is a contract or part of a contract that conveys the right to use an asset for a period in exchange for consideration.

1.17.1 Transition to IFRS 16

In the transition to *IFRS 16* several elections and practical expedients offered in the

Standard have been employed. These are as follows:

- CQC has applied the practical expedient offered in the Standard per paragraph C3
- to apply *IFRS 16* to contracts or arrangements previously identified as containing a lease under the previous leasing standards *IAS 17 Leases* and IFRIC 4 Determining whether an arrangement contains a lease and not to those that were identified as not containing a lease under previous leasing standards.
- On initial application CQC has measured the right of use assets for leases previously classified as operating leases per *IFRS 16 C8 (b)(ii)*, at an amount equal to the lease liability adjusted for accrued or prepaid lease payments.
- No adjustments have been made for operating leases in which the underlying asset is of low value per paragraph C9 (a) of the Standard.
- The transitional provisions have not been applied to operating leases whose terms end within 12 months of the date of initial application has been employed per paragraph C10 (c) of IFRS 16.
- Hindsight is used to determine the lease term when contracts or arrangements contain options to extend or terminate the lease in accordance with C10 (e) of IFRS 16.
- Due to transitional provisions employed the requirements for identifying a lease within paragraphs 9 to 11 of IFRS 16 are not employed for leases in existence at the initial date of application. Leases entered on or after the 1 April 2022 will be assessed under the requirements of IFRS 16.

CQC has employed further expedients or election in applying IFRS 16. These include:

- The measurement requirements under IFRS 16 are not applied to leases with a term of 12 months or less under paragraph 5 (a) of IFRS 16.

- The measurement requirements under IFRS 16 are not applied to leases where the underlying asset is of a low value which are identified as those assets of a value of less than £5,000, excluding any irrecoverable VAT, under paragraph 5 (b) of IFRS 16.
- CQC will not apply IFRS 16 to any new leases of intangible assets applying the treatment described in section 1.14 or 1.15 instead.

HM Treasury has adapted the public sector approach to IFRS 16, which affects the identification and measurement of leasing arrangements that will be accounted for under IFRS 16.

CQC is required to apply *IFRS 16* to lease like arrangements entered with other public sector entities that are in substance akin to an enforceable contract, that in their formal legal form may not be enforceable. Prior to accounting for such arrangements under *IFRS 16,* CQC has assessed that in all other respects these arrangements meet the definition of a lease under the Standard.

CQC is required to apply IFRS 16 to lease like arrangements entered into in which consideration exchanged is nil or nominal, therefore significantly below market value. These arrangements are described as peppercorn leases. Such arrangements are again required to meet the definition of a lease in every other respect prior to inclusion in the scope of IFRS 16. The accounting for peppercorn arrangements aligns to that identified for donated assets. Peppercorn leases are different in substance to arrangements in which consideration is below market value but not significantly below market value.

The nature of the accounting policy change for the lessee is more significant than for the lessor under IFRS 16. IFRS 16 introduces a singular lessee approach to measurement and classification in which lessees recognise a right of use asset.

For the lessor leases remain classified as finance leases when substantially all the risks and rewards incidental to ownership of an underlying asset are transferred to the lessee. When this transfer does not occur, leases are classified as operating leases.

The following reconciliation to the opening balance for the lease liabilities as at 1 April 2022 is based on the operating lease obligations as at 31 March 2022:

	Buildings	**Other**
	£000	£000
Operating lease obligations as at 31 March 2022	**10,422**	**50**
Discounted using the incremental borrowing rate at the date of application	(254)	–
Less irrecoverable VAT not included in the lease liability	(1,222)	–
Less short-term leases recognised on a straight-line basis as expense	(295)	–
Less low value leases recognised on a straight-line basis as expense	–	(50)
Other adjustments	180	–
Lease liabilities as at 1 April 2022	**8,831**	**–**

1.17.2 CQC as a lessee

At the commencement date for the leasing arrangement a lessee shall recognise a right of use asset and corresponding lease liability. CQC employs a revaluation model for the subsequent measurement of its right of use assets unless cost is considered an appropriate proxy for current value in existing use or fair value in line with the accounting policy for owned assets. Where consideration exchanged is identified as below market value, cost is not considered to be an appropriate proxy to value the right of use asset. Lease payments are apportioned between finance charges and repayment of the principal. Finance charges are recognised in the Statement of comprehensive net expenditure.

Irrecoverable VAT is expensed in the period to which it relates and therefore not included in the measurement of the lease liability and consequently the value of the right of use asset.

Where the interest rate implicit in each lease arrangement cannot readily be determined then the HM Treasury discount rate is used as the incremental borrowing rate. In these instances an incremental borrowing rate of 0.95% has been applied to the lease liabilities recognised at the date of initial application of IFRS 16. Where changes in future lease payments result from a change in an index or rate or rent review, the lease liabilities are remeasured using an unchanged discount rate.

Where there is a change in a lease term or an option to purchase the underlying asset CQC applies a revised rate to the remaining lease liability.

Where existing leases are modified CQC must determine whether the arrangement constitutes a separate lease and apply the Standard accordingly.

Lease payments are recognised as an expense on a straight-line or another systematic basis over the lease term, where the lease term is in substance 12 months or less, or is elected as a lease containing low value underlying asset by CQC.

1.18 Provisions

Provisions are recognised when CQC has a present legal or constructive obligation as a result of a past event, it is probable that CQC will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.

Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates.

Early retirement provisions are discounted using HM Treasury's pension discount rate of 1.70% (2021/22: minus 1.30%) in real terms. All other provisions are subject to three separate discount rates according to the expected timing of cash flows from the Statement of Financial Position date:

- a short-term rate of 3.27% (2021/22: 0.47%) for expected cash flows up to and including five years.
- a medium-term rate of 3.20% (2021/22: 0.70%) for expected cash flows over five years up to and including 10 years.
- a long-term rate of 3.51% (2021/22: 0.95%) for expected cash flows over 10 years.

All percentages are in real terms.

1.19 Contingent liabilities and contingent assets

A contingent liability is:

- a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of CQC, or

- a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation, or the amount of the obligation cannot be measured sufficiently reliably.

A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and the existence of which will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of CQC. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingent liabilities and contingent assets are disclosed at their present value.

1.20 Cash and cash equivalents

Cash is cash-in-hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.21 Financial assets

Financial assets are recognised when CQC becomes party to the contractual provision of the financial instrument or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are de-recognised when the contractual rights have expired or when the asset has been transferred and CQC has transferred substantially all of the risks and rewards of ownership or has not retained control of the asset.

Financial assets are initially recognised at fair value plus or minus directly attributable transaction costs for financial assets not measured at fair value through profit or loss. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices, where possible, or by valuation techniques.

Financial assets are classified into the following categories: financial assets at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit and loss. The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in IFRS 9, and is determined at the time of initial recognition.

CQC's only financial assets are trade receivables which are measured at amortised cost.

1.21.1 Financial assets at amortised cost

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and where the cash flows are solely payments of principal and interest. This includes most trade receivables, loans receivable, and other simple debt instruments.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

1.21.2 Impairment

For all contract assets CQC recognises a loss allowance representing the expected credit loss on the financial asset.

CQC adopts the simplified approach to impairment, in accordance with IFRS 9, and measures the loss allowance for any trade receivables at an amount equal to the lifetime expected credit losses.

Expected credit loss allowances of trade receivables are determined by applying a weighted probability of a loss event occurring during the lifetime of the asset. This includes the probability of the whole amount becoming irrecoverable, part of the amount becoming irrecoverable and full recovery. These probabilities are determined by historic recovery for each category of receivables: income from fees by sector and income from other activities.

HM Treasury has ruled that central government bodies may not recognise stage 1 or stage 2 impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds, and Exchequer Funds' assets where repayment is ensured by primary legislation. CQC therefore does not recognise loss allowances for stage 1 or stage 2 impairments against these bodies. Additionally, DHSC provides a guarantee of last resort against the debts of its ALBs and NHS bodies (excluding NHS charities), and CQC does not recognise loss allowances for stage 1 or stage 2 impairments against these bodies.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in the Statement of comprehensive net expenditure.

1.22 Financial liabilities

Financial liabilities are recognised in the Statement of Financial Position when CQC becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Non-current payables are discounted when the time value of money is considered material.

1.23 IFRS standards that have been issued but have not yet been adopted

The GAM does not require the following IFRS standards and interpretations to be applied in 2022/23. These standards are still subject to HM Treasury FReM adoption.

- *IFRS 17 Insurance Contracts*: application is required for accounting periods beginning on or after 1 January 2023. The standard is not yet adopted by the FReM which is expected to be from April 2025. Early adoption is not permitted. Work is ongoing to access the impact but CQC do not expect adoption of the standard to have a material impact on the Financial Statements.

2. Analysis of net expenditure by activities

2.1 Operating segments

IFRS 8 'Operating Segments' requires operating segments to be identified based on internal reports that are regularly reviewed by the Chief Executive. The Board and Executive Team regularly evaluate CQC's performance using operating segments.

CQC reports performance to Board and Executive Team against each of the operational directorates. Our operating structure, to support the implementation of our new strategy, was updated in 2022/23 and consists of:

- Operations Group
- Technology, Data and Insight (TDI)
- Change
- Regulatory, Customer and Corporate Operations (RCCO)
- Engagement, Policy and Strategy (EPS)
- Other includes Chief Executive, Healthwatch England, National Guardians Office and Regulatory Leadership.

The 2021/22 comparative is shown as the total expenditure across CQC and has not been restated into our new directorates. Our current structure became operational from April 2022 and there is no direct comparison to our previous directorates.

Operating income and the Statement of Financial Position by segment is not included as this was not reported to the Board.

	Operations	TDI	Change	RCCO	EPS	Other	2022/23 total	2021/22 total
	£000	£000	£000	£000	£000	£000	£000	£000
Pay costs	113,174	15,529	13,906	15,421	10,267	16,005	**184,302**	**175,028**
Non-pay costs	4,412	16,966	10,930	8,478	3,980	3,459	**48,225**	**40,411**
Total	**117,586**	**32,495**	**24,836**	**23,899**	**14,247**	**19,464**	**232,527**	**215,439**

Other non-pay costs include central organisational costs such as IT, Premises, Training, Legal costs, recruitment, see note 4.2 for additional details of operating expenditure.

2.2 Reconciliation to Statement of comprehensive net expenditure

The reconciliation below details the non-cash adjustments which are not included within the operating segments analysis presented to the Board and ET.

	2022/23 total £000	2021/22 total £000
Pay costs	184,302	175,028
Non-pay costs	48,225	40,411
Total net expenditure	**232,527**	**215,439**
Items not included within operating segments:		
Staff costs:		
Increase in provision for pension fund liabilities	2,108	2,393
Depreciation, amortisation and impairment charges	11,197	14,162
Provisions	1,871	319
Other operating expenditure:		
Net interest expense on pension scheme assets and liabilities	787	1,510
Expected credit loss	209	(136)
Total operating expenditure	**248,699**	**233,687**

2.3 Analysis of net expenditure by funding stream

The table below presents the net position for chargeable and non-chargeable activities by aligning income and funding with their related costs. Chargeable activities are funded by providers through fees. Non-chargeable activities are funded by grant-in-aid and reimbursement for external work.

			2022/23			**2021/22**
	Chargeable activities	**Non-chargeable activities**	**Total**	**Chargeable activities**	**Non-chargeable activities**	**Total**
	£000	£000	£000	£000	£000	£000
Funding						
Revenue from contracts with customers	(215,751)	(2,838)	**(218,589)**	(207,909)	(2,822)	**(210,731)**
Grant-in-aid (cash)	–	(23,477)	**(23,477)**	–	(26,512)	**(26,512)**
Other operating income	(272)	–	**(272)**	(90)	–	**(90)**
Subtotal: funding	**(216,023)**	**(26,315)**	**(242,338)**	**(207,999)**	**(29,334)**	**(237,333)**
Operating expenditure						
Staff costs	165,566	20,844	**186,410**	154,626	22,795	**177,421**
Purchase of goods and services	40,452	3,164	**43,616**	33,628	3,509	**37,137**
Depreciation, amortisation and impairment charges	10,009	1,188	**11,197**	12,837	1,325	**14,162**
Provision expenses	1,871	–	**1,871**	319	–	**319**
Other operating expenditure	5,270	335	**5,605**	4,559	89	**4,648**
Subtotal: operating expenditure	**223,168**	**25,531**	**248,699**	**205,969**	**27,718**	**233,687**
Finance expenses	80	–	**80**	–	–	–
Total expenditure	**223,248**	**25,531**	**248,779**	**205,969**	**27,718**	**233,687**
Net excess of expenditure/(income)1	**7,225**	**(784)**	**6,441**	**(2,030)**	**(1,616)**	**(3,646)**

1 In agreeing annual budgets, DHSC allows CQC to incur certain non-cash expenses. In 2022/23 these items amounted to £6,243k (2021/22: £5,411k) and, if excluded from expenditure above, this would present an adjusted net deficit of £198k – comprising a chargeable deficit of £2,170k and a non-chargeable surplus of £1,972k (2021/22: adjusted net surplus of £9,057k comprising a chargeable surplus of £6,116k and a non-chargeable surplus of £2,941k).

3. Income

3.1 Revenue from contracts with customers

	2022/23 total £000	2021/22 total £000
Income from fees:		
NHS trusts	(66,653)	(60,529)
Adult social care – residential	(67,117)	(65,947)
Adult social care – community	(23,913)	(23,139)
Independent healthcare – hospitals	(3,964)	(4,040)
Independent healthcare – community	(7,134)	(7,218)
Independent healthcare – single specialty	(1,077)	(1,000)
Dentists	(8,403)	(8,420)
NHS GP practices	(37,490)	(37,616)
Subtotal: income from fees	**(215,751)**	**(207,909)**
Income from other activities	(2,838)	(2,822)
Total revenue from contracts with customers	**(218,589)**	**(210,731)**

Income from other activities includes reimbursement for services performed in addition to our regulatory activities. This includes income in relation to the National Guardian Office, jointly funded by CQC, NHS England and NHS Improvement, and the provision of inspection services to the Office for Standards in Education, Children's Services and Skills (Ofsted), the Home Office and Defence Medical Services.

The total balance of contract liabilities at 31 March 2022, £18,641k has been recognised as operating income in 2022/23 (2021/22: £18,665k).

3.2 Other operating income

	2022/23 total £000	2021/22 total £000
Apprenticeship training grant (non-cash)	(272)	(90)
Total other operating income	**(272)**	**(90)**

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4. Operating expenditure

4.1 Staff costs

	2022/23 total £000	2021/22 total £000
Wages and salaries	149,578	137,361
Social security costs	14,544	13,970
NHS pension costs	20,530	20,661
LGPS pension costs	3,390	3,448
Other pension costs	84	75
Apprenticeship levy	637	638
Termination benefits	2,255	3,014
Less capitalised staff costs	(6,235)	(2,419)
Less recoveries in respect of outward secondments	(481)	(1,720)
Increase in provision for pension fund liabilities	2,108	2,393
Total staff costs	**186,410**	**177,421**

More detailed disclosure of our staff costs is included in the People report

4.2 Other operating expenditure

	2022/23 total £000	2021/22 total £000
Purchase of goods and services		
Establishment	24,528	20,718
Professional fees	9,337	7,962
Rentals under operating leases	430	536
Premises	2,995	2,771
Training and development	1,239	1,486
Supplies and services	480	845
Travel and subsistence	4,288	2,437
Consultancy	100	135
External audit fee (statutory work)	195	173
Insurance	24	74
Subtotal: purchases of goods and services	**43,616**	**37,137**
Depreciation, amortisation and impairment charges		
Amortisation of intangible assets	6,647	6,424
Depreciation of property, plant and equipment	2,745	2,960
Deprecation of right of use leased assets	1,962	–
(Reversal of)/impairment of intangible assets	(144)	4,361
(Reversal of)/impairment of property, plant and equipment	(13)	417
Subtotal: depreciation, amortisation and impairment charges	**11,197**	**14,162**
Provision expense	**1,871**	**319**
Other operating expenditure:		
Experts by Experience	2,260	1,866
Net interest expense on pension scheme assets and liabilities	787	1,510
Business rates paid to local authorities	647	1,154
Loss on disposal of property, plant and equipment	289	–
Movement in expected credit loss provision	209	(136)
Irrecoverable debts	(3)	116
Apprenticeship training grant (non-cash)	272	90
Grants to other bodies	136	52
Other	1,008	(4)
Subtotal: other operating expenditure	**5,605**	**4,648**
Total other operating expenditure	**62,289**	**56,266**

4.3 Finance costs

	2022/23 total £000	2021/22 total £000
Interest on right of use lease assets	74	–
Interest on late payment of commercial debt	4	–
Unwinding of discount on provisions	2	–
Total finance costs	**80**	**–**

5. Pension costs

During the year CQC's employees were able to participate in one of the following contributory pension schemes:

- NHS Pension Scheme
- Local Government Pension Scheme (LGPS)
- National Employment Savings Trust (NEST)

Both the NHS Pension Scheme, which is the principal pension scheme for staff recruited directly by CQC, and NEST are not designed to run in a way that would allow CQC to identify its share of the underlying scheme assets and liabilities. See note 1.3 in the People report, for additional details of the NHS Pension Scheme and NEST.

LGPS is a multi-employer defined benefit scheme, as described in *IAS 19 Employee Benefits*. Due to legacy arrangements from predecessor organisations CQC has active members in 13 local pension funds that are part of LGPS at 31 March 2023.

Valuations of CQC's assets and liabilities in each LGPS as at 31 March 2023 have been prepared in accordance with IAS 19. The results relating to each LGPS are disclosed in note 5.1 below.

The Statement of Financial Position shows net pension assets totalling £59.3m (31 March 2022: £9.3m) and net pension liabilities of £0.4m (31 March 2022: £44.5m) relating to CQC's membership in the LGPS.

The present value, the related current service cost and past service cost were measured using the projected unit credit method. This means that the current service cost will increase as the members of the scheme approach retirement.

The actuarial assessment of each obligation was carried out at 31 March 2023 by:

Pension fund	Actuary
Avon	Mercers Ltd
Cambridgeshire	Hymans Robertson LLP
Cheshire	Hymans Robertson LLP
Cumbria	Mercers Ltd
East Sussex	Barnett Waddingham
Essex	Barnett Waddingham
Greater Manchester	Hymans Robertson LLP
Merseyside	Mercers Ltd
Shropshire	Mercers Ltd
Suffolk	Hymans Robertson LLP
Teesside	Hymans Robertson LLP
West Sussex	Hymans Robertson LLP
West Yorkshire	Aon Hewitt

5.1 Pension assets and liabilities

The pension assets and liabilities attributable to CQC for each local government defined pension benefit scheme are as follows:

Pension fund	Assets 31 March 2023 £000	Re-measurements for change in asset ceilings 31 March 2023 £000	Liabilities 31 March 2023 £000	Surplus/ (deficit) 31 March 2023 £000	Surplus/ (deficit) 31 March 2022 £000
Funds with a net deficit:					
Avon	5,187	–	(5,454)	**(267)**	**(2,348)**
East Sussex	7,931	(3,109)	(4,977)	**(155)**	**1,247**
Shropshire	2,898	–	(2,901)	**(3)**	**(1,067)**
Subtotal: funds with a net liability	**16,016**	**(3,109)**	**(13,332)**	**(425)**	**(2,168)**[3]
Funds with a net surplus:					
Cambridgeshire	4,522	(1,736)	(2,637)	**149**	**1,016**
Cheshire	4,684	(1,218)	(3,402)	**64**	**377**
Cumbria	4,815	(1,657)	(3,110)	**48**	**978**
Essex	8,147	(3,417)	(4,689)	**41**	**(9)**
Greater Manchester	23,120	(9,547)	(13,428)	**145**	**2,667**
Merseyside	7,819	(1,510)	(6,179)	**130**	**–**
Suffolk	4,518	(437)	(4,012)	**69**	**(223)**
Teesside	368,990	–	(310,559)	**58,431**	**(38,256)**
West Sussex	5,156	(2,303)	(2,767)	**86**	**1,866**
West Yorkshire	15,123	(4,798)	(10,209)	**116**	**1,183**
Subtotal: funds with a net asset	**446,894**	**(26,623)**	**(360,992)**	**59,279**	**(30,401)**[3]
Total	**462,910**	**(29,732)**	**(374,324)**	**58,854**	**(32,569)**

All assets are held at bid value.

In 2022/23, 7 employees (2021/22: 6) retired early on ill-health grounds during the period. No additional pension costs (2021/22: £nil) were levied on CQC as a result.

For any fund in surplus we are required, in accordance with paragraph 64 of *IAS 19* and *IFRIC 14*[4], to consider the impact of an asset ceiling on the recognition of assets in the Statement of Financial Position. Paragraph 8 of IAS19 states that *"the asset ceiling is the present value of any economic*

3 At 31 March 2023 Essex, Merseyside, Suffolk and Teesside had a net surplus but each were recognised with a net deficit at 31 March 2022. For comparative purposes, each of these funds have been included within the subtotal of funds with a net surplus. East Sussex had a net deficit at 31 March 2023 but was recognised with a net surplus at 31 March 2022 and has therefore been included within the subtotal of funds with a net deficit for comparative purposes. The Statement of Financial Position at 31 March 2022 recognises pension funds with a net surplus of £9,334k and pension funds with a net deficit of £41,903k.

4 IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* is an interpretation of IAS 19 which relates to the recognition of surpluses.

benefits available in the form of refunds from the plan or reductions in future contributions to the plan". CQC does not have an unconditional right to a refund, per LGPS regulation 64, and following updated guidance, therefore we have determined that the most appropriate estimation method for the calculation of the asset ceiling is now the reduction of future contributions to the scheme. In the prior year this was estimated based on a refund of surplus. This is calculated as the present value of future service costs less the present value of future service contributions. At 31 March 2023, asset ceilings totalling £29,732k were applied to 10 funds (31 March 2022: 8) to ensure that any surplus presented is limited to the amount that CQC would expect to receive as a refund.

5.1.1 Effect of the asset ceiling

Changes in the effect of limiting a net defined benefit asset to the asset ceiling, excluding amounts included in interest, is shown below:

	2022/23	2021/22
	£000	£000
Opening asset ceiling	**7,127**	**4,284**
Re-measurement of net defined pension asset for changes in asset ceiling	22,605	2,843
Closing asset ceiling	**29,732**	**7,127**

5.2 Actuarial assumptions

5.2.1 Financial assumptions

A summary of the key assumptions used by the actuaries of the pension schemes are as follows:

	Teesside Pension Fund		**Other pension funds**	
	% per annum		**% per annum**	
Key assumptions used:	**2022/23**	**2021/22**[5]	**2022/23**	**2021/22**
Discount rate	4.8	2.7	4.8 – 4.9	2.6 – 2.8
Expected rate of salary increases	4.0	4.3	3.0 – 4.5	3.3 – 5.0
Future pension increases	3.0	3.3	2.7 – 3.0	3.1 – 3.6
CPI inflation	3.0	3.3	2.7 – 3.0	3.1 – 3.5

5 The 2021/22 financial assumptions relating to Teesside Pension Fund were updated following the 2022 triennial valuation. All other funds used rolled forward data from the 2019 valuation.

5.2.2 Mortality assumptions

Based on actuarial mortality tables, the average future life expectancies at age 65 are summarised below:

	Teesside Pension Fund		Other pension funds	
Key assumptions used:	**2022/23**	**2021/22[6]**	**2022/23**	**2021/22**
Retiring today:				
Males	20.6	20.9	19.9 – 22.9	20.3 – 23.1
Females	23.7	23.9	23.5 – 24.8	23.0 – 25.3
Retiring in 20 years:				
Males	21.5	21.9	21.6 – 23.7	21.6 – 24.6
Females	25.2	25.5	25.0 – 27.0	25.1 – 27.3

5.3 Charges to net expenditure

Amounts recognised in the Statement of comprehensive net expenditure in respect of these defined benefit pension schemes are as follows:

	2022/23	2021/22
	£000	£000
Service costs:		
– Current service cost	5,179	5,784
– Past service cost	364	94
– Administration expenses	69	76
Subtotal: service costs	**5,612**	**5,954**
Net interest expense	787	1,510
Amount recognised in net expenditure	**6,399**	**7,464**

Of the expense for the year, the service costs totalling £5.2m (2021/22: £5.8m) have been included in the Statement of comprehensive net expenditure as staff expenditure. Within note 4.1 £3.4m (2021/22: £3.4m) of this is included within LGPS pension costs and represents the amount paid as contributions during the year. The remaining £2.2m (2021/22: £2.4m) is a non-cash adjustment presented as an increase in provision for pension fund liabilities. The net interest expense of £0.7m (2021/22: £1.5m) has been included in other expenditure, note 4.2. The re-measurement of the net defined benefit liability is included as other comprehensive expenditure in the Statement of comprehensive net expenditure.

6 The 2021/22 mortality assumptions relating to Teesside Pension Fund were updated following the 2022 triennial valuation. All other funds used rolled forward data from the 2019 valuation.

5.4 Charges to other comprehensive net expenditure

Amounts recognised in the Statement of comprehensive net expenditure are as follows:

	2022/23	2021/22
	£000	£000
The loss/(return) on plan assets (excluding amounts included in net interest expense)	8,769	(41,043)
Other re-measurement losses/(gains) on plan assets	194	(1,125)
Actuarial gains arising from changes in demographic assumptions	(3,264)	(9,435)
Actuarial gains arising from changes in financial assumptions	(148,129)	(7,163)
Actuarial losses arising from experience adjustments	25,581	5,022
Other adjustments for restrictions on the defined benefit asset	(74)	–
Subtotal: actuarial (gain)/loss in pension schemes	**(116,923)**	**(53,744)**
Re-measurement of net defined pension asset for changes in asset ceiling	22,605	2,843
Re-measurement of the net defined benefit obligations	**(94,318)**	**(50,901)**

The cumulative re-measurements recognised in reserves since the date of transition to IFRS on 1 April 2008 to 31 March 2023 is a gain of £20m (31 March 2022: cumulative loss of £35m).

The actuarial gain arising from changes in financial assumptions is mostly attributable to a change in the discount rate applied by the actuaries. In accordance with *IAS 19 Employee Benefits* the discount must be equal to the yield on high quality corporate bonds. These yields have sharply increased throughout 2022/23 due to inflationary pressures, Bank of England interest rate increases and the market's reaction to the mini budget of September 2022.

5.5 Amount recognised in the Statement of Financial Position

The amount included in the Statement of Financial Position arising from CQC's obligations in respect of its defined benefit schemes is as follows:

	31 March 2023	31 March 2022
	£000	£000
Present value of funded benefit obligations	(374,247)	(495,566)
Fair value of scheme assets	462,910	470,216
Deficit in scheme	**88,663**	**(25,350)**
Present value of unfunded benefit obligations	(77)	(92)
Re-measurement of net defined benefit pension asset for changes in asset ceiling	(29,732)	(7,127)
Re-measurement of the net defined benefit obligations	**58,854**	**(32,569)**

5.6 Reconciliation of fair value of scheme liabilities

Movements in the present value of defined benefit obligations were as follows:

	2022/23 £000	2021/22 £000
At 1 April	**(495,658)**	**(514,280)**
Current service cost	(5,179)	(5,784)
Administration expenses	(58)	(64)
Interest cost	(13,276)	(10,349)
Contributions from scheme members	(962)	(1,039)
Past service costs	(364)	(94)
Re-measurement gains/(losses):		
– Actuarial gains arising from changes in demographic assumptions	3,264	9,435
– Actuarial gains arising from changes in financial assumptions	148,129	7,163
– Actuarial losses arising from experience adjustments	(25,581)	(5,022)
Benefits paid	15,361	15,189
Settlements – scheme cessation	–	9,187
At 31 March	**(374,324)**	**(495,658)**

5.7 Reconciliation of fair value of employer assets

Movements in the fair value of the scheme assets were as follows:

	2022/23 £000	2021/22 £000
Assets at 1 April	**470,216**	**436,698**
Interest income	12,563	8,839
Re-measurement gains/(losses):		
The return on plan assets (excluding amounts included in net interest expense)	(8,769)	41,043
Other	(194)	1,125
Employer contributions – normal	3,504	3,561
Employer contributions – scheme cessation	–	2,299
Member contributions	962	1,039
Benefits paid	(15,361)	(15,189)
Administration expenses	(11)	(12)
Settlements – scheme cessation	–	(9,187)
Assets at 31 March	**462,910**	**470,216**
Re-measurements for change in asset ceilings	(29,732)	(7,127)
Net value of assets at 31 March	**433,178**	**463,089**

The cessation charge of £2.3m, paid in 2021/22, was funded by DHSC through grant-in-aid in accordance with their guarantee to underwrite any liability as they fall due.

5.8 Fair value of employer assets

The fair value of scheme assets at the Statement of Financial Position date were as follows:

	Quoted assets as at 31 March 2023	Unquoted assets as at 31 March 2023	Total assets as at 31 March 2023	Total assets as at 31 March 2022
	£000	£000	£000	£000
Equities	64,418	13,343	**77,761**	**73,964**
Properties	5,917	32,472	**38,389**	**35,603**
Government bonds	3,619	312	**3,931**	**4,634**
Other bonds	4,848	678	**5,526**	**5,785**
Managed investment funds: equities	232,808	2,498	**235,306**	**233,004**
Managed investment funds: bonds	4,858	1,122	**5,980**	**7,190**
Managed investment funds: infrastructure	28,716	5,268	**33,984**	**24,329**
Alternatives	20,825	14,350	**35,175**	**6,227**
Cash	25,694	826	**26,520**	**62,476**
Other	–	338	**338**	**17,004**
Total	**391,703**	**71,207**	**462,910**	**470,216**

Assets values, particularly equity holdings, are exposed to market risk resulting from the investment activities of each pension fund. Administering authorities manage and control this risk through investment management which aims to minimise the overall reduction in asset values and maximise the opportunity for gains.

5.9 Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation of the pension schemes is between 11 and 14 years (Teesside: 14 years).

5.10 Sensitivity analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2023 is set out below. In each case only the assumption specified is altered and all other assumptions remain the same as disclosed in note 5.2.

	Teesside Pension Fund			Other pension funds		
	£000	£000	£000	£000	£000	£000
Adjustment to discount rate	**+ 0.1%**	**Current**	**- 0.1%**	**+ 0.1%**	**Current**	**- 0.1%**
Present value of total obligation	306,257	310,559	314,861	63,036	63,765	64,495
Movement	(4,302)	–	4,302	(729)	–	730
Adjustment to expected rate of salary increases	**+ 0.1%**	**Current**	**- 0.1%**	**+ 0.1%**	**Current**	**- 0.1%**
Present value of total obligation	311,010	310,559	310,108	63,802	63,765	63,727
Movement	451	–	(451)	37	–	(38)
Adjustment to CPI inflation rate	**+ 0.1%**	**Current**	**- 0.1%**	**+ 0.1%**	**Current**	**- 0.1%**
Present value of total obligation	314,471	310,559	306,647	64,487	63,765	63,045
Movement	3,912	–	(3,912)	722	–	(720)
Adjustment to life expectancy	**- 1 year**	**Current**	**+ 1 year**	**- 1 year**	**Current**	**+ 1 year**
Present value of total obligation	298,137	310,559	322,981	61,655	63,765	65,895
Movement	(12,422)	–	12,422	(2,110)	–	2,130

The sensitivity analysis is prepared by scheme actuaries by calculating and comparing the value of the scheme obligations at the accounting date on varying bases. The approach taken is consistent with that adopted to derive the accounting figures provided in note 5.1 and is based on the membership data at the date of the most recent valuation at 31 March 2022.

5.11 Funding arrangements

The funded nature of the LGPS requires participating employers and employees to pay contributions into the fund calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2013 and the Funding Strategy Statement of each fund.

Contribution rates for each of the schemes are reviewed at least every 3 years following a full actuarial valuation. The last triennial actuarial valuation was completed as at 31 March 2022, which set the employer contribution rates for 3 years from 1 April 2023 to 31 March 2026. Some of the funds have also levied a cash sum in addition to a percentage of payroll costs as part of the deficit recovery plan. Increases to local government pensions in payment and deferred pensions have been linked to annual increases in the consumer price index (CPI), rather than the retail prices index (RPI).

Contribution rates for 2023/24, set by the 2022 triennial valuation, range between 0% and 49.6% (17.9% for Teesside Pension Fund) with annual cash sums ranging from £20k to £258k (£nil for Teesside Pension Fund). It is estimated that employer contributions for 2023/24 will total £2,453k (Teesside: £2,036k).

When the active membership in any of the funds falls to zero, the administering authority will obtain an actuarial valuation of the current and former employees as at the termination date. CQC would be required to pay any cessation deficit that is determined. However, any surplus would be refunded. DHSC has provided a guarantee to meet the pension deficit liability that falls due.

All LGPS are multi-employer defined benefit plans. CQC's share of the total fund assets is immaterial in all funds except for in the Teesside Pension Fund which, at 31 March 2023, was 7% (31 March 2022: 7%).

6. Intangible Assets

2022/23	Information technology £000	Development expenditure £000	Software licences £000	Websites £000	Total £000
Cost or valuation:					
At 1 April 2022	**54,381**	**10,895**	**2,351**	**5,705**	**73,332**
Additions	–	18,629	–	174	**18,803**
Reclassifications	7,676	(7,896)	–	220	**–**
Disposals	(2,025)	–	(403)	(180)	**(2,608)**
Impairments charged to other operating expenditure	–	–	(29)	–	**(29)**
Indexation gains to revaluation reserve	2,114	–	51	209	**2,374**
Indexation gains to other operating expenditure	222	–	15	1	**238**
At 31 March 2023	**62,368**	**21,628**	**1,985**	**6,129**	**92,110**
Amortisation:					
At 1 April 2022	**41,744**	**–**	**2,184**	**5,698**	**49,626**
Charged in year	6,398	–	161	88	**6,647**
Disposals	(2,025)	–	(403)	(180)	**(2,608)**
Impairments charged to other operating expenditure	–	–	(30)	–	**(30)**
Indexation gains to revaluation reserve	1,309	–	51	191	**1,551**
Indexation gains to other operating expenditure	83	–	11	1	**95**
At 31 March 2023	**47,509**	–	**1,974**	**5,798**	**55,281**
Net book value at 1 April 2022	**12,637**	**10,895**	**167**	**7**	**23,706**
Net book value at 31 March 2023	**14,859**	**21,628**	**11**	**331**	**36,829**

Intangible assets are indexed annually using the appropriate price index published by the Office for National Statistics. During 2022/23 the indices used have risen by 3% resulting in indexation gains being recognised.

The gross cost of intangible assets that were fully amortised but still in use at 31 March 2023 is £8,462k (31 March 2022: £6,001k).

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The development expenditure relating to the components of our new regulatory platform is CQC's most material individual asset with a net book value of £18,773k at 31 March 2023. This development is the digital technology to support the delivery of our new framework and approach.

Research expenditure associated with intangible asset development has been recognised as an expense in note 4 and is categorised by the nature of the spend incurred.

The value of staff costs capitalised within intangible asset additions amounts to £6,235k (2021/22: £2,419k).

All intangible assets are owned by CQC.

2021/22	Information technology	Development expenditure	Software licences	Websites	Total
	£000	£000	£000	£000	£000
Cost or valuation:					
At 1 April 2021	**54,575**	**8,238**	**3,088**	**6,245**	**72,146**
Additions	–	11,586	20	–	**11,606**
Reclassifications	8,808	(8,929)	–	–	**(121)**
Disposals	(407)	–	(198)	–	**(605)**
Impairments charged to revaluation reserve	(123)	–	–	–	**(123)**
Impairments charged to other operating expenditure	(3,153)	–	(335)	–	**(3,488)**
Indexation losses to revaluation reserve	(874)	–	(1)	(18)	**(893)**
Indexation losses to other operating expenditure	(4,445)	–	(223)	(522)	**(5,190)**
At 31 March 2022	**54,381**	**10,895**	**2,351**	**5,705**	**73,332**
Amortisation:					
At 1 April 2021	**40,416**	–	**2,570**	**6,228**	**49,214**
Charged in year	6,092	–	324	8	**6,424**
Reclassifications	(59)	–	–	–	**(59)**
Disposals	(407)	–	(198)	–	**(605)**
Impairments charged to revaluation reserve	(98)	–	–	–	**(98)**
Impairments charged to other operating expenditure	(819)	–	(335)	–	**(1,154)**
Indexation losses to revaluation reserve	(907)	–	(8)	(18)	**(933)**
Indexation losses to other operating expenditure	(2,474)	–	(169)	(520)	**(3,163)**
At 31 March 2022	**41,744**	**–**	**2,184**	**5,698**	**49,626**
Net book value at 1 April 2021	**14,159**	**8,238**	**518**	**17**	**22,932**
Net book value at 31 March 2022	**12,637**	**10,895**	**167**	**7**	**23,706**

6.1 Movement in revaluation reserve: intangible assets

	2022/23	2021/22
	£000	£000
Balance at 1 April	**222**	**207**
Net gain on indexation of intangible assets	823	40
Impairments charged to reserve	–	(25)
Transfers between reserves for intangible assets	(5)	–
Balance at 31 March	**1,040**	**222**

7. Property, plant and equipment

2022/23	Information Technology	Furniture and fittings	Total
	£000	£000	£000
Cost or valuation:			
At 1 April 2022	**11,236**	**2,789**	**14,025**
Additions	247	676	**923**
Disposals	(2,958)	(583)	**(3,541)**
Impairments transferred to other operating expenditure	(134)	(369)	**(503)**
Impairments transferred to revaluation reserve	(2)	(671)	**(673)**
Indexation gains to revaluation reserve	172	208	**380**
Indexation gains to other operating expenditure	97	11	**108**
At 31 March 2023	**8,658**	**2,061**	**10,719**
Depreciation:			
At 1 April 2022	**5,961**	**2,583**	**8,544**
Charged in year	2,450	295	**2,745**
Disposals	(2,669)	(583)	**(3,252)**
Impairments transferred to other operating expenditure	(97)	(365)	**(462)**
Impairments transferred to revaluation reserve	(1)	(665)	**(666)**
Indexation gains to revaluation reserve	65	108	**173**
Indexation gains to other operating expenditure	50	4	**54**
At 31 March 2023	**5,759**	**1,377**	**7,136**
Net book value at 1 April 2022	**5,275**	**206**	**5,481**
Net book value at 31 March 2023	**2,899**	**684**	**3,583**

All property, plant and equipment are owned by CQC.

Property, plant and equipment are indexed using the appropriate price index published by the Office for National Statistics.

2021/22	Information Technology £000	Furniture and fittings £000	Total £000
Cost or valuation:			
At 1 April 2021	**15,939**	**3,308**	**19,247**
Additions	2,656	81	2,737
Reclassifications	–	121	121
Disposals	(4,092)	(28)	(4,120)
Impairments transferred to other operating expenditure	(2,860)	(787)	(3,647)
Impairments transferred to revaluation reserve	(170)	(6)	(176)
Indexation (losses)/gains to revaluation reserve	(72)	88	16
Indexation (losses)/gains to other operating expenditure	(165)	12	(153)
At 31 March 2022	**11,236**	**2,789**	**14,025**
Depreciation:			
At 1 April 2021	**9,769**	**3,146**	**12,915**
Charged in year	2,910	50	2,960
Reclassifications	–	59	59
Disposals	(3,852)	(28)	(3,880)
Impairments transferred to other operating expenditure	(2,594)	(735)	(3,329)
Impairments transferred to revaluation reserve	(152)	(4)	(156)
Indexation (losses)/gains to revaluation reserve	(57)	86	29
Indexation (losses)/gains to other operating expenditure	(63)	9	(54)
At 31 March 2022	**5,961**	**2,583**	**8,544**
Net book value at 1 April 2021	**6,170**	**162**	**6,332**
Net book value at 31 March 2022	**5,275**	**206**	**5,481**

All property, plant and equipment were owned by CQC at 31 March 2022.

7.1 Movement in the revaluation reserve: property, plant and equipment

	2022/23 £000	2021/22 £000
Balance at 1 April	**61**	**127**
Net gain/(loss) on indexation of property, plant and equipment	207	(13)
Impairments charged to reserve	(7)	(20)
Transfers between reserves for property, plant and equipment	(20)	(33)
Balance at 31 March	**241**	**61**

8. Right of use assets

2022/23	Buildings £000	Total £000
Cost or valuation:		
At 31 March 2022	–	**–**
Impact of transition to IFRS 16	8,831	**8,831**
At 1 April 2022	**8,831**	**8,831**
Additions	183	**183**
Indexation gains to revaluation reserve	533	**533**
At 31 March 2023	**9,547**	**9,547**
Depreciation:		
At 31 March 2022	**–**	**–**
Impact of transition to IFRS 16	–	**–**
At 1 April 2022	**–**	**–**
Charged in year	1,962	**1,962**
Indexation gains to revaluation reserve	**–**	**–**
At 31 March 2023	1,962	**1,962**
Net book value at 31 March 2022	–	**–**
Net book value at 1 April 2022	**8,831**	**8,831**
Net book value at 31 March 2023	**7,585**	**7,585**

Right of use assets are indexed using the appropriate price index published by the Office for National Statistics.

8.1 Movement in the revaluation reserve: right of use assets

	2022/23 £000
Balance at 31 March 2022	**–**
Impact of transition to IFRS 16	**–**
Balance at 1 April 2022	**–**
Net gain on indexation of right of use assets	533
Balance at 31 March 2023	**533**

9. Financial instruments

Liquidity risk

The main source of CQC's cash is fees paid by registered providers, which funds our chargeable activities. Additional cash is provided by DHSC as grant-in-aid to fund our non-chargeable activities and capital expenditure. CQC has no borrowings.

CQC manages liquidity risk through regular cash flow forecasting to ensure that enough funds are available to cover working capital requirements. During the year neither the COVID-19 pandemic or the transition period following the United Kingdom's exit from the European Union have had a material impact on CQC's liquidity. This risk was mitigated throughout the financial year with regular reporting to the Executive Team and considered as part of our decision making.

Credit risk

Credit risk arises from cash and cash equivalents and receivable balances. CQC monitors its receivables balances closely, particularly the collection of fees, and all undisputed debts that have reached 61 days past due. All overdue receivables are regularly reported by income source, fees by sector and non-fees, to the Executive Team.

Where internal recovery processes have been exhausted, debts are sent to an external debt collection company or recommendation of enforcement action is made against the provider for non-payment of fees under Health & Social Care Act 2008.

Regulation 13 of the CQC (Registration) Regulations 2009 requires that a provider must take all reasonable steps to meet the financial demands of providing safe and appropriate services and have the financial resources needed to provide and continue to provide the services described in the statement of purpose to the required standards. New provider applications must be supported by a statement from an accredited financial specialist such as an accountant or bank. A notice of proposal to refuse a registration application can be based on financial viability due to the inadequacy of financial planning.

The maximum exposure to credit risk at the reporting date is the fair value of each of the receivables mentioned above. CQC does not hold any collateral as security.

Market risk

CQC has no material exposure to currency or commodity risk. All material assets and liabilities are denominated in sterling. Except for cash and cash equivalents, CQC has no interest-bearing assets or borrowing subject to variable interest rates. Income and cash flows are largely independent of changes in market interest rates.

9.1 Financial assets

	31 March 2023 £000	31 March 2022 £000
Trade and other receivables with DHSC group bodies	538	843
Trade and other receivables with other bodies	9,647	9,371
Cash at bank and in hand	46,315	61,357
Total	**56,500**	**71,571**

9.2 Financial liabilities

	31 March 2023 £000	31 March 2022 £000
Trade and other payables with DHSC group bodies	1,465	3,265
Trade and other payables with other bodies	20,260	21,707
Other financial liabilities	15	30
Total	**21,740**	**25,002**

10. Trade receivables and other current assets

	31 March 2023 £000	31 March 2022 £000
Trade and other receivables:		
Contract receivables	9,443	8,787
Other receivables	1,729	2,675
Expected credit loss	(1,002)	(1,266)
Deposits and advances	15	18
Subtotal: Trade and other receivables	**10,185**	**10,214**
Other current assets:		
Prepayments	4,513	4,633
Subtotal: other current assets	**4,513**	**4,633**
Total	**14,698**	**14,847**

There were no amounts falling due after more than one year.

The expected credit loss relating to contract receivables totals £973k (31 March 2022: £1,222k) and other receivables totals £29k (31 March 2022: £44k).

Deposits and advances include advance salary payments and staff loans, these total £3k and £12k respectively (31 March 2022: £5k and £13k). Staff can apply for advance payments on salary and loans up to a maximum of £5k for rail season tickets.

10.1 Movement in expected credit loss

	2022/23	2021/22
	£000	£000
Balance at 1 April	**1,266**	2,781
Recognition of expected credit loss allowance	426	357
Changes to expected credit loss allowances	126	175
Provision utilised due to write-off	(473)	(1,379)
Provision reversed as unused (e.g. settlement of receivable)	(343)	(668)
Balance at 31 March	**1,002**	**1,266**

11. Cash and cash equivalents

	2022/23	2021/22
	£000	£000
Balance at 1 April	**61,357**	**42,725**
Net change in cash and cash equivalent balances	(15,042)	18,632
Balance at end of period	**46,315**	**61,357**
The following balances at the end of the period were held at:		
Government banking service and cash in hand	46,315	61,357
Total balance at end of period	**46,315**	**61,357**

12. Trade payables and other current liabilities

	31 March 2023 £000	31 March 2022 £000
Amounts falling due within one year:		
VAT	(173)	(521)
Other taxation and social security	(3,610)	(3,693)
Trade payables	(5,795)	(6,065)
Other payables	(3,244)	(3,689)
Accruals	(9,935)	(12,412)
Capital creditors – intangible assets	(2,621)	(1,371)
Capital creditors – property, plant and equipment	–	(1,435)
Total trade and other payables	**(25,378)**	**(29,186)**
Current pension liabilities	(15)	(16)
Contract liabilities: fee income in advance	(18,886)	(18,641)
Total current trade payables and other current liabilities	**(44,279)**	**(47,843)**
Amounts falling after more than one year:		
Pension liabilities	–	(14)
Total non-current trade payables and other non-current liabilities	**–**	**(14)**

Trade payable days at 31 March 2023 were equivalent to 31 days (31 March 2022: 20 days) purchases, based on the daily average amount invoiced by suppliers during the year. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter interest is charged on the outstanding balance at various interest rates.

13. Right of use lease liabilities

13.1 Right of use lease liabilities detailed movements

	2022/23 £000
Balance at 31 March 2022	**–**
Impact of transition to IFRS 16	8,831
Balance at 1 April 2022	**8,831**
Addition of new right of use assets	183
Cash payments made in year	(1,422)
Interest charges	74
Balance at 31 March 2023	**7,666**
Current lease liabilities at 31 March 2022	**–**
Impact of transition to IFRS 16	1,814
Current lease liabilities at 1 April 2022	**1,814**
Current lease liabilities at 31 March 2023	**2,339**
Non-current lease liabilities at 31 March 2022	**–**
Impact of transition to IFRS 16	7,017
Non-current lease liabilities at 1 April 2022	**7,017**
Non-current lease liabilities at 31 March 2023	**5,327**

13.2 Maturity of right of use lease liabilities

	31 March 2023 £000
In one year of less	2,392
In more than one year but not more than five years	3,876
In more than five years	1,582
Subtotal	**7,850**
Less interest element	(184)
Total	**7,666**

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14. Provisions for liabilities and charges

	2022/23			2021/22		
	Leased property dilapidations	Other	Total	Leased property dilapidations	Other	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	**473**	**723**	**1,196**	**521**	**466**	**987**
Provided in year	–	2,381	**2,381**	–	709	**709**
Provisions not required written back	(17)	(467)	**(484)**	–	(386)	**(386)**
Provisions utilised in year	(127)	(225)	**(352)**	(44)	(66)	**(110)**
Change in discount rate	(26)	–	**(26)**	(4)	–	**(4)**
Unwinding of discount	2	–	**2**	–	–	**–**
Balance at 31 March	**305**	**2,412**	**2,717**	**473**	**723**	**1,196**

14.1 Analysis of expected timings of discounted cash flows

	2022/23			2021/22		
	Leased property dilapidations	Other	Total	Leased property dilapidations	Other	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	–	2,412	**2,412**	144	723	**867**
Later than one year and not later than five years	305	–	**305**	329	–	**329**
Later than five years	–	–	**–**	–	–	**–**
Balance at 31 March	**305**	**2,412**	**2,717**	**473**	**723**	**1,196**

Leased property dilapidations are the costs that would be payable on the termination of the leases.

Other provisions include costs relating to ongoing legal cases, tribunals and judicial reviews estimated at £1.4m (31 March 2022: £0.5m) and also in respect of employment termination costs totalling £1.0m (31 March 2022: £0.2m).

Provisions falling due up to 5 years have been discounted by a factor of 3.27% (2021/22: 0.47%) in accordance with HM Treasury guidance.

15. Reconciliation of movements in the Statement of Cash Flows

15.1 Adjustment for non-cash transactions

	Note	2022/23 £000	2021/22 £000
Depreciation, amortisation and impairment charges	4.2	11,197	14,162
Increase in provision for pension fund deficit	4.1	2,108	2,393
Net interest expenses on pension scheme assets and liabilities	4.2	787	1,510
Provisions expense	4.2	1,871	319
Loss on disposal of property, plant and equipment	4.2	289	–
Interest on right of use lease assets	4.3	74	–
Unwinding of discount on provisions	4.3	2	–
Total adjustment for non-cash transactions		**16,328**	**18,384**

15.2 Movement in trade and other payables

	Note	2022/23 £000	2021/22 £000
(Decrease)/increase in trade and other payables	12	(3,808)	5,243
Less increase in capital creditors – intangible assets	12	(1,250)	(571)
Less decrease/(increase) in capital creditors – property, plant and equipment	12	1,435	(1,432)
Total movement in trade and other payables		**(3,623)**	**3,240**

15.3 Purchase of intangible assets

	Note	2022/23 £000	2021/22 £000
Additions	6	(18,803)	(11,606)
Increase in capital creditors – intangible assets	12	1,250	571
Total purchase of intangible assets		**(17,553)**	**(11,035)**

15.4 Purchase of property, plant and equipment

	Note	2022/23 £000	2021/22 £000
Additions	7	(923)	(2,737)
(Decrease)/increase in capital creditors – property, plant and equipment	12	(1,435)	1,432
Total purchase of property, plant and equipment		**(2,358)**	**(1,305)**

15.5 Proceeds from disposal of property, plant and equipment

	Note	2022/23 £000	2021/22 £000
Cost or valuation: disposals	7	3,541	4,120
Depreciation: disposals	7	(3,252)	(3,880)
Loss on disposal of property, plant and equipment	4.2	(289)	–
Total proceeds from disposal of property, plant and equipment		**–**	**240**

16. Movements on reserves

	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balances at 1 April 2021	**(60,801)**	**334**	**23,889**	**(36,578)**
Increase/(decrease) in the period	60,510	(51)	(112)	**60,347**
Balance at 31 March 2022	**(291)**	**283**	**23,777**	**23,769**
Increase/(decrease) in the period	94,481	1,531	(9,579)	**89,433**
Balance at 31 March 2023	**97,190**	**1,814**	**14,198**	**113,202**

General reserve

The general reserve reflects the total assets less liabilities of CQC which are not assigned to another special purpose reserve. The balance includes CQC's annual net excess of income or expenditure (see note 2.3) and any actuarial gains or losses arising from the assessment of CQC's share of assets and liabilities in LGPS pension funds (see note 5.4).

Revaluation reserve

The revaluation reserve is a capital reserve used when an asset has been revalued but for which no cash benefit is received. Revaluations are completed annually to reflect their fair value at the reporting date.

Retained earnings

The retained earnings reserve was initially created during 2016/17 to reflect the recovery of amortisation, depreciation and impairments as an element of the fees charged to providers. £10,148k was transferred into the reserve this year reflects the depreciation, amortisation and impairments relating to assets that support the regulatory functions where costs can be recovered from providers. During the year £19,727k was utilised to fund capital expenditure resulting in a net utilisation of £9,579k.

17. Commitments

17.1 Capital Commitments

Contracted capital commitments at 31 March 2023, not otherwise included within these financial statements:

	31 March 2023 £000	31 March 2022 £000
Intangible assets	1,381	416
Property, plant and equipment	27	62
Total	**1,408**	**478**

17.2 Other financial commitments

CQC has entered non-cancellable contracts in addition to operating leases and capital commitments. The total payments to which CQC is committed are as follows:

	31 March 2023 £000	31 March 2022 £000
Not later than one year	34,232	27,985
Later than one year and not later than five years	19,435	30,560
Later than five years	–	–
Total	**53,667**	**58,545**

Material contracts include £20.7m relating to the provision of Microsoft licences for our digital platforms and £6.8m relating to outsourced IT support services contract for the provision of an operation centre and digital workplace.

18. Contingent liabilities

CQC has the following contingent liabilities:

	31 March 2023 £000	31 March 2022 £000
Employment tribunals and legal advice	739	916
Backdated VAT charges	213	313
Total	**952**	**1,229**

Due to the nature of the contingent liabilities it is difficult to accurately determine the final amounts due and when they will become payable.

19. Related party transactions

CQC is a non-departmental public body sponsored by DHSC. DHSC is regarded as a related party. During the year CQC has had a significant number of material transactions with DHSC, and with other entities for which DHSC is also regarded as the parent department. We also have transactions with all NHS foundation trusts and NHS trusts as each are charged an annual statutory fee as providers of regulated activities.

In addition, CQC had transactions with other government departments and other central and local government bodies. Most of these transactions have been with the NHS Pension Scheme relating to our pension costs, HMRC for social security costs and the Government Property Agency in respect of rent for office space.

No material related party transactions were noted with members of the Board and ET other than remuneration and expenses as disclosed in the remuneration report.

20. Events after the reporting period date

In accordance with IAS 10, events after the reporting period are considered up to the date on which the Financial Statements are authorised for issue.

The last member of the following pension funds left CQC after the 31 March 2023 resulting in cessation events: West Sussex in December 2023, Essex in April 2024 and Suffolk in June 2024. A final cessation valuation has been calculated for Essex which determined that an exit credit was due to CQC of £1,653k, no adjustment has been made to note 5.1. Final cessation valuations remain outstanding for both West Sussex and Suffolk but we do not expect the cessation surplus or deficit to be materially different to those presented in note 5.1.

It was announced during 2022/23 that the Maternity and Newborn Safety Investigations (MNSI) programme, formerly part of the Healthcare Safety Investigation Branch which was hosted by NHS England, would be hosted by CQC from 1 October 2023. Property, plant and equipment with a net book value of £139k and prepayments of £115k relating to MNSI will be accounted for as an absorption transfer in 2023/24.

21. Authorised date for issue

CQC's annual report and accounts are laid before Parliament. The authorised for issue date is the date of the Comptroller and Auditor General's audit certificate.

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CQC-485-010-072024

ISBN 978-1-5286-5040-3

E03154323 07/24