Care Quality Commission

Annual report and accounts
2021/22



HC1665

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Annual report and accounts
2021/22

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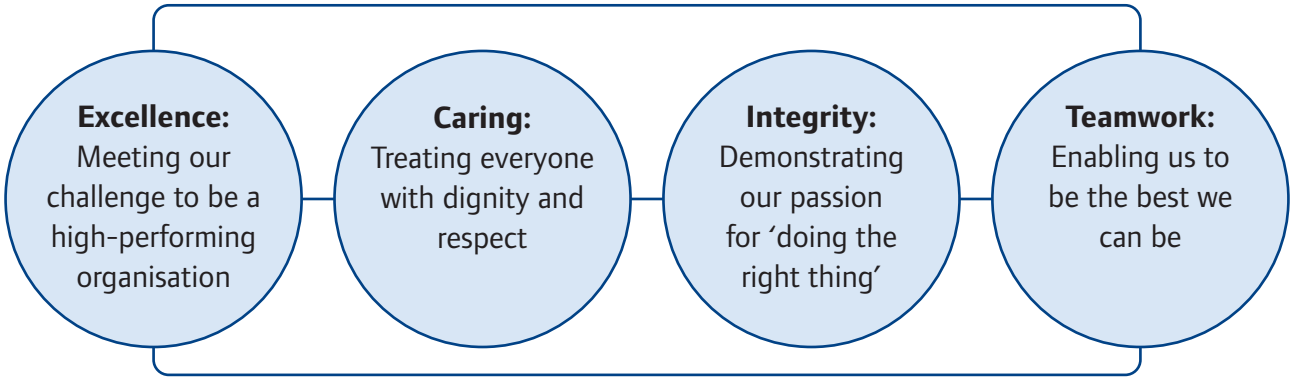
Who we are and what we do

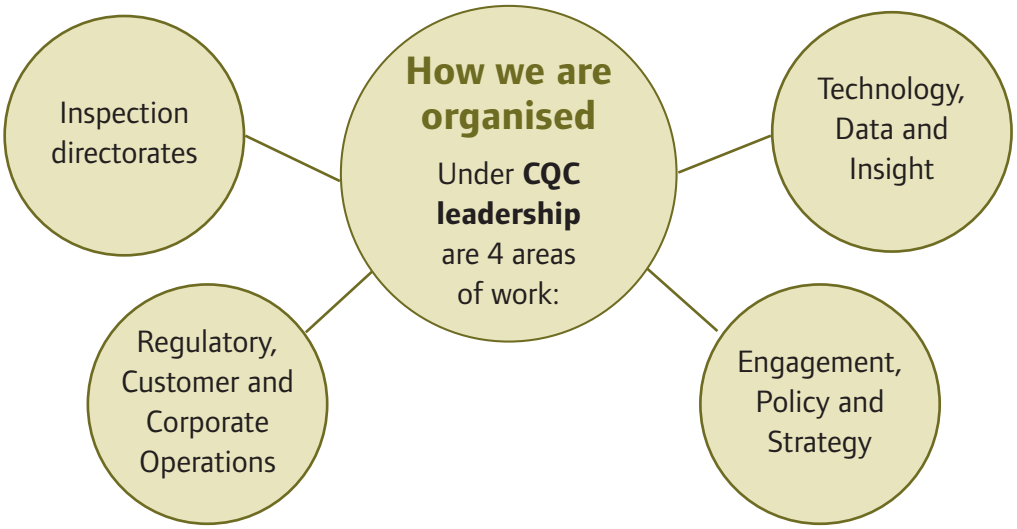
The Care Quality Commission (CQC) is the independent regulator of health and adult social care in England.

Our purpose

We 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:





Our role

- **Register:** We register health and adult social care providers.
- **Monitor, inspect, rate:** We monitor and inspect services to see whether they are safe, effective, caring, responsive and well-led, and we publish what we find, including quality ratings.
- **Enforce:** We use our legal powers to take action where we identify poor care.
- **Independent voice:** We speak independently, publishing regional and national views of the major quality issues in health and social care, and encouraging improvement by highlighting good practice.

Strategic priorities

From 2021, our Strategy sets out 4 strategic ambitions:

1
People and communities: Regulation that's 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 two 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 are the independent regulator of health and adult social care in England.
- 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.

1

Performance report

The performance report consists of 6 sections:

Foreword from CQC's Chair 5

Foreword from CQC's Chief Executive 7

Key highlights 9
Some of the key highlights and achievements for CQC in 2021/22.

Performance summary
A performance summary for 2021/22 that highlights important achievements, progress towards our objectives and targets, and our impact as a regulator. 10

Our financial resources 13
An overview of our funding, where our expenditure is incurred and how we aim to demonstrate value for money.

Performance analysis 16
A performance analysis for 2021/22 that is a detailed explanation of our performance during the year, with evidence to support the performance summary.

Foreword from Ian Dilks OBE, Chair

Ian Dilks OBE
Chair

This is the beginning of my tenure at CQC and I want to first pay tribute to the outgoing Chair, Peter Wyman CBE, who led the organisation for 7 years. Peter has handed over the reins of an organisation that overall is in good shape and with an exciting but essential strategy.

Our task now is to drive this strategy forward, and tackle the challenges ahead. Health and social care are changing fast, and CQC must not only keep pace but also look to the future. So, while we have been dealing with the impact of the pandemic and its legacy, we have also been busy getting on with the changes to our organisation.

The worst of the pandemic is hopefully behind us, but it has had a profound effect on the services that people rely on and shone a light on issues such as health inequalities. The quality of care is under greater pressure than ever before. It is clear that safety for people using services is a growing concern – from maternity to ambulances to emergency departments.

Some of the issues have existed for many years – certainly pre-dating COVID-19 – and progress has been slow. We focused in detail on these longstanding issues in our State of Care report to Parliament.

We have a clear focus on people who are at risk of receiving poor care – for example, our work on identifying closed cultures and our drive to make sure services for people with a learning disability are properly designed for their specific needs. We are determined to make sure that poor care is identified, and to play a key role in supporting improvement.

Understanding people's experiences of care lies at the heart of our strategy – with its focus on citizens and communities, tackling clear inequalities, and being progressively much smarter in how we get and use the information we need.

We are pushing forward fast. We are making it easier for people to tell us about the care they're receiving so we can respond quickly – and where appropriate give them feedback on how we've used their information. We will be embracing technology in new ways, and using data and insight much more effectively to spot emerging problems before they escalate.

Among the challenges are our new, and vital, roles in assessing integrated care systems (ICSs) and assessing how local authorities meet their social care duties – powers given to us under the new Health and Social Care Act 2022. ICSs will vary in their approach, so it is essential that we work with other parties to design and gain support for our approach to their assessment.

We will need to build trust with local systems and their leaders, across all sectors, to determine how we can best provide meaningful assessments of systems that both support local leaders to drive improvement and give local citizens a clear sense of what it means for them.

We have a unique role that spans both health and social care and both public and private provision. We understand the huge importance of maintaining people's trust in our ability to highlight where care is good and where it needs to improve. We need to do this at provider level and at system level – essential if we are to support the development of local care systems and their better integration.

The country is going through tough times, with the health and care systems – especially the people working within them – subject to huge stresses. We remain firmly focused on providing accurate, evidence-based and independent assessments of the quality of care – mindful of the pressured environment that providers are working in, but always with people's safety and the right to receive high-quality care at the heart of what we do.

I want to record my thanks to the contribution made by CQC colleagues over the past year. This is a period of major change for everyone. I have been here only a short while, but everyone I meet is dedicated to the vital role this organisation plays in supporting the improvements needed to ensure high-quality health and social care services for the people who need them.

Ian Dilks OBE
Chair

Foreword from Ian Trenholm, Chief Executive

Ian Trenholm
Chief Executive

This past year has again been one of turbulence and uncertainty, with the services we regulate continuing to be under significant pressure. Our regulatory response has, for the second year in a row, been focused on offering the public as much assurance as possible, while taking opportunities to accelerate improvement.

Our transformation programme has continued at pace. We have begun to make the necessary policy, technical and organisational changes necessary to deliver on the strategy we launched at the start of the year.

While COVID 19 does not pose the same level of threat as it once did, it is still with us and continues to place a strain on the providers we regulate. We have flexed our work to accommodate the practical challenges we have seen on the ground.

During the year we deliberately focused on higher risk providers, and refined the way we define risk. Alongside this we saw another 50% year-on-year increase in information we receive from the public and those who work in services – it has become a major driver of how, and when, we decide to inspect.

Our work in the earlier part of the year was inevitably focused on struggling providers, alongside very specific areas such as infection prevention and control. We also carried out work to identify services that could add capacity to the health and care system – either because they had improved, or because we could offer assurance that they could safely look after those coming out of hospital without a negative COVID test.

As the year progressed, we started to return to potentially higher performing providers and those who had improved. We also began to carry out more work that resulted in ratings, as a means of increasing capacity in some areas. This planned progression back to a more balanced approach to regulation was delayed by the Omicron surge and the vaccination programme over the turn of the calendar year and the last quarter.

The exceptional nature of our work this year has meant that we have been able to deliver our work well within our budget. We have not needed to travel as widely, or use support from specialist advisors, to the same degree as in a more typical year. We have, however, continued to spend on plan in our transformation programme. This long-term investment should put us in a good position to

support longer-term recovery right across health and social care. We were also able to freeze fees again for 2022/23

During the year, the Health and Care Bill made progress through Parliament, receiving Royal Assent in May 2022 to become the Health and Care Act 2022. This Act is arguably the largest extension of our powers in the last decade and will enable us to link the regulation of providers to regulation of whole health and care systems. We are aware of growing health inequalities in some areas, and these new powers will help us to shine a light on them. We have started work over the last year to create a new single regulatory approach for both providers and systems.

The relatively specialist nature of our work has meant we continue to recruit and retain employees with a range of diverse skills and backgrounds. As with other organisations, recruitment of those with digital, data and change skills has required particular effort. We expect this to remain a challenge into 2023 as we draw heavily on people to support the next phase of our transformation work. Recruitment remains the biggest recurring risk to progress in this area.

In summary, this year has been another challenging and uncertain one. We have been responsive and flexible to ensure we can regulate in a proportionate and appropriate manner. We have managed to remain within planned budgets and continue to make progress with our transformation efforts. Alongside this, we have started work on our future direction, as we plan to expand our activity to make use of the new duties and powers given to us as part of the Health and Care Act.

Ian Trenholm
Chief Executive

Key highlights

10,114
Inspections carried out with site visit

Including:

126 Children's and Health & Justice

51 Defence Medical Services

45 IRMER inspections (Ionising Radiation Medical Exposure Regulations)

263 Sample inspections

952,272
National Customer Service Centre transactions carried out

196,966 NCSC calls taken

755,306 Emails and other processing sources

Received and reviewed **272** visiting concerns, with **114** relating to blanket bans

Released **770 beds** into the sector through carrying out **137 improvement** and **304 unrated services** inspections

Carried out **3,335 workforce pressure** reviews

Enforcement representations received increased by

46%

Whistleblowing received increased by

13%

Give Feedback on Care received has seen an increase of

51%

4,392
Direct Monitoring Activities carried out

102
Urgent and emergency care inspections carried out

95
Learning disability and autism inspections carried out

33,229
Registration applications completed

Simple applications processed in an average of 25.8 days

Normal applications processed in an average of 56 days

Complex applications processed in an average of 121.3 days

Performance summary

Our ambition is set out in our strategy, published in 2021. What we have learned from the past 5 years puts us in a better position for the future. Our new strategy combines this learning and experience, and is further enhanced through valuable contributions from the public, service providers and all our partners.

Delivering on our strategy means our regulation will be more relevant to the way care is now delivered, and more flexible to manage risk and uncertainty. It will enable us to respond in a quicker and more proportionate way as the health and care environment continues to evolve. Our purpose and our role as a regulator won't change – but how we work will be different.

Our strategic ambitions are set out under 4 themes: people and communities, smarter regulation, safety through learning, and accelerating improvement. Running through each theme are 2 core ambitions: assessing local systems and tackling inequalities in health and care.

Priority 1: People and communities

Our campaigns on 'Because we all care' continued quarterly across the year, with specific focuses on different audiences. Receiving feedback from people is a key element to our strategy. We use all feedback to help keep track on the quality of care that services provide. Through our 'Because we all care' campaign, as well as through other channels, we promote our Give Feedback on Care service. This year we saw a 51% increase in the volume of feedback we received, with a prominent increase in the primary medical services sector. Across the year we received over 64,000 pieces of feedback, an increase of more than 20,000 compared with 2020/21.

Some of the information we receive is shared with us by people who work, or have worked, for health and care organisations that are registered with us – or people who provide services to those organisations, such as agencies. It is important that people who work for health and care organisations feel they can speak to us about issues that cause them concern and that our response is prompt and appropriate. We describe the concerns we receive from them as whistleblowing enquiries.

In 2021/22 we received 17,937 whistleblowing enquiries. This was a 13.3% increase from 2020/21, when we received 15,827 enquiries. The majority of these (80%) were about adult social care services, while 15% were about hospitals and the rest were about primary medical services.

This year we continued to focus on our digital capabilities. This has enabled us to deliver against our strategy and introduce new data collections. In 2020/21, driven by the need to adapt to the pandemic, we made substantial progress in our ability to monitor services. We continued to build on the learning from last year to further enhance our regulatory monitoring and activity with the use of technology. We recognised the need for further data and insight on the impact on workforce pressures in adult social care, as a result of COVID-19 vaccination becoming a condition of deployment and due to the wider pandemic itself. We created a data collection so that our inspectors, when carrying out inspections or monitoring calls, could collate key data about the sector. At the end of March 2022, we had carried out 3,335 workforce pressure reviews. Thirty-eight per cent of services indicated that

workforce pressures had had a negative impact on them, and 27% highlighted a delay in people accessing health care.

Our COVID-19 Insight reports continued to be a key part of our engagement and information sharing with the public, providers and stakeholders across the year. The aim of the Insight reports was to help everyone involved in health and social care to learn from what we know through our conversations and regulatory activity. This year our reports included areas around dental services, how services work together for people with a learning disability, and the quality of ethnicity data recording for mental health services.

- 479 Mental Health Act visits were carried out. The average inspection report was published in under 15 days.
- We published 6 Insight reports during the year.
- There were 26,424 safeguarding enquiries during the year (safeguarding concerns and safeguarding alerts).

Priority 2: Smarter regulation

Throughout the pandemic, we kept our regulatory approach under review. This is in recognition of the changing pressures that health and social care services have found themselves working under. Our priority has always been to support services to ensure people receive safe care. We want to ensure our approach is appropriate and proportionate.

Throughout the year, we continued to ensure that our registration service was responsive to the needs of the sector. We fast tracked applications where the provider intended to deliver services that provide additional health and social care capacity, or that contributed to the control of the pandemic or the treatment of people with COVID-19. During winter, we ensured that any applications that supported winter pressure planning for NHS trusts, clinical commissioning groups or a local authority were also fast tracked.

We made good progress in our ambition to be intelligence-led and a responsive regulator. We have taken the learning from our Emergency Support Framework and launched our direct monitoring approach (DMA). Where the information we have does not find evidence that indicates we need to re-assess the rating or quality at a service, we now publish a short statement on the service's profile page on our website. This helps to inform the public that a review has taken place and that we had no concerns based on the information we held at the time.

Last year, we completed infection prevention and control (IPC) reviews as part of our response to the pandemic. These inspections and IPC methodology have continued to be a key tool. This year we reviewed IPC practices in 4,066 adult social care settings over 4,412 inspections.

- 21,169 services have a public statement published on our website following our intelligence review.
- We carried out more than 10,306 inspections across all sectors, an increase of 46% on the previous year.
- We completed 4,392 direct monitoring calls, across 4,003 services.

Priority 3: Safety through learning

Throughout the year, we reviewed our approach to inspections of services for people with a learning disability and autistic people – part of our work on transforming the way we regulate these services. In our October 2020 'Out of Sight – who cares?' report, we made recommendations for people to receive the care they need, when they need it, to lead fulfilling lives without the need for restrictive practices. In December 2021 and March 2022, we gave updates on our findings and progress against the recommendations. We concluded that not enough progress has been made to address the recommendations, and that there are still too many people in hospital. Once in hospital, they often stay too long, do not always experience therapeutic care, and are still subject to restrictive interventions.

The new Health and Care Act has implications for our future operations. We are committed to co-producing our approach to system and local authority assessment, to ensure it is built on what matters to people using services, avoids duplication with other existing oversight activities, and encourages a shift towards more integrated services and improved outcomes for people using services.

- Through our IPC inspections, we indicated that 96.8% of services were facilitating visits in line with current guidelines.
- We carried out 1,099 IPC inspections of social care services, plus a further 3,313 inspections where we completed an IPC review as part of a wider inspection.

Priority 4: Accelerating improvement

We formally launched our strategy in May 2021 and it is purposefully ambitious. This year has seen us progress the first months of the strategy. Although a lot has been progressed and delivered this year, especially in response to the pandemic, our focus is firmly on the steps, processes and plans we have towards delivering our strategic ambitions. For example, we have a lot more that we want to and will achieve in our work on reducing inequalities in health care. To do this well, we are setting out regulatory equality objectives to ensure we have the right focus and the right plans in place to make sure we continue to progress.

This year we carried out a review of sexual safety in ambulance services, following learning from regulatory activity in the independent ambulance sector. The work has raised awareness about sexual safety issues and the intelligence shared with us has helped to ensure that patients and staff are protected appropriately. We have worked with the sector and stakeholders to improve provider awareness and responses, and limit access for sexual predators seeking to abuse a position of trust.

Our financial resources

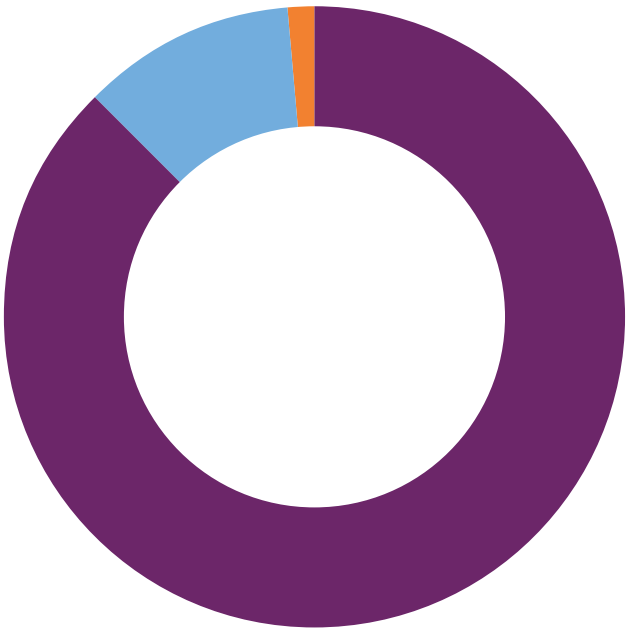
We are mainly funded through fees charged to registered providers, with the Department of Health and Social Care (DHSC) providing grant-in-aid (GIA) for costs that under HM Treasury rules are not chargeable through our fee structure. In 2021/22, our fees made up 88% of our revenue funding, with 11% coming from GIA, and the remaining 1% coming from other external sources. Capital expenditure was funded through additional GIA and using our retained earnings reserve (see note 14 to the financial statements).

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 assist the financial planning of providers, our fee scheme will remain unchanged for 2022/23, the third consecutive year. See page 82 for further details.

What we received

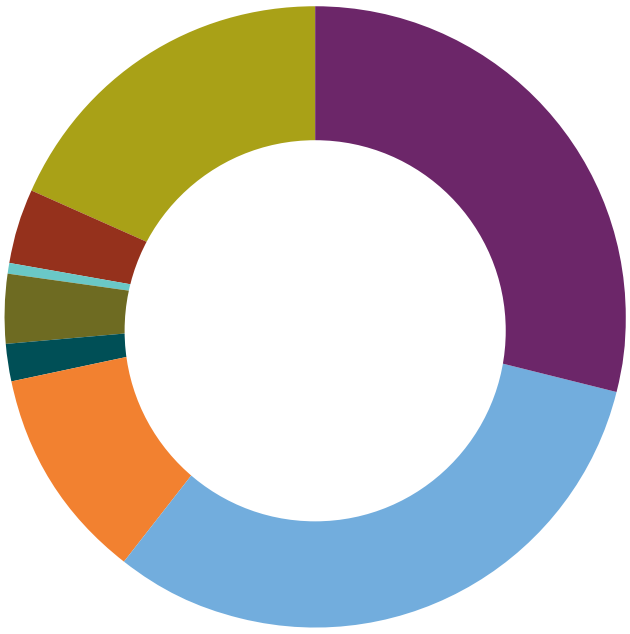
Our funding is broken down into the following areas:

Total revenue funding



- Fees, **£207.9m**
- GIA, **£26.5m**
- Reimbursement for services and other income, **£2.8m**

Fee income by sector



- NHS trusts, **29.1%**
- Adult social care – residential, **31.7%**
- Adult social care – community, **11.1%**
- Independent healthcare – hospitals, **1.9%**
- Independent healthcare – community, **3.5%**
- Independent healthcare – single speciality, **0.5%**
- Dentists, **4.1%**
- NHS GP practices, **18.1%**

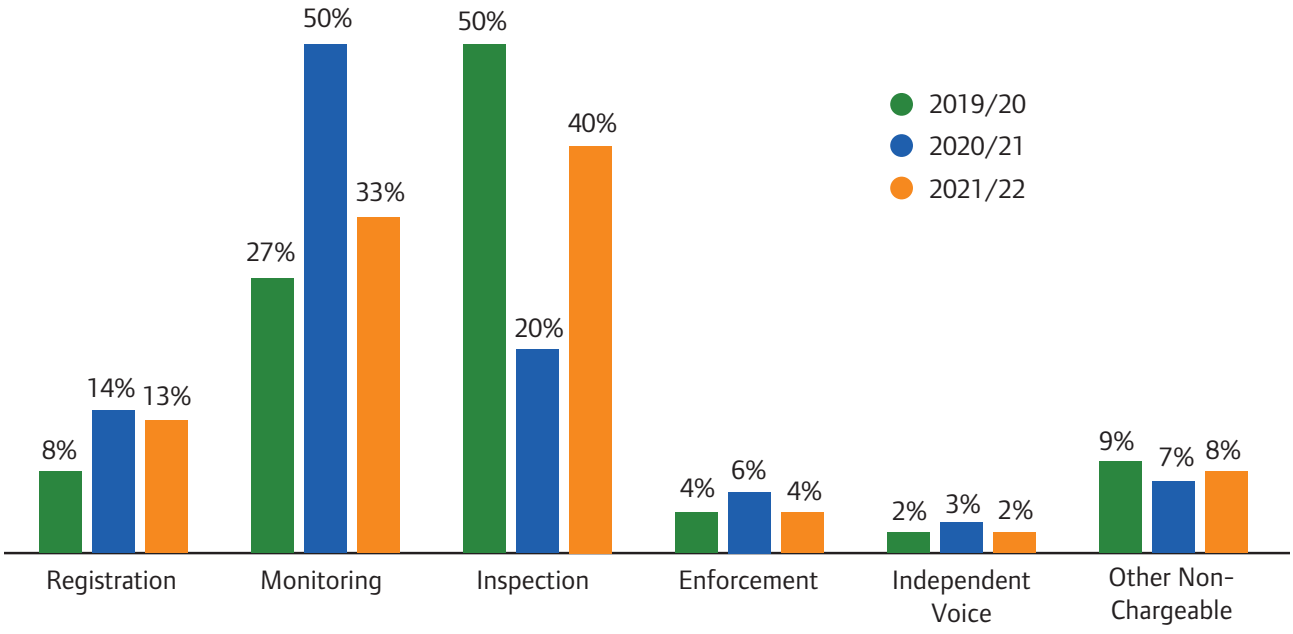
There are clear HM Treasury rules for recovering the full cost of relevant chargeable regulatory activity through our fee structure. DHSC additionally funds GIA for non-chargeable activities such as Enforcement, Mental Health Act, Healthwatch England, Market Oversight, and the National Guardian's Freedom to Speak Up Office. In 2021/22, we also received additional revenue GIA as we look to scope out additional work and duties in relation to Local Authority Assurance, Integrated Care Systems, Liberty Protection Standards, Mental Health Act, Learning Disabilities and Autism, and Artificial Intelligence Laboratories.

What we spent

During 2021/22, our total revenue expenditure (excluding non-cash items – see note 2.2 to the financial statements) was £215.6 million, with a further £14.3 million invested through capital expenditure.

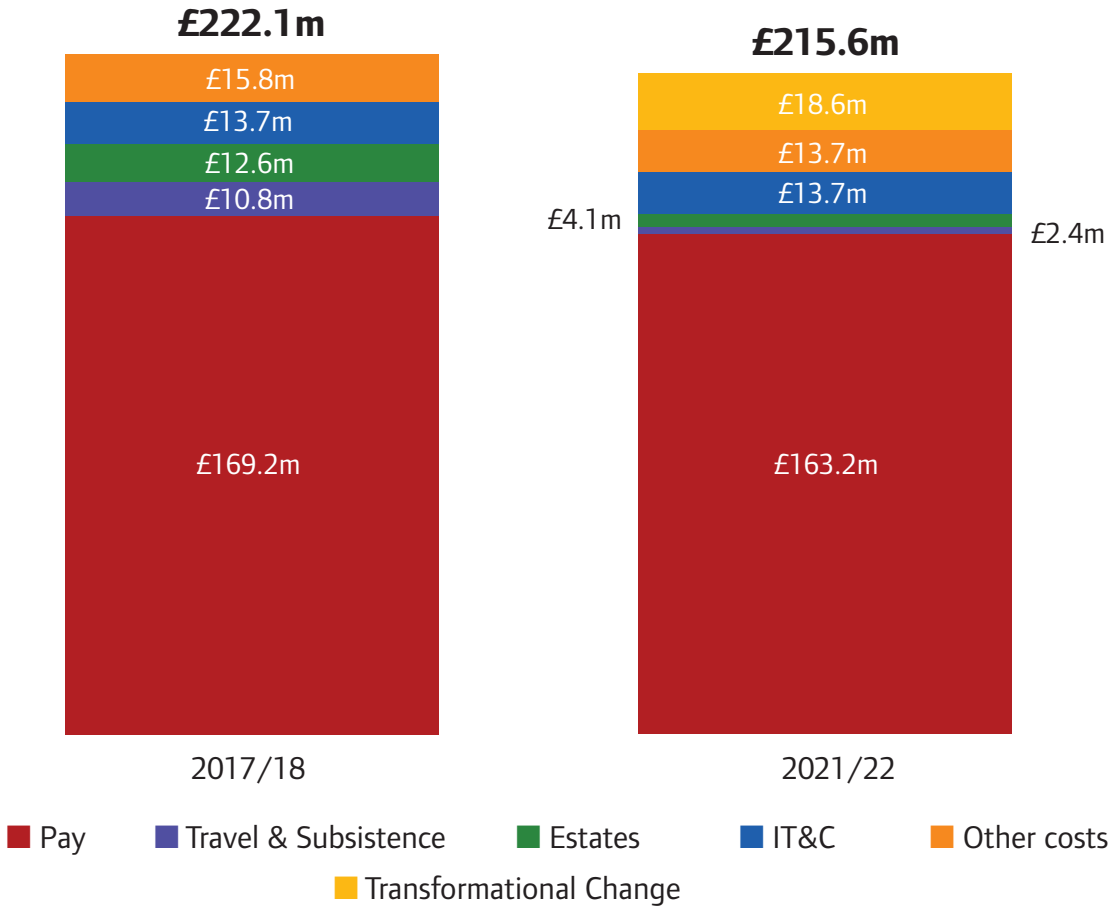
Our expenditure relates to the following areas of our operating model, and reflects the impact of our COVID-19 response this year. We are regulating in a proportionate and appropriate manner with a strong focus on higher risk providers, and appreciate that, compared with pre-pandemic levels, there are still COVID-19 challenges for providers that necessitate the need to flex our approach to accommodate. This is evident from the chart below and the year-on-year change in expenditure aligned to both monitoring and inspection.

Expenditure by operating model area



We have again delivered our work within budget. Our expenditure profile is less than it was 5 years ago despite rising costs and inflation during this time, as we aim to conserve costs as illustrated below.

Revenue operating expenditure 2017/18 and 2021/22



Find out more about our financial performance in 'Priority 4' (page 43) and the Statement of Comprehensive Net Expenditure (page 90).

Performance analysis

The performance analysis for 2021/22 is a detailed explanation of our performance during the year, with evidence to support the performance summary. It is arranged under the priorities, ambitions and outcomes of our Strategy.

People and communities

Priority 1

Our ambition is that the needs and experiences of people drive our regulation, and that we are focused on what is important to people and communities when they access, use and move between services.

51%

increase in people sharing their experience with us through our Give Feedback on Care service in 2021/22

3,335

instances of workforce pressures recorded through our data capture following inspection or Direct Monitoring Activity

479

visits carried out to keep the operation of the Mental Health Act under review as part of our statutory duty

Priority 1: People and communities

Our ambition is that the needs and experiences of people drive our regulation, and that we are focused on what is important to people and communities when they access, use and move between services.

Outcome 1: Our activity is driven by people's experiences of care

Because we all care

Across the year we continued to develop ways to ensure people's experience of care is used to bring about improvements. In July 2020 we launched an award-winning 'Because we all care' campaign jointly with Healthwatch England. This year we continued to market this campaign in each quarter, with focuses on different audiences. For example, in March 2022 our campaign focused on unpaid carers. Through our campaign, we encourage people to share experiences of care – their own and those of a loved one, creating a strong feedback culture.

Receiving feedback from people receiving care is a key element of our strategy, whether the feedback is good or bad. We use all feedback to help keep track on the quality of care that services provide. It can help us decide what action we need to take, such as inspect a service or take enforcement action.

As part of our 'Because we all care' campaign, as well as through other channels, we have promoted our Give Feedback on Care service. We use what people tell us to understand the quality of care they get from services, including care homes, care agencies, hospitals and GP practices.

This financial year we saw a 51% increase in the volume of feedback we received. We received more than 64,000 individual pieces of feedback about health and social care services, an increase of more than 20,000 on 2020/21. The biggest increase was in the primary medical services sector, with a 127% increase from the previous financial year and notable peaks in February and March 2022.

Achieving an increase in feedback is progress towards our strategy. A key measure of success is the number of unique services from which we received feedback. In 2020/21 we received feedback about 15,771 services; in 2021/22 this increased to 19,029.

Information of concern (safeguarding, whistleblowing, concerns and complaints)

During the year we received a total of 1,047,101 enquiries. Enquiries are generated through emails, calls to our National Customer Service Centre (NCSC), statutory notifications from providers, and feedback through our online Give Feedback on Care service. All areas of feedback have been a focus in our 'Because we all care' campaigns. Of the total, 134,178 were whistleblowing, safeguarding, concerns and complaints (which we refer to as information of concern enquiries).

We continue to use all feedback and information we receive to review and monitor services. As part of our business plan reporting, we monitor where information of concern is a risk trigger for when we need to use our regulatory powers. Where our inspection activity was triggered by the enquiries we received, 49% was triggered by information of concern, compared with 55% in 2020/21. Other inspection triggers include statutory notifications from providers (such as a notification of an unexpected death) and information and intelligence from other stakeholders.

When we receive safeguarding information, we quickly inform local authorities of the most urgent and serious information of concern (known as safeguarding alerts). For safeguarding alerts our target is to ensure local authorities receive an alert of the information within 24 hours. In 2021/22 our performance remained good at 95%, against our target of 95%. This compares with performance of 97% in 2020/21. Across the year we improved our performance on safeguarding concerns (where we are not the only stakeholder who is aware of the information of concern), with a year-end performance of 97% in taking action within 5 days, compared with 95% in 2020/21.

Some of the information we receive is shared with us by people who work, or have worked, for health and care organisations that are registered with us – or people who provide services to those organisations, such as agencies. It is important that people who work at health and care organisations feel they can speak to us about issues that cause them concern, and that our response is prompt and appropriate. We describe the concerns we receive from them as whistleblowing enquiries.

In 2021/22 we received 17,937 whistleblowing enquiries. This was a 13.3% increase from 2020/21 when we received 15,827. The majority of these enquiries (80%) were about adult social care services, 15% were about hospitals and the rest were about primary medical services.

When we receive an enquiry, we consider the information carefully and prioritise which action to take according to the level of risk. The most serious enquiries, for example where there is a risk of harm to an individual, will trigger a safeguarding process that may include a referral, such as to the local authority. Other actions include bringing forward inspections and conducting responsive inspections. There are some enquiries that remain completely anonymous – when this happens, we may not be able to take action due to lack of information.

Mental Health Act and Second opinion appointed doctors

We made 479 visits to keep the operation of the Mental Health Act (MHA) under review as part of our statutory duty. The previous year's visits were heavily impacted by the pandemic, and therefore this year has seen a substantial increase in activity.

The second opinion appointed doctor (SOAD) service is a statutory provision of the Mental Health Act 1983. Its purpose is to provide a mechanism for detained patients who do not, or cannot, consent to treatment for mental disorder. As an organisation we administer the service but are not responsible for the individual clinical opinion. This year we received 13,165 SOAD requests, compared with 20,200 in 2020/21.

'Monitoring the Mental Health Act' is our annual report on the use of the Mental Health Act. It looks at how providers are caring for patients, and whether patients' rights are being protected. In our findings we highlighted concerns that reduced access to community mental health services during the pandemic may have contributed to an increase in the number of people being detained under the MHA. In 2020/21 there was a 4.5% increase in use of the MHA to detain people with mental health problems in hospital for assessment and treatment. We have previously reported on the impact of COVID-19 on children and young people's mental health and services' ability to meet increased demand. Our report raised concerns about children and young people being placed in unsuitable environments while they wait for an inpatient child and adolescent mental health services bed.

Outcome 2: 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

Insight reports

During the height of the pandemic, our Insight reports informed everyone involved in health and social care, shared learning and helped services to reflect on what went well. They helped services and systems prepare better for the future. They continued to be a key part of our engagement and sharing with the public and the sector across the year. The Insight reports are intended to help everyone involved in health and social care to learn from what we know through our conversations and regulatory activity. This includes sharing and reflecting on what has gone well, understanding and learning what hasn't and helping health and care systems to work together better in the future.

This year's reports included the following key areas:

- The impact of the pandemic on access to dental services, and examples of the innovative ways that local services have collaborated to care for people with cancer or suspected cancer (May 2021).
- Publication of our provider collaboration review of how services across seven local areas in England worked together for people with a learning disability during the pandemic (June 2021).
- Notifications of deaths involving COVID-19 received from individual care homes, our inspections of acute NHS services monitoring infection prevention and control, and what we have learned about how risks can build into a closed culture (July 2021).
- How NHS trusts were planning for people's care while tackling the backlog caused by COVID-19 and their assessment of challenges (September 2021).
- Medication safety in NHS trusts, focusing on the role of medication safety officers (November 2021).
- Staff vacancies in care homes and the quality of ethnicity data recording for mental health services (March 2022).

National reports

In September 2021 we published our 'Home for Good' report. This highlighted how successful community support can be achieved for people with a learning disability, people with mental health needs and autistic people. The report included 8 stories of people who had previously been placed in hospital settings, often called assessment and treatment units. In all the case studies, the people were shown to be thriving in community services. There is no single model of care and support that explains this success and each story is different.

In November 2021 we published our report on the Ionising Radiation (Medication Exposure) Regulations 2017, known as IR(ME)R. These provide a regulatory framework to protect people against the dangers from being exposed to ionising radiation in a healthcare setting. We enforce the regulations in England by carrying out inspections, acting on information from other areas of our work, and reviewing statutory notifications from healthcare services about significant accidental or unintended exposure to patients.

Our report provides a breakdown of the number and type of notifications we receive about IR(ME)R and findings from our inspections. This year we carried out 45 IR(ME)R inspections, compared with 13 in 2020/21.

As part of our business plan reporting, we track the online views of our national reports in the first 3 months following their publication. This help us to understand the impact they have on the sector and, in particular, how many unique views they receive. State of Care received the highest volume across the 3 months with 23,735 unique views, followed by the Home for Good report which received 5,351 views.

During the year, Healthwatch England published new research to help understand the experiences of people who use services. Topics included:

- vaccine confidence among people from African, Bangladeshi, Caribbean and Pakistani backgrounds
- digital exclusion, looking at groups who may have struggled to access care remotely, people who have language barriers, and individuals who lack interest in using technology
- the experiences of people on NHS waiting lists
- access to dental care for children.

Vaccination as a condition of deployment

In 2021, the government introduced vaccination against COVID-19 as a condition of deployment in care homes, as part of changes to the Health and Social Care Act 2008. This came into effect on 11 November 2021. From this date we reviewed vaccination status as part of our inspection methodology, as well as during registration processes.

In response to increasing concerns about available staff in the adult social care sector in December 2021, we launched a data collection tool. This was to capture information about workforce pressures whenever we inspected a service or carried out a direct monitoring activity (DMA). At the end of 2021/22, we had carried out 3,335 workforce pressure reviews. Thirty-eight per cent of services indicated there had been a negative impact due to workforce pressures, and 27% indicated a delay in people accessing health care.

In March 2022, following consultation by the government, vaccination as a condition of deployment was revoked for all health and social care staff, including staff working in or deployed to care homes. During the period from 11 November to the condition being revoked, we issued 28 breaches of regulation in relation to vaccination as a condition of deployment. Each location that was found in breach of regulation 12(3) has since had their inspection report reviewed. Where the location's rating was impacted by this breach of regulation, we have taken the necessary action, treating each location individually and assessing the circumstances.

Outcome 3: Our ways of working meet people's needs because they are developed in partnership with them

Experts by Experience and specialist professional advisors

In transforming our regulation, we have continued the use of Experts by Experience and recognised the importance of user voice in our work. Experts by Experience have provided more than 5,000 days of support during the year, both on-site as part of inspection teams and remotely speaking to family members and staff as part of our regulatory activity.

Specialist professional advisors (SPAs) are a key part of our methodology and across the year have provided over 4,000 days of support in regulatory activity – an increase of 31% from the previous year.

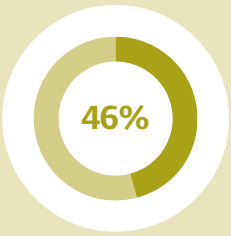
Key areas of performance from priority 1 in 2021/22:

- Emergence of the Omicron variant of COVID-19 added to staffing pressures in the adult social care sector, with large numbers of care workers required to self-isolate. In response, we launched a digital data collection on workforce pressures.
- We published 6 COVID-19 Insight reports during the year.
- We carried out 479 Mental Health Act visits. On average, inspection reports were published in under 15 days.
- We received 17,941 whistleblowing enquiries, compared with 15,827 in 2020/21, with an additional 2,114 enquiries received from staff members. In 88.2% of whistleblowing we recorded our mitigating action within 5 days of the information being received.
- There were 26,424 safeguarding enquiries during the year (safeguarding concerns and safeguarding alerts). This is a slight decrease from 26,568 received in 2020/21. The split across the sectors was adult social care (20,833), hospitals (5,135) and primary medical services (388). Adult social care and primary medical services both saw an increase from the previous year, whereas the hospitals sector saw a 9% reduction.
- We have a 95% KPI of responding to safeguarding alerts in 1 day and safeguarding concerns in 5 days. Ninety-five per cent of alerts had action recorded within 1 day and 97% of concerns had action captured within 5 days.
- Across the year 1,440 inspections had an element of on-site activity that was out-of-hours (before 8am, after 6pm or on a weekend or bank holiday).
- 91% of services and 67% of our strategic partners and other stakeholder survey respondents said they use our definition to inform their work and improve quality and safety (increasing to 85% when just looking at local stakeholders).
- During 2021/22 we held 114 co-production activities involving 26,840 people, including organisations that represent them, to inform our ways of working. Of these, which 78 (involving 11,329 people) included those more likely to have poor care.

Smarter regulation

Priority 2

Our ambition is to be a smarter, more dynamic and flexible regulator that provides up-to-date and high-quality information and ratings. We want to make it easier for others to work with us and we aim to deliver a more proportionate response when we inspect.



46%

increase in inspections carried out compared with the previous year, carrying out 10,306 in total

53,165

registration applications received, an increase of 3,709 from the previous year

4,392

Direct Monitoring Activities completed across 4,003 different services in 2021/22

Priority 2: Smarter regulation

Our ambition is to be a smarter, more dynamic and flexible regulator that provides up-to-date and high-quality information and ratings. We want to make it easier for others to work with us and we aim to deliver a more proportionate response when we inspect.

Outcome 4: We are an effective, proportionate, targeted, and dynamic regulator

Our regulatory approach

Throughout the pandemic we have continually reviewed our regulatory approach, in recognition of the changing pressures health and social care services have found themselves working under and the difficult challenges that everyone, both providers and people needing care, have faced. Our priority has always been to support services to ensure people receive safe care. We strive to ensure that our approach is appropriate and proportionate.

In December 2021, as the acceleration of the vaccine booster programme was announced, we made the decision to postpone on-site activity in acute hospitals, ambulance services and general practice for 3 weeks, except in cases where we had evidence of risk to life, or the immediate risk of serious harm to people. We took this decision in response to the extremely fast-moving situation, with the aim of being as supportive as possible in response to the increased pressure on the NHS. Our priority, as ever, remained to keep people safe.

Throughout the year we expanded our approach to our regulatory activity. This included the following (see below for further information):

- direct monitoring calls
- provider statements for services that we assess as low risk
- quality assurance sampling
- workforce pressures data collection
- infection prevention and control inspections
- designated settings
- improvement inspections and a focus on services that had not been inspected, or those inspected but not rated
- visiting concerns
- GP access.

In March 2020 we suspended our routine inspection programme in response to COVID-19 and developed our ability to monitor services. During 2021/22 we further developed our monitoring approach to ensure the public have assurance about the safety and quality of the care they receive, while still focusing on risk. We piloted our new approach in June 2021 and rolled it out wider in July 2021.

Our monitoring approach, including direct monitoring calls

The direct monitoring approach (DMA) was built on our learning from the previous year. Where the information we have does not find evidence that tells us we need to re-assess the rating or quality at a service, we now publish a short statement on the profile page on our website for these services. This helps to inform the public and people who use services that this review has taken place and that we had no concerns based on the information we held at the time. The review of our intelligence and information is carried out each month. This has helped us target our resources where they are most needed. In cases where the information review indicates that we may need to reassess a rating or the quality of care, our inspectors may need to gather more information. They may do this via an on-site inspection or using the DMA. Across the year we published a public statement for 21,169 services following our evidence review.

Quality assurance

To ensure we're making consistent and robust decisions, we have also been carrying out sample inspections of services to ensure our monitoring activity is consistent with our inspectors' findings. Since the DMA launch in July 2021 we have carried out 263 sampling inspections. In 46 cases, the inspection identified a breach of regulation, and in all cases we have carried out a comprehensive review of the findings and our intelligence approach. For sampling in primary medical services, we also did clinical searches using SPAs alongside direct monitoring calls with the providers.

Workforce pressure data collection

We have used technology to revolutionise the way we collect and use data and insight. This is helping us to become a flexible and insight-driven regulator.

In December 2021, we started a data collection on workforce pressure in adult social care. Inspectors captured insights from inspections and direct monitoring calls. We recorded whether services had workforce challenges, the causes of these, any workforce retention challenges or staff absences, and how staffing shortages affected their ability to provide their previous level of service. Some 68% of our data collection came from inspection – if we found that workforce pressures were impacting on the safety or quality of care, we took action during the inspection process.

Registration

We have continued to ensure our registration service has been responsive to the needs of the sector. We fast-tracked applications where a provider intended to deliver services that provided additional health and social care capacity or contributed to the control of the pandemic, or the treatment of people who contracted COVID-19. During winter we also ensured that any applications that supported winter pressure planning for NHS trusts, clinical commissioning groups or a local authority were fast tracked.

Prioritising applications to the support sector was critical to ensure performance in our registration service, because the volume of applications increased from previous years. This year we received more than 53,000 applications, an increase of 3,709 compared with the previous year.

We categorise applications in 3 ways: simple, normal and complex. In 2021/22 we set a target of reducing the time taken to complete applications of each type by 15% compared with the previous year's average. We achieved a 4.7% reduction in the time taken to complete simple applications; for normal applications we achieved an 8.1% reduction.

The average time taken to complete complex applications increased by 16.1%. Complex applications include 'Notice of Proposals' to refuse registration or register with conditions.

At the start of the financial year there were 8,720 registration applications in the system; at 31 March 2022 there were 7,747, representing an 11% reduction across the year.

Throughout the year we monitored the types of registration applications we receive to find out what knowledge or intelligence they offered about the sector. To help understand how the market is changing, when providers in adult social care contacted us proposing to cancel their application in March 2022, we asked them about their decisions so we might understand why they wanted to withdraw from the market. Eighteen providers took part in this pilot, but no key trends or reasons for leaving the market were identified for further action or information sharing.

Outcome 5: We provide an up-to-date and accurate picture of quality

State of Care report

State of Care is our annual assessment of health care and social care in England. Our report looks at the quality of care over the previous year, considering trends and sharing examples of good and outstanding care. We highlight where care needs to improve and where national and local system stakeholders need to focus their efforts.

This year we focused on people's experiences of care, flexibility to respond to the pandemic, ongoing quality concerns, and the challenges for local health and care systems. We recognised that COVID-19 continued to affect all aspects of life, especially the health and care system. We said that increased stability in social care and real collaboration is key across health and care and vital to reduce the risk of a deep and widespread unmet need.

The report was well-received among our stakeholders, with a substantial number of influential organisations reacting publicly to what we said. It also received widespread news coverage across regional and national print and broadcast media, as well as in social media.

Visiting in social care settings

Over the course of the year, government guidance has been changed in relation to visiting in social care residential settings. We have continued to support the engagement and learning across the sector via chief inspector updates and supportive statements.

Where we identify visiting concerns, we introduced a rigorous process to review evidence so that swift and appropriate regulatory and enforcement action could be taken to ensure people were supported to have visitors. From 1 December 2021 to 31 March 2022 we received and reviewed 272 visiting concerns, with 114 containing allegations about blanket bans. We reviewed every concern raised with us and took action where needed, including following up with providers, inspecting, raising safeguarding alerts where applicable, and following up with local authorities.

Infection prevention and control

In 2020/21 we launched a shortened inspection methodology, primarily in adult social care, to review infection prevention and control (IPC) in services. We continued IPC stand-alone inspections throughout 2021/22, as well as reviewing IPC practices in services that we inspect. This year we reviewed IPC practices in 4,066 adult social care settings during 4,412 inspections; 1,099 of these were stand-alone IPC inspections.

We continued to work with the DHSC, local authorities and individual care providers to provide assurance about the safety and quality of designated settings, which are part of a scheme to allow people with a COVID-19-positive test to be discharged safely from hospitals. Although designated settings were mostly set up in 2020/21, this year we inspected some additional locations to check whether they were appropriate to be a designated setting.

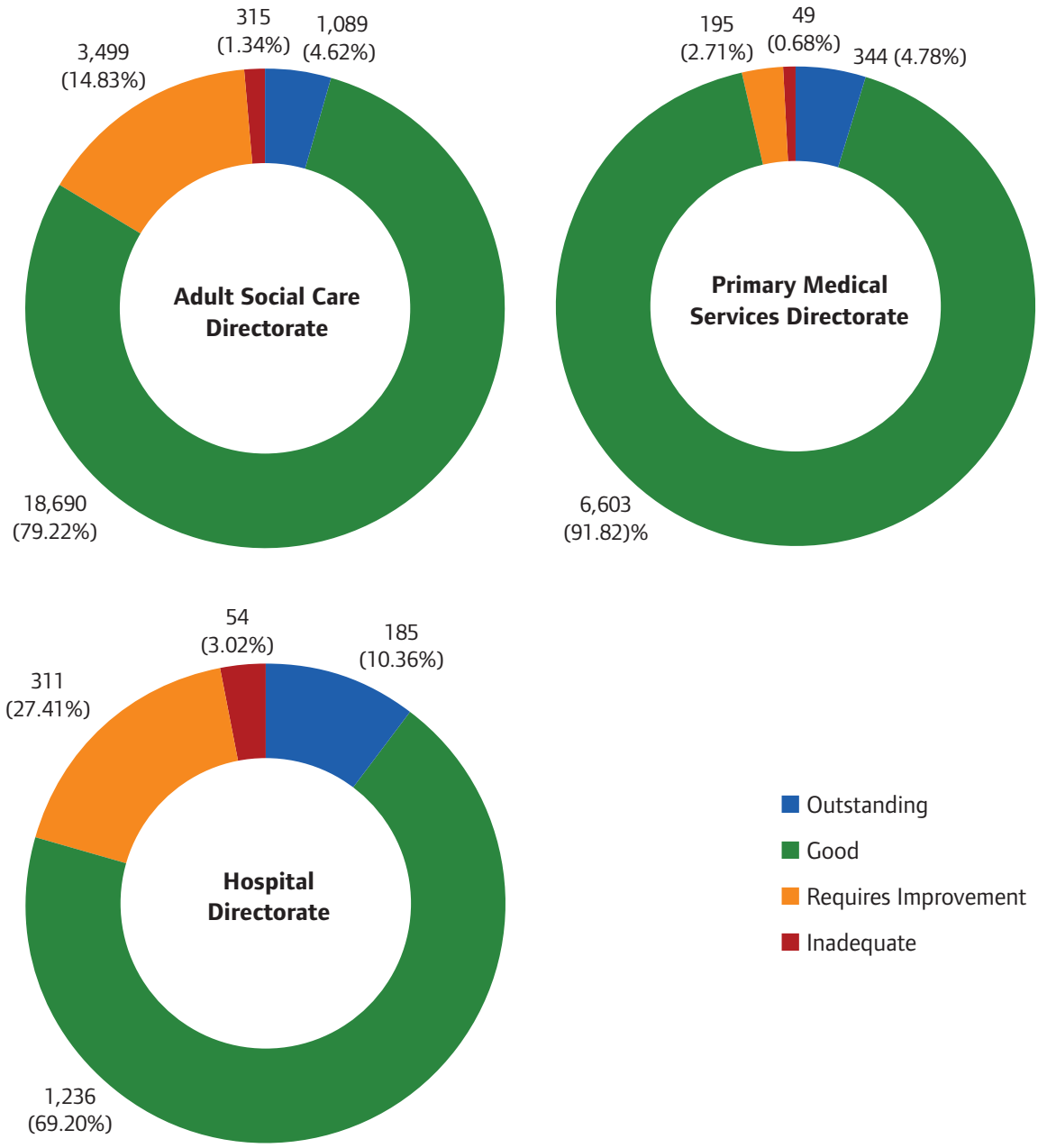
When we were assured of the IPC practice in a designated setting, we carried out supportive phone calls at regular intervals, using our DMA process. We completed 153 of these calls over the year.

Ratings and progress on methodology changes

Following our main strategy consultation, we launched a second formal consultation in January 2021. This was to hear views on our proposals for specific changes – building on our learning from our regulation during the pandemic and moving us towards our ambition to be a more dynamic, proportionate and flexible regulator. As a result, in October 2021 we stopped providing separate ratings in GP practices for the 6 population groups. In 2022/23 we are going to work with providers, our partners and key stakeholders to develop our assessment approach for NHS trusts, and review and develop our framework and approach to rating and reporting in line with wider changes to our regulatory approach.

We continually reviewed our approach, and we considered both the risk to people using the service and the burden on the provider during the pandemic. For this reason, we utilised our thematic and targeted inspection methodology in a large volume of inspections which does not include a re-rating of the service. Of those inspections that we re-rated, 69% of services that were previously rated as inadequate improved and 52% of services that were previously rated as requires improvement improved.

At the end of the year there are 50,982 registered locations and 32,552 registered providers. Of the registered locations, 4.97% were rated as outstanding, 81.45% as good, 12.3% as requires improvement and 1.28% as inadequate, showing very minimal change in percentage terms compared with the end of 2020/21.



Urgent and emergency care

From November 2021 we started a programme of inspections at a number of urgent and emergency care (UEC) services across an integrated care system (ICS). An ICS consists of all healthcare partners in a specific geographical area. These inspections are conducted to understand how services respond to the challenges they face as individual providers, but that require a system-wide response. They are also intended to support ICSs to better understand the journey that people experience when seeking urgent care and identify where they can make improvements.

The inspections are part of a pilot that test a coordinated, multidisciplinary approach to assessing services across an ICS. Our UEC system-wide inspections continue into 2022/23.

Outcome 6: 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

Talking mats

This year we launched the use of 'Talking mats', a communication tool that helps people express themselves. Talking mats can be used to support communication with anyone who may have difficulties communicating their experiences of care. This includes people who have dementia, people who have had a brain injury, people who have a mild to moderate learning disability, deaf people, people who do not have English as their first language and people with mental health conditions. We completed an initial Talking mats pilot, training 19 colleagues including inspectors, Mental Health Act reviewers and assistant inspectors. A further 40 colleagues will be trained following the success of the pilot.

Primary medical services – clinical searches

Our national clinical advisers for primary medical care and medicine optimisation specialists have developed a suite of clinical searches that are routinely used to gather evidence in our GP practice inspections. Over the course of the year we carried out a 12-month pilot partnership with a healthcare informatics provider, to create, review and deliver the searches we currently use on primary care inspections, as well as developing new searches to support our inspection programme. The pilot was a great success and the searches have been important in providing objective evidence about clinical outcomes, particularly in relation to the safety and effectiveness of clinical care. Following the pilot, we have continued our partnership and now have 100% coverage of practices for the clinical searches to be used on inspection and for practices to access beforehand.

National inspection programmes

We work with HM Inspectorate of Prisons and other inspectorates to protect and promote the interests and rights of people who use health and social care services in secure settings. This includes health and social care in prisons and young offender institutions, health care in immigration removal centres (holding centres for detainees awaiting decisions on their residency status or deportation following an unsuccessful application) and police custody facilities.

This year, alongside partners, we carried out:

- 37 inspections with HM Inspectorate of Prisons
- 16 inspections of secure children's homes
- 3 inspections of secure training centres
- 9 inspections of police custody facilities
- 3 inspections of youth offending teams.

In 2018 we started an inspection programme looking at sexual assault referral centres. We looked at the quality of care provided to adults and children who have been sexually assaulted, or who are victims of alleged sexual abuse. Across this year we carried out 8 inspections. Following an inspection, we make a judgement on whether the service is meeting the regulations and necessary legal requirements. We do not have legal powers to award a rating for the quality of care provided.

Through the Modern Slavery Victim Care Contract, we independently inspect safehouses and outreach support. These services support people who are potentially or confirmed victims of human trafficking and modern slavery. This year we carried out 18 safehouse inspections.

We received 12 referrals from the Government Agency Intelligence Network (GAIN) over the past year and have sent a further 16 to GAIN for sharing of information on topics such as illegal workers, modern slavery and financial exploitation. There has been a significant rise in modern slavery referrals.

Survey technology

This year we have continued to invest in our processes and technology. We redesigned our Annual Provider Survey and Stakeholder Survey and collected the survey responses using Microsoft Customer Voice. The new tool allows responsive data collection, in a mobile friendly way, and a way to capture performance data (including how long it takes a provider to complete the survey).

Maternity survey

One of the cornerstones of our NHS Survey Programme is the maternity survey. This year we asked women who gave birth between 1 and 28 February 2021 to take part – this was during the third national lockdown for the COVID-19 pandemic. This means that respondents will have gone through their antenatal, labour and birth, and postnatal stages under pandemic conditions. In previous surveys, the picture of maternity care in England had been one of year-on-year improvement. This year, we saw a change in direction and results declined in many areas. This likely reflected the impact that COVID-19 had on services and staff.

The 2021 survey was the first mixed-mode maternity survey in the NHS Survey Programme, where women were encouraged to respond online (but were also given the option of postal completion). The response rate increased substantially, from 36% in 2019 to 52% in 2021, with 89% of women taking part online. Analysis of responses also suggested that the new methodology was encouraging women from different demographic groups to take part, helping to make the results more representative.

Key areas of performance from priority 2 in 2021/22:

- We carried out more than 10,306 inspections across all sectors, a 46% increase on the previous year.
- We completed 4,392 direct monitoring calls, across 4,003 services.
- We had regulatory contact through inspection and direct monitoring calls with 28.5% of registered services during the year.
- 21,169 services have a public statement published on our website following our intelligence review. (From July 2021 we introduced a monthly review of information we have on most of the services we regulate. The monthly review helps us to prioritise our activity and guide how we respond. Where our review indicates that a service may be lower risk, we now publish a statement on our website.)
- We received 53,165 registration applications, an increase of 3,709 compared with 2020/21.
- Where we had to take urgent enforcement, in 94% of cases the enforcement was served within 3 days.

- There were more than 23,000 responses to the 2021 maternity survey. The response rate increased substantially from 36% in 2019 to 52% in 2021, with 89% of women taking part online.
- The average days to publish our inspection reports was 28 days, compared with 26 in 2020/21.
- We carried out 45 Ionising Radiation (Medical Exposure) inspections, compared with 13 in 2020/21.
- In our Annual Stakeholder survey, 92% of respondents said that we create an environment where their organisation can openly share information with them.
- 46% of the public are aware that they can feedback their experience of using health and social care services to us.
- 90% of those who shared feedback on care with us via our Give Feedback on Care service said they were able to tell us everything they wanted to.
- 90% of survey respondents who provided feedback via Give Feedback on Care said they were able to tell CQC everything they wanted to and 96% said it was easy to fill in the form.
- Of those who have accessed assessments and ratings on our website: 77% said they were easy to find (including 66% of the public and 85% of other stakeholders), 78% said they were accessible (including 66% of the public and 85% of other stakeholders) and 85% said they were useful (including 75% of the public and 92% of other stakeholders).

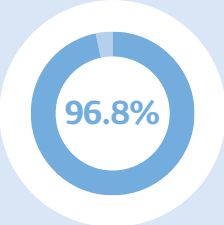
Safety through learning

Priority 3

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

1,099

infection prevention and control (IPC) inspections carried out, plus a further 3,245 reviews of IPC as part of a wider inspection



96.8%

of social care services were facilitating visits in line with guidelines during our IPC visits

Priority 3: Safety through learning

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

Outcome 7: There is improvement in safety cultures across health and care services and local systems that benefit people because of our contribution

Closed cultures

In 2021/22 we launched a closed cultures dashboard to help us review the inherent risk factors in residential care, services for people with a learning disability, and care services that restrict people's liberty. The closed cultures dashboard is one of the products to come out of our new Data and Insight Unit, which launched in March 2022.

Our 'Out of sight – who cares?' report, published in October 2020, looked at the use of restraint, seclusion and segregation in care services for people with a mental health condition, people with a learning disability or autistic people. We made recommendations for people to receive the support they need, when they need it, to lead fulfilled lives without the need for restrictive practice.

Throughout this year we reviewed our approach to inspections of services for people with a learning disability and autistic people – part of our work on transforming the way we regulate these services. It includes implementing the recommendations from Glynis Murphy's reports into the regulation of Whorlton Hall, and recommendations in our restrictive practice review. We carried out 95 new methodology inspections and used a new Quality of Life tool. The tool sets out the areas we need to explore, and it was developed to address recommendations from Glynis Murphy's first report.

In December 2021 and March 2022, we published progress updates. We found that the rates of restraint, segregation and seclusion were not reducing, although we did find some evidence of positive changes. We concluded that not enough progress has been made to address the recommendations and much still needs to be done to improve the health and care experiences of people with a learning disability and autistic people.

There are still too many people with a learning disability and autistic people in hospital. Once in hospital they often stay too long, do not always experience therapeutic care and are still subject to restrictive interventions.

Provider Collaboration Reviews

Our Provider Collaboration Reviews (PCRs) aimed to find out how providers worked collaboratively to meet the challenges posed by the COVID-19 pandemic. Each review focused on providers of an integrated care system (ICS) or sustainability and transformation partnership (STP) area. Our aim was to look at provider collaboration in all ICS and STP areas. As well as looking across systems, each review focused on one or more local authority areas within the system. This year we published 2 new PCR reports.

Outcome 8: People receive safer care when using and moving between health and social care services because of our contribution

Health and Care Act 2022

The new Health and Care Act 2022 has implications for our future operations. This includes new responsibilities in assessing how local authorities are meeting their duties under the Care Act, as well as our role in reviewing and assessing integrated care systems. We are committed to co-producing our approach to system and local authority assessment to ensure it is built on what matters to people using services, avoids duplication with other existing oversight activities, and encourages a shift towards more integrated services and improved outcomes for people using services.

Our work with DHSC, care providers and local authorities was to ensure people could be discharged safely from hospitals, while also preventing the spread of COVID-19 in care homes. Designated settings admit people who are discharged from hospital with a COVID-positive test who will be moving or going back into a care home setting. Designated settings inspections use our infection prevention and control (IPC) framework created the previous year.

When we carry out the assessments, we publish judgements in 8 areas: visitors, shielding, admission, use of personal protective equipment (PPE), testing, premises, staffing and policies. For each area we state if we are assured, somewhat assured or not assured by the provider of the service. Our judgements in relation to IPC can be found on the profile page for care homes that have been assessed. This helps to ensure our findings are also visible to the public, family and friends of people receiving care.

When we changed our operational priorities in December 2021, specifically around the primary medical sector and NHS trusts, the colleagues from these sectors supported adult social care inspectors in carrying out further IPC inspections.

Urgent and emergency care

Urgent and emergency care (UEC) services across England have been, and continue to be, under sustained pressure. In response we have conducted a series of coordinated inspections, monitoring of calls and analysing data within local teams. This helps us identify how local services work together to ensure people receive safe, effective and timely care. The UEC work helps to further pilot ways to assess services across integrated care systems. Each provider receives their own report with our findings, which includes a system summary. We have engaged with system partners as well as providers to share our findings and discuss opportunities to improve patient safety and system-wide working.

Key areas of performance from priority 3 in 2021/22:

- IPC inspections indicated that 96.8% services were facilitating visits in line with current guidelines.
- We carried out 1,039 IPC inspections of social care services. In a further 3,245 inspections, we completed a review of IPC as part of a wider inspection.
- 95% of services said we have encouraged them to have a strong safety culture including: involving people in decisions (89%); an open and honest reporting culture (94%); and learning and improving from concerns and incidents (94%).

- 79% of services said our safety guidance, tools and frameworks, and 63% said our signposting to external organisations and their resources, has supported this.
- 83% of local stakeholder survey respondents said we have encouraged them to improve safety cultures of services.
- 90% of services said we encouraged them to improve safety including: safe staffing levels (64%); safe discharge (57%); infection, prevention and control (80%); people feeling safe in care received (78%); and people feeling safe in the care environment (78%).
- 86% of services and 70% of local stakeholder survey respondents said we effectively ensure people have their human rights upheld.
- In our annual provider survey, 94% of providers agreed that we have encouraged their service to learn and improve from concerns and incidents.

Accelerating improvement

Priority 4

Our ambition is to enable health and care services and local systems to access support that will help improve the quality of care where it is needed most.

We examined concerns raised by some GPs that ethnic minority-led GP practices were more likely to have a poorer experience or outcomes from regulation than non-ethnic minority-led practices

We carried out a review of sexual safety in ambulance services, built on learning from our regulatory activity within the independent ambulance sector

14,146

patient treatment plans reviewed by the Second Opinion Appointed Doctor (SOAD) service

Priority 4: Accelerating improvement

Our ambition is to enable health and care services and local systems to access support that will help improve the quality of care where it is needed most.

Outcome 9: We have accelerated improvements in the quality of care

In February 2021, we began work to examine concerns raised by some GPs about ethnic minority-led GP practices. The question was whether they were more likely to have a poorer experience or outcomes from regulation than non-ethnic minority-led practices. The research showed that ethnic minority-led practices are more likely to care for populations with higher levels of socio-economic deprivation and poorer health. This can affect their ability to achieve some national targets used in assessments of quality and it increases their challenges around recruitment and funding.

While the limited data within the health and care system meant that it was not possible to establish any relationship between the ethnicity of practice leadership and ratings, this work has identified contextual factors that can disproportionately affect ethnic minority-led practices and their ability to demonstrate how they provide good care – for example, the finding that they are more likely to care for populations with higher levels of socio-economic deprivation. GPs from ethnic minority backgrounds who contributed to this report also cited a lack of leadership support from external bodies.

In response to this work, we are reviewing and strengthening how we consider the context in which a GP practice works when we make assessments about quality and ratings. We have also taken the learning and insight shared by minority ethnic GPs and inspection colleagues into our developing approach to assessing integrated care systems.

This year we carried out a review of sexual safety in ambulance services, following learning from regulatory activity in the independent ambulance sector. We wanted to better understand the scale of incidents and identify what we could do to improve how the sector responded to the risk of sexual safety to both patients and staff.

In understanding the scale and impact of concerns raised, we have worked with the sector and stakeholders to improve provider awareness and responses, and limit access for sexual predators seeking to abuse a position of trust.

Engagement and actions from the project have been discussed with key stakeholders, such as the Disclosure and Barring Service, the Independent Ambulance Association, the Association of Ambulance Chief Executives and NHS England Safeguarding.

Outcome 10: We have encouraged and enabled safe innovation that benefits people or results in more effective and efficient services

In response to our annual provider survey, 90% of respondents agreed that we encourage their services to improve the safety of care provided to people, with 89% also agreeing that we have a sufficient focus on improving safety of care. Sixty-three per cent of providers agreed that we had encouraged or supported their service to improve safety culture by signposting them to external organisations and their resources, support and advice about safety culture.

Key areas of performance from priority 4 in 2021/22:

- Our Mental Health Act (MHA) report 2020/21 highlighted how services apply the MHA to detain and treat people who have a mental illness and need protection for their own health or safety, or the safety of other people. In 2020/21, we carried out 682 MHA monitoring remote reviews of wards, and interviews with 1,895 patients and 1,111 carers. We handled 2,280 complaints and contacts from patients and others raising issues about the MHA.
- Our NCSC ensured that where intelligence was received on sexual safety incidents, it was logged consistently and labelled so that the intelligence could be reviewed.
- 68% of services said we have encouraged or supported them to make changes to improve the quality of care (24% of services neither agreed nor disagreed).
- 72% of services said our regulation provides an environment where services can innovate and try new ways to deliver safe care (20% neither agreed nor disagreed).

Strategic objective: Assessing local systems

In April 2022, the Health and Care Bill completed all parliamentary stages in the House of Commons and House of Lords and received royal assent to become the Health and Care Act 2022. The legislation gives us a new duty to review each integrated care system (ICS) in England, as well as a new duty to assess local authorities on the delivery of their social care duties under Part 1 of the Care Act 2014.

Our colleagues have been working closely this year with the DHSC, NHS England and other stakeholders to start to progress this important role. For the requirement to assess each local authority, we have started to design our approach collaboratively with key stakeholders such as Local Government Association, the Association of Directors of Adult Social Services and DHSC. We expect to begin our assessments of local authorities and reviews of ICSs in 2023 and we will continue to work with stakeholders on the timetable.

Highlights of performance in 2021/22:

- 78% of services and 60% of local stakeholder survey respondents said our work has encouraged them to work with others to ensure effective care pathways for people (17% of services and 19% of stakeholders neither agreed nor disagreed).

Strategic objective: Tackling inequalities in health and care

Our regulatory equality objectives were agreed by our Board in July 2021 and then published. The objectives give us an organisational focus and impetus to ensure our regulation adequately considers the quality of care for everyone. The objectives play a key role in delivering our strategic ambition to encourage organisations to tackle inequalities.

Our equality objectives are:

- amplifying voices of people more likely to have poor care
- using data to understand and respond to equality risks
- working with others to improve equality of access, experience and outcomes
- using our independent voice to reduce inequalities.

The equality objectives run from 2021 to 2025 and we have already made progress on them. Highlights include the launch of a British Sign Language service in our NCSC and our thematic work on acute care for people with a learning disability and autistic people.

Our equality objectives are embedded into our transformation work and are a key part of our plans for 2022/23, for example as part of operating model transformation and ensuring we capture equality risks in our regulatory model.

Our national reports published this year have also highlighted issues relating to inequalities. This included a focus on inequalities in our annual State of Care report. Also, our report on maternity services covered maternity equity for women from ethnic minority groups and one of our Insight reports focused on restoring NHS services post-pandemic to address health inequalities.

In February 2022, in partnership with disability charities, Healthwatch England launched a new campaign, 'Your Care, Your Way', to ensure health and care services take account of people's additional communication needs when providing care.

In February 2022, we published our Monitoring the Mental Health Act (MHA) report 2020/21. The report highlighted concerns that reduced access to community mental health services during the pandemic may in part have contributed to an increase in the number of people being detailed under the MHA. In 2020/21, there was a 4.5% increase in the use of the MHA to detain people with mental health problems in hospital for assessment and treatment.

Highlights of performance in 2021/22:

- 88% of services said our work has encouraged them to reduce inequalities in access, experience and outcomes for people who use, or need to use, their services (9% of services neither agreed nor disagreed).

Improving organisational efficiency and effectiveness

Our approach

Much of our focus in 2021/22 has been on building and implementing an overarching transformation programme that will take us towards our ambition of being a leading 21st century regulator.

We are changing the way we work to make our strategy a reality. Our vision is to be a smarter regulator, accelerating improvements in how people experience health and care services, for a safer future. The transformation programme has been organised into 3 key areas that intersect and gradually build towards the future shape of our organisation.

- Regulatory Framework – We're developing our regulatory model to guide how we develop our new regulatory services and shape what skills we need in the future.
- Organisational Design and Development – We're making sure we have the skills and culture we need to deliver our new strategy.
- Regulatory Services – We're developing and delivering new services, processes, data and technology driven by our regulatory model.

A key milestone in our transformation was the launch of the Technology, Data and Insight directorate in March 2022. This directorate plays a key role in building new, digitally enabled data and regulatory platforms that will revolutionise how we collect and use data and insight, helping us to become a more flexible and insight-driven regulator. The directorate also provides an array of data and technology systems and services that underpin our organisation's daily working life and gives colleagues the right tools to do their job well.

Our people

We conducted our main people survey in November and December 2021. It included questions on all aspects of working for CQC, the majority of which were last asked in November 2019. The results showed improvement since then, with several large increases, notably about the visibility of leaders (up 21%) and the direction given by leaders (up 17%). There were higher scores for the behaviours and values of executive leaders (up 13%) and a significant increase in people's response to having the right equipment and technology to do their jobs (up 15%). Continued areas of strength include line management, teamwork, and commitment to our purpose and values – these all saw incremental increases and remain as high positive responses.

Scores remained low for change, workload, and confidence that action will result from the survey. Our overall employee engagement index (EEI) score was 64%. This represents a decrease of 3 percentage points since 2019 and follows the reduction of 5 percentage points seen in the 2019 survey. At the corporate level, improvement activity is linked to our People Plan. This is being reviewed, and updated where necessary, to ensure planned activity addresses feedback from the survey. Communications will identify and raise awareness of key themes at corporate and local level and updates shared as to action being taken. Future pulse surveys will be used to measure progress against key themes arising from this survey.

We conducted a wellbeing focused pulse survey in July 2021 to understand our progress against the priorities of our mental health and wellbeing strategy. The results continue to inform our future priorities in this area as well as our work with Mind and our wellbeing network.

CQC has a network of Speak Up Ambassadors whose purpose is to be approachable, listen well and signpost colleagues to the various options available to them based on their individual situation. This is an additional voluntary role.

We have a number of staff-led equality networks:

- the Carers Equality Network
- the Disability Equality Network
- the Gender Equality Network
- the LGBT+ Network
- the Race Equality Network.

All our equality networks have an executive sponsor who make sure they receive full support. The role of the sponsor is to provide senior leadership commitment to the networks they are representing, act as a role model, and support with any barriers they may be facing. We have developed clear roles and responsibilities for executive sponsors to support them with this role. A representative from our equality networks attends each monthly Board meeting.

Everyone is encouraged to notice and celebrate the good work of colleagues and use the tools in place 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 2021/22, 787 colleagues (26% of the organisation) received a voucher in recognition of their demonstration of Success Profile behaviours.

Our estate

The use of CQC's estate continued to be limited during 2021/22 due to COVID-19. Our proportion of homeworkers has now increased to 90% of the organisation. We have continued to reduce the size of our estate to match our changing requirements; in 2021/22 this reduced by a further 11% on the previous year. A further floor was given up in our Newcastle office this year, we reduced our Bristol office footprint, and notice was given to enable us to vacate our Leeds office in late 2022. We reached agreement to share almost half of our Birmingham office with UK Health Security Agency. We have also given notice on our Penrith satellite office.

In March we asked our office-based colleagues to start returning to our workplaces and we resumed face-to-face meetings where appropriate, providing guidance to colleagues on how best to use technology and our offices. We are gradually re-shaping our offices to offer more meeting and collaboration spaces, rather than just desks.

Our sustainability

Our aim is to reduce the impact of our business on the environment and to actively promote the wider sustainability agenda.

CQC is working to meet all Greening Government Commitment targets relevant to us as an organisation. We are confident of achieving Net Zero by 2040. Year on year our estate footprint is reducing, though we will start assessing the carbon impact of our home working population. Our level of business travel continues to reduce. As we inspect and regulate health and social care providers, we will always need to visit provider locations across England so encouraging CQC colleagues to move to greener modes of transport is part of our plan. We are working on the development of a Net Zero plan

and using the new baseline year of 2017/18 we are developing our own targets for all measures. Key actions in 2021/22 included:

- providing new guidance to all colleagues on how we will work post-pandemic, focusing on reducing travel, harnessing technology more and moving to greener modes of travel where possible
- engaging a 'zero to landfill' partner for recycling/reusing redundant ICT equipment
- taking action to further reduce our estate by over 900 square metres
- scoping a new sustainability role to further drive our approach on sustainability
- reducing our online stationary ordering list from 165 items to 61
- agreeing our Green Plan to reduce our environmental impact as an organisation.

In relation to Greening Government requirements we are on track to meet the 2025 target, though accurate and consistent data from landlords is particularly difficult to obtain. As a relatively small, largely home-based organisation with a small built estate and no fleet, CQC produces no Scope 1 emissions. Scope 2 and Scope 3 emissions, waste, water, paper use and car travel are reported below:

	CQC performance 2017/18	CQC performance 2021/22	Greening Government 2025 target (2017/18 baseline)
Energy consumption*			
Electricity (kWh)	3,130,011	217,959	Reduce greenhouse gas (ghg) emissions
Gas (kWh)	914,872	195,695	Reduce greenhouse gas (ghg) emissions
Business travel			
Rail (km)	16,009,891	539,341	Reduce ghg emissions
Flights (km)	324,556	24,850	30% reduction in emissions and air travel miles
Car fleet			
Staff lease car use (km)	8,750,800	481,282	Reduce ghg emissions
Staff hire car use (km)	487,003	50,224	
Waste minimisation and management			
Recycling (tonnes)	23	8	70% of overall waste
Landfill (tonnes)	8	0	Landfill less than 5% of overall waste
Paper use			
A3 (reams)	506	11	50% reduction in use
A4 (reams)	11,525	1,510	
A5 (reams)	0	0	
Water consumption			
Water (m≤)	633	717	8% reduction in consumption

* Please note figures from 2017/18 covered 7 office locations and 2021/22 figures cover 2 shared office locations (Leeds & Birmingham), this is due to changes in leases and reporting obligations as DHSC and Government Property Agency (GPA) now report for our other locations.

Waste minimisation and management – we have stopped buying any single use plastics and our stationery supplier is now single use plastic free.

Sustainable procurement – we embed sustainability into our procurement practices wherever possible. We procure the majority of goods and services via Crown Commercial Services framework agreements. Sustainability is covered in the framework clauses in the contract.

Nature recovery and biodiversity action planning – we do not have a biodiversity action plan as we only have a small rented office estate and no natural capital assets.

Climate change adaptation – we are reviewing the need for a Climate Adaption Plan. Through our assessment framework we encourage providers to think about sustainability and climate change. Our internal business continuity planning recognises the risks presented by climate change to our operation as an organisation.

Reducing environmental impacts from ICT and Digital – we are committed to reducing our environmental impact from technology. We are now reporting progress to the DEFRA STAR team and are represented though DHSC. We have a contract in place to reuse, recycle or recover all devices and equipment no longer used. Through this, in 2021/22 we had 630 items reused and 333 items recycled, with nothing going to waste or landfill. We have introduced sustainability criteria into our procurement approach and procure 99% through Government framework agreements. We have moved to cloud computing and now monitor resulting energy consumption to inform planning.

Sustainable construction – No construction or refurbishment projects were undertaken during this reporting period.

Our financial performance

Despite external pressures such as rising costs due to inflation and COVID-19, and the additional duties CQC has facilitated, we managed a level of operating expenditure in 2021/22 (£215.6 million) that was lower than those 5 years ago in 2017/18 (£222.1 million) – the point at which we moved to full cost recovery of our fees – a £6.5 million (3%) reduction. This demonstrates a sustained reduction to our cost base by working more efficiently and using the technology we have invested in, while ensuring we are in a good place to realise our future strategy. Highlights include:

- Pay costs were £6.0 million or 4% less in 2021/22 than in 2017/18, as we absorbed pay awards and made the necessary organisational change to realise our strategy.
- Following effective estate planning, our estates expenditure was £8.5 million or 68% less than in 2017/18.
- Travel and subsistence was £8.4 million or 78% less than in 2017/18, as we used our technology improvements to allow for more effective virtual working.
- While we have made many technological advances, which have provided many benefits, our information technology (IT) cost base remains at the same level as that in 2017/18.
- Within an overall lower operating expenditure base than 2017/18, we have also been able to invest an additional £18.6 million revenue in our Transformational Change programme as we take the opportunity to accelerate improvement.

During this period, we have provided stability and certainty for our providers by keeping our fees scheme the same since April 2019 (3 consecutive financial years) to assist their financial planning, in appreciation of the turbulence and uncertainty providers continue to endure. Furthermore, compared with pre-full cost recovery levels, we are less reliant on DHSC funding. In 2016/17 fees represented 68% of our funding, compared with 88% in 2021/22; and of our £14.3 million in-year capital investment, £10.8 million (76%) was funded through our retained earnings reserve, with the remaining £3.5 million funded through grant-in-aid (GIA) (in 2017/18 our £7.7 million capital spend was fully funded by GIA). We have again realised Spending Review efficiencies against our GIA allocation for core activities.

Sustained reductions in expenditure have allowed us to drive forward our transformation programme over the last 3 years, enabling us to realise our strategy and deliver effective regulation for the years ahead. In addition to our £18.6 million added revenue investment, we spent a further £6.6 million capital in 2021/22 compared with 2017/18. This represents a combined additional investment of £10.9 million compared with pre-pandemic levels in 2019/20.

The benefits of this will be 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 providers we regulate and taxpayers. This is an area which will continue to see greater investment in 2022/23 as we work to deliver our strategy and new operating model.

In addition to making further sustained reductions to our expenditure, we have worked hard to improve our aged debt and the efficiency within which we pay our suppliers. With more effective fee income collection, we have realised a 51% reduction to our 60+ day aged levels from the end of March 2021. By paying our suppliers in a timelier manner, we have seen a 11% increase in volume and 17% increase in value of invoices paid within HM Treasury 5-day payment target since the end of March 2021.

Key areas to note from our organisational data in 2021/22:

- We remain committed to reporting to the Workforce Disability Equality Standard for CQC, addressing any inequality of opportunity and improving the experience of people.
- Our Action for Race Equality Group (AREG) has launched a Quality Improvement project to improve access to, and take-up of, learning and development opportunities for colleagues from ethnic minority groups in the organisation. Five workshops for colleagues ran across January and February 2022.
- We received 289 complaints overall for the year 2021/22. Of these, 146 did not proceed due to: being withdrawn by the customer; other CQC processes being active; signposting to other organisations/processes; or they were resolved in other ways.
- We investigated 143 complaints against CQC: 12 were upheld, 29 were partially upheld, 61 were not upheld, and 3 were unable to be determined.
- Of the 143 complaints, 31 complaints are still in progress which means that the timeframe for response has not yet concluded on that investigation.
- Throughout the pandemic, we have supported our staff in several ways, including our national wellbeing strategy and Schwartz Rounds.

- We have renewed our contract with Headspace, meaning that colleagues access hundreds of guides on meditations, sleepcasts, courses and more for free.
- Throughout the year, there have been a number of connection events to bring together colleagues at times of increased isolation and remote working. These include wake-up desk yoga and lunch time mindfulness/meditation sessions and stretch and energise.
- Strengthened technology – anyone in the organisation with a CQC phone has now received a replacement. The new phones have been very well received by colleagues; they are easier and better to use, with more enhanced remote working functionality.

Ian Trenholm
Chief Executive
Care Quality Commission

4 July 2023

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Accountability Report

The accountability report consists of 4 sections:

Corporate governance report 47
The composition and organisation of CQC's governance structures and how this supports the achievement of our objectives.

Remuneration and people report 61
The policy for remuneration of Board members, independent members and senior executive employees that Parliament and other users see as key to accountability.

Parliamentary accountability and audit report 81
The key parliamentary accountability documents in the annual report and accounts.

Certificate and report of the Comptroller and Auditor General to the Houses of Parliament 83

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.

Directors' report

CQC's Board

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.

Our unitary Board is made up of our Chair and up to 14 Board members, the majority of whom must be non-executive members. The composition of the Board as at 31 March, excluding the Chair, was 7 non-executive members, 1 associate non-executive member, our Chief Executive (who is also the Accounting Officer), our 3 Chief Inspectors, and our Chief Operating Officer. One of our non-executive directors (Mark Saxton) acts as the Senior Independent Director.

Peter Wyman's term of appointment as Chair came to an end on 31 March 2022. Ian Dilks was appointed as the new Chair and took up the role on 1 April 2022. Belinda Black took up her appointment as non-executive director from 1 May 2021. Our Chief Inspector of Hospitals, Ted Baker, retired from his role on 27 April 2022. Dr Sean O'Kelly was appointed as the new Chief Inspector of Hospitals and took up his role on 20 June 2022. Interim arrangements were put in place to manage internal and external arrangements prior to him starting.

There have been a number of further changes to our Board membership since the reporting date. 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, and 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 31 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

A Board effectiveness review was conducted in October 2021 and a report containing the conclusions and recommendations was presented to the public session of our Board meeting in December 2021. The report was published on our website at the same time. In light of the changes in Board membership referred to above, it was agreed to consider the report's recommendations more fully after the appointment of the new Chair. This has now been done and a number of changes to governance

arrangements are likely to result which will be communicated once finalised. These will reflect the continuing development of CQC and the environment in which we operate but will not affect the strategy approved by the Board.

Biographies of all our Board members and their declarations of interest are shown on our website: https://www.cqc.org.uk/about-us/meet-our-team/our-board

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.

During the pandemic, the Board has continued to meet in line with government guidelines. This means that, of the 11 meetings during the year, 5 took place in person and 6 were online. 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.

At each of its meetings, the Board receives performance data setting out our current performance and financial position, and details of activity to address where performance is under business plan targets. The Board has the opportunity to scrutinise and discuss the data during these meetings. The Board also receives monthly reports on our ongoing Transformation programme and has had the opportunity to look in more detail at specific areas of the programme through the Audit and Corporate Governance Sub-Committee on Transformation. At each meeting, the Board receives reports on information and cyber security risk and there have been no significant incidents to report over the course of the year. 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 has continued its commitment to achieving levels 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. Over the year, this has included: continued oversight of our ongoing response to the pandemic, including updates to our regulatory approach as a result of pandemic-related developments; and oversight of our financial and business planning and the seeking of assurance around related controls, directly in the Board and through the scrutiny of the Audit and Corporate Governance Committee (ACGC).

Figure 1: Board and committee membership and attendance up to 31 March 2022

Name	Role	Role	Term of appointment	Attendance*				
				Board	ACGC	RGC	RemCom	ACGC sub-com
Peter Wyman CBE DL	Non-Executive Director	Chair & Chair of RemCom	4 January 2016 – 31 March 2022	11/11			2/2	
Ian Trenholm	Executive Director	Chief Executive	From 30 July 2018	11/11				
Prof. Edward Baker	Executive Director	Chief Inspector of Hospitals	From 31 July 2017 – 27 April 2022	11/11				
Dr Rosie Benneyworth	Executive Director	Chief Inspector of Primary Medical Services and Integrated Care	From 4 March 2019	11/11				
Belinda Black	Non-Executive Director		1 May 2021 – 30 April 2024	9/10			2/2	
Sally Cheshire CBE	Non-Executive Director	Chair of ACGC	4 January 2021 – 3 January 2025	10/11	4/4	3/3	2/2	6/6
Mark Chambers	Non-Executive Director	Chair of RGC	4 January 2021 – 3 January 2024	11/11	4/4	3/3	2/2	
Sir Robert Francis QC	Non-Executive Director	Chair of Healthwatch England from 2018	1 July 2014 – November 2022	11/11			2/2	
Jora Gill	Non-Executive Director		1 November 2016 – 31 October 2022	11/11	0/4		2/2	6/6
Dr Ali Hasan**	Associate Non-Executive Director		4 January 2021 – 3 January 2023	10/11	4/4		1/2	6/6
Stephen Marston	Non-Executive Director		4 January 2021 – 3 January 2023	10/11			2/2	
Mark Saxton	Non-Executive Director		1 March 2018 – 31 July 2023	10/11	4/4		1/2	5/6
Kirsty Shaw	Executive Director	Chief Operating Officer	From 1 October 2018	9/11				
Kate Terroni	Executive Director	Chief Inspector of Adult Social Care	From 1 May 2019	10/11				
Jeremy Boss	Independent member of ACGC		1 January 2020 – 31 December 2023		4/4			
David Corner	Independent member of ACGC		1 January 2020 – 31 December 2022		4/4			

Key ACGC = Audit and Corporate Governance Committee
RemCom = Remuneration Committee
RGC = Regulatory Governance Committee
ACGC sub-com = ACGC sub-committee on transformation

* 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 11 Board meetings that Ian Trenholm could have attended, and he was able to attend all 11 (represented as 11/11). 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.

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

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 net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year. This Report and Accounts were prepared on time for publication in 2022, but have been delayed 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 current 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, and
- prepare the financial statements on a going concern basis.

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

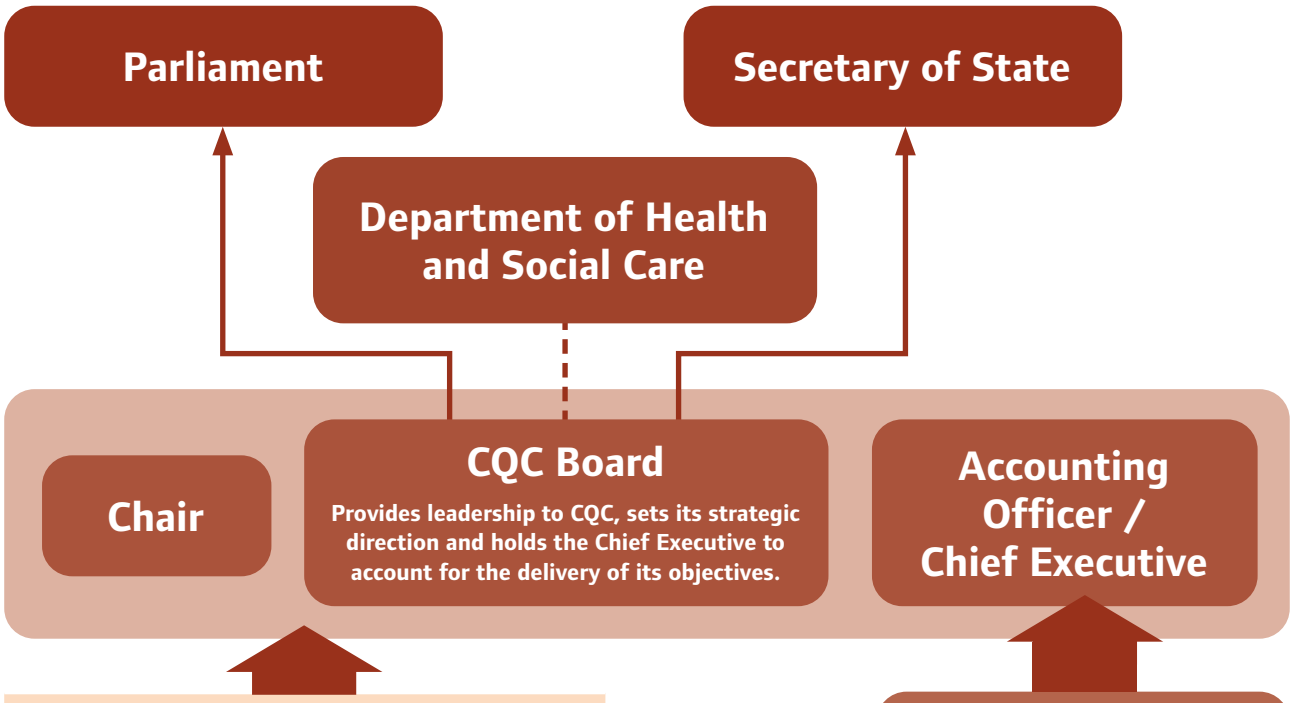
As Accounting Officer, I can confirm that:

- There is no relevant audit information of which CQC's auditors are unaware.
- I have taken all steps 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.
- The annual report and accounts as a whole are fair, balanced and understandable.
- I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance statement

CQC's governance framework and structures

We have a corporate governance framework that describes the governance arrangements of the organisation and how they help make sure that our leadership, direction and control enables long-term success. This is a public document and is available on our website. The following figure shows our governance structure.



Committees of the Board

Audit and Corporate Governance Committee (ACGC)
Provides assurance to the Board on risk management, governance and internal control. It also engages with our internal and external auditors, to determine the priorities for audit work.

Sub-committee of ACGC
Established to support ACGC in providing Board level assurance of the Transformation programme being implemented across CQC.

Regulatory Governance Committee (RGC)
Provides assurance to Board that systems, processes and accountabilities are in place for identifying and managing risks associated with delivering the regulatory programme.

Remuneration Committee (RemCom)
Determines remuneration of selected senior executives and considers overall pay policy.

External Strategic Advisory Group

The Health and Social Care Act 2008 (Schedule 1, Section 6) requires CQC to have an advisory committee 'for the purpose of giving advice or information to it about matters connected with its functions'. The External Strategic Advisory Group fulfils this function.

Executive Team

Overall senior executive forum of CQC that makes decisions on the strategy, policy and operations of CQC and, where relevant, makes recommendations to the Board.

Committees of the Executive Team

Safeguarding Committee
Provides organisational assurance on the strategic direction and assurance for safeguarding and quality risks.

National Health, Safety and Wellbeing Committee
Monitors CQC's duty to discharge health, safety and welfare obligations to our people.

Investment Committee
Oversees and monitors the effective use of our financial and commercial resources.

People Committee
Oversees and monitors the effective use of our people resources.

Strategic Change Committee
Oversees the effective delivery of CQC's strategic changes.

Research, Development and Evaluation Committee
Provides leadership, guidance and oversight of Research, Development and Evaluation that informs the development of our approach.

Risk management

Our framework

We see the effective management of risks to the delivery of our purpose (enterprise or corporate risk) as critical to our assurance and governance. The following risk management responsibilities and systems of internal control have been in place for the year under review and up to the date of approval of the annual report and accounts. 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. We reviewed and agreed our tolerance statement which defines the key types of risk we face, and the appropriate tolerances for each. We maintain a strategic and high-level corporate risk register of the risks that the Board and our Executive team have identified, and this is regularly reviewed and monitored. Risk reporting occurs at various levels across CQC and ensures 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.

Our risk framework and guidance supporting it defines risk responsibilities in the organisation as follows:

Governance
The Board; The Audit and Corporate Governance Committee; The Regulatory Governance Committee

1st line of defence			2nd line of defence	3rd line of defence
All staff Can recognise, assess and manage risks in their business area Identify cross-CQC risks Know how to escalate risks outside their control	**All managers** 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	**All directors** 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.	**Senior leadership** 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)	**Audit** Review risk framework and provide independent challenge and assurance

The framework and guidance set out the 6 steps of risk management:

Step 1: Risk identification and assessment

Step 2: Risk analysis

Step 3: Risk tolerance

Step 4: Risk control

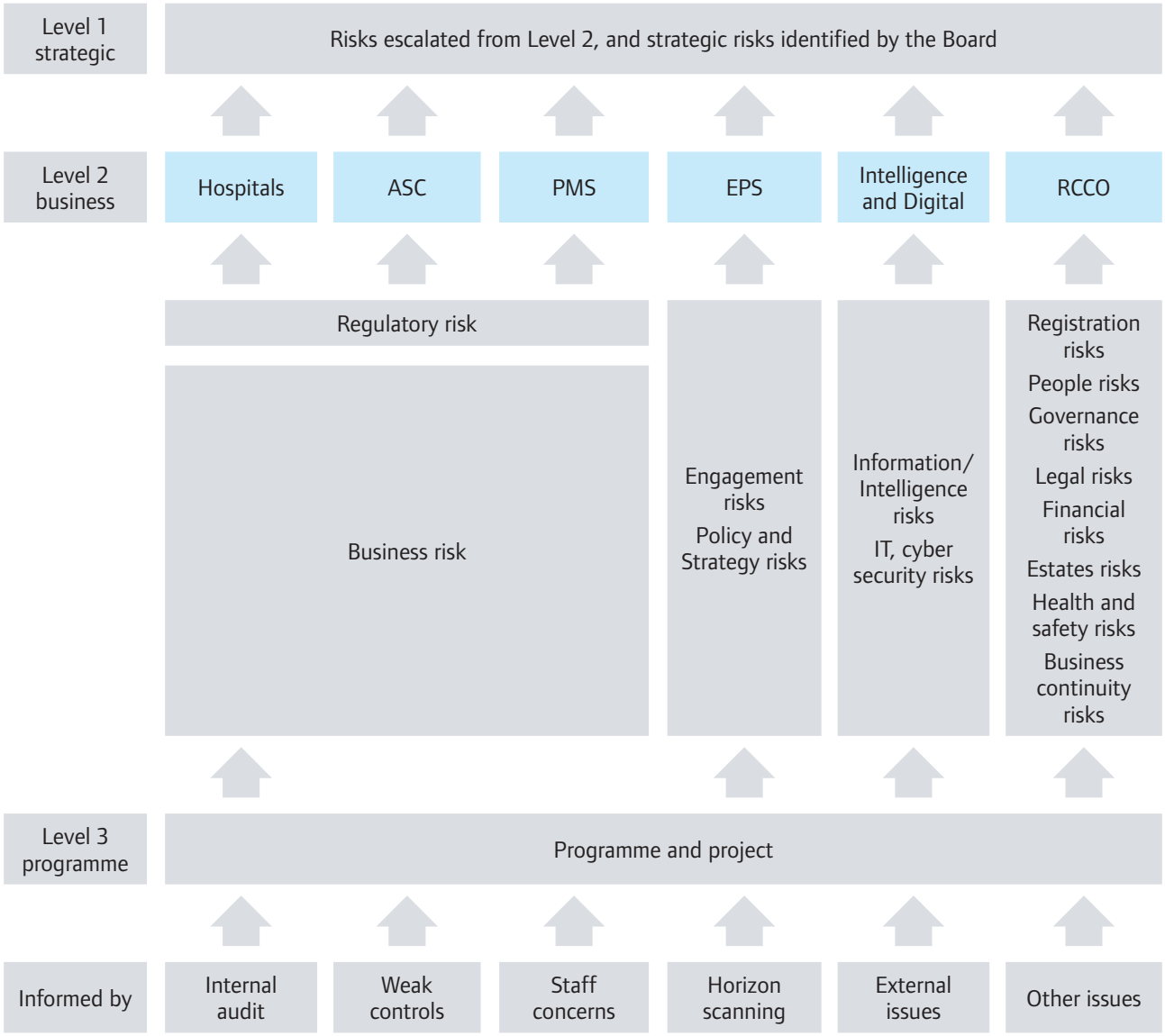
Step 5: Risk action

Step 6: Risk management and reporting.

It clarifies our risk escalation process:

CQC risk escalation process

The diagram below outlines CQC's risk escalation process through risk management levels.



While we made improvements in our corporate risk management processes during the year – rolling out updated training for managers and an associated risk handbook – we are putting in place an action

plan for further work in response to comments from the ACGC and RGC and recent internal audit recommendations:

Linking to the Board effectiveness review, further work will encompass implementing updates to the corporate risk register following a horizon scanning review of the risks that CQC faces, linked to our refreshed business plan; and a clearer articulation of the risk appetite of the organisation – with the Board invited to set appetite and tolerance for each risk in the corporate register. We will be setting out clearly the underpinning risks for each risk in the corporate register, risk controls, and how they are measured, together with new reporting arrangements to the Board and sub-committees covering risk. We will also explore 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 2021/22

During the second year of the pandemic we have continued to review our risks and have planned for and managed both COVID-19 and non–COVID-19 risks, including:

- new inspection priorities, pausing inspection in some sectors and supporting regulatory activity in Adult Social Care and Registration (infection prevention and control; and work that supports increasing capacity in Adult Social Care). This was prompted by the Omicron wave – but caused capacity challenges where we needed to maintain strong monitoring and oversight of the sectors to ensure risks were not missed and we intervened when appropriate to do so
- adapting our regulatory model to the pace of change in the health and social care sector, for instance the focus on integrated care and place, and changes in care pathways with accelerated changes triggered by the COVID-19 response
- financial pressures causing a deterioration in quality of adult social care services, making it more difficult for CQC to deliver its purpose to ensure quality of care for people
- the potential challenges for wellbeing of our own people with a focus on change, engagement and wellbeing
- delivering a challenging change programme
- access to the right data, at the right time, of the right quality; and developing systems that support access, use and sharing of data
- information and cyber security risks – particularly in the light of the Ukraine conflict. As the majority of our IT services are 'cloud' based, we benefit from the security that Microsoft provides for these services and their heightened response to the Ukraine/Russia conflict. We have an ongoing cyber security programme that has delivered numerous infrastructure security hardening improvements very recently, and we have ensured all our devices have antivirus and antimalware coverage and are patched effectively. We also responded effectively to various zero-day alerts and published vulnerabilities in relation to software and we fed back accordingly to NHSX. We continue to raise general awareness of cyber security across CQC
- funding – our spending review outcome means a potential 2% reduction to our GIA funding, a reduced capital allocation and no funding for any of our spending review bids.

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 and to identify areas of concern.

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 October 2021 and February 2022, and across all the standards the average score was 81% at February 2022 against 79% in March 2021.

During 2022/23, we plan to strengthen our management assurance process further – in particular, to look at the number of standards and how closely each of them support measurement and improvement of our risk controls. Our aim is that the standards should be manageable in number and are those that can effectively be used to assess our response to risk.

Management controls and responding to the challenges of the pandemic

We continued to use our established mechanisms for swift decision-making and we adapted our regulatory approach in the light of the continuation of the pandemic. This included reviewing and communicating fresh organisational priorities.

As set out in the performance report, we continued to ensure people were effectively supported. This included through risk assessments, PPE provision, testing for COVID-19, support to temporary home working as well as gradual office re-opening, and support for wellbeing from managers and colleagues.

Other use of management controls

We have 1 Freedom to Speak Up Guardian as at May 2022. However, at various points during 2021/22, we had up to 3. Our guardians were supported by around 62 Speak Up Ambassadors.

CQC views the role of Freedom to Speak Up as there being an open culture where staff can raise comments and concerns with their managers and feel listened to. The majority of colleagues that ask for help from a guardian or ambassador do so because they need help and support with their concerns about their line manager and/or values and behaviours within CQC. During 2021/22, there were 69 recorded approaches to guardians or ambassadors for support. With the exception of 2 cases, all of these resulted in ambassadors supporting staff to access the right policy and procedure within CQC so their concerns could be looked into and addressed. There were 2 cases that progressed into a formal investigation. Neither case was upheld. However, there were some learning points that were highlighted from these investigations which were fed back to the individuals concerned.

During 2021/22, we focused on learning from the concerns raised as well as bringing clarity to colleagues about the role of the Freedom to Speak Up Guardian and how we work alongside HR colleagues. We have continued to advertise the importance of feeling able to speak up and encourage colleagues to undertake the training available from the National Guardian's Office. We also took on the role of carrying out 'exit' interviews for colleagues leaving CQC. This is in the hope that colleagues will be able to feel comfortable to give a true account of why they are leaving to someone impartial. In turn, this will allow the organisation to recognise any trends and work towards improvement. Our focus for 2022/23 is to refresh the role of our ambassadors and provide an enhanced offer of support for our colleagues, which includes mental health first aid and signposting to various policies and procedures.

Security

Information and cyber security are important areas of focus at CQC. Like previous years, there has been ongoing improvement work throughout 2021/22, as we strive to improve our resiliency to an evolving cyber threat landscape.

Security incident analysis and response has continued throughout 2021/22 and is reported to CQC's senior information risk owner (SIRO) and the ACGC. During 2021/22, 445 security incidents were reported, investigated and managed through to closure. This is an increase on previous years, with 294 incidents occurring in 2020/21. This increase in numbers can be explained due to an increase in the scope and the method of reporting. These figures are taken from the security incidents raised via an app 'ServiceNow' over the last 2 years and the increase shows the increased use of reporting via this platform (which we were only starting to use during 2020/21).

The vast majority of these incidents were low risk, reported for information only. They did not contain any personal information and posed no risk to the organisation, or any individuals involved in the incident. There were 9 high-risk incidents; 7 were data breaches involving sensitive information. However, all were resolved swiftly with no impact to the data subject, so did not require reporting to the Information Commissioner's Officer (ICO). The other 2 incidents related to critical vulnerabilities discovered in our systems that were identified by our security operations centre. These vulnerabilities were addressed as soon as we were made aware of them and CQC and our IT supplier LittleFish performed all relevant mitigation (updates, patches and so on) to remediate the risk of them.

We continue to liaise with the DHSC, NHS England & Improvement, NHS Digital and the Information Commissioner's Office on matters of information security and privacy. We did not have any data security breaches that we were required to report to the ICO in 2021/22.

In the area of counter-fraud, the number of allegations of fraud received during 2021/22 has continued to be very low, with 9 cases reported and investigated. Those cases contained allegations against members of CQC staff of bribery and/or corruption or conflict of interest in the performance of their duties. Following thorough investigation, no allegation was substantiated.

Conclusion

- Our internal controls again stood up well to the continuation of the pandemic. Where required we adapted our approach but ensured that we did not compromise our internal controls.
- Our management assurance assessment process remains an essential method for gaining assurance and facilitating improvement in key areas of management responsibility. While some useful improvements have been identified by internal audit, the process shows we have confidence in our management practice. Our assessments this year have identified areas we need to improve on and there are plans in place in directorates to make these improvements.
- We are also clear that our corporate risk arrangements, while improved over the year, need further development in the coming year in a number of areas – including: governance and reporting arrangements; how we better link our performance measurement and management assurance work into our management of risk and internal controls monitoring; and how we align risks from the corporate level through to directorate and team level.

Head of Internal Audit Opinion

Generally satisfactory with some improvements required. 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 required in those areas to enhance the adequacy and/or effectiveness of the framework of governance, risk management and control.

Basis of opinion

My opinion is based on:

- all audits undertaken during the year
- results of our follow up of the implementation of agreed actions by management
- the breadth of the programme, which has incorporated reviews of Strategy and Transformation Programmes; Registration; Care Provider Monitoring Approach; IT Assets; IT Cloud Consumption; Core Financial processes including Payroll and Capital Accounting; Whistle-blowing processes; and Cyber Security
- the overall commitment of resource to internal audit has been aligned to the agreed budget, but no other limitations have been placed on the scope or resources of internal audit
- internal audit continues to receive the support of management and staff, with there being a willingness to accept recommendations and take action to realise improvements where such opportunities are identified. No significant recommendations have not been accepted by management.

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

Scope of report

This report outlines the internal audit work we have carried out for the year ended 31 March 2022.

Purpose of the annual opinion

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (i.e. 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 and Corporate Governance Committee (ACGC), 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 as to 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.

Conformance with the code of ethics and internal audit

We have a firm wide internal audit methodology which is aligned to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing and public sector internal audit standards.

Key factors

The key factors that contributed to our opinion are summarised as follows:

Governance and risk management

Management had redesigned the controls self-assessment framework in the prior year. This process has continued to develop and mature in line with the quality improvement process initiated in FY21, including expectations regarding the standards, challenge process, as well as the data collation protocols. From our attendance at the challenge panel, we observed a good level of engagement. It is clear that there was considerably less discussion held in this review period concerning understanding and interpreting the standards and evidence required. The focus has now shifted to the completeness and appropriateness of evidence as intended.

We have identified a number of opportunities to help strengthen the process. The audit of risk management confirmed that all routines to oversight the corporate risk profile were evidenced as having taken place during the period, with all relevant documents centrally collated enabling ease of retrieval and review. From our review of the design of the overarching risk management framework, key elements were largely in place. However, we did identify some key components that we would expect that were missing and highlighted opportunities to strengthen existing elements of the framework. We also identified findings that had been previously highlighted in the last Risk Management audit conducted in March 2018, which indicates that the framework may not be maturing and continuing to develop as expected.

In our view, the level of resource with specific and dedicated risk management skills and responsibilities for the development and oversight of the framework is limited in context to the size and scale of CQC activity. We did note that the responsibilities for oversight of the Corporate Risk Profile is shared between the Regulatory Governance Committee and the ACGC. The expectations of how these Committees should work together to ensure the complete risk profile is adequately oversighted and assured was not clearly outlined within the Corporate Governance Framework itself, making it difficult to understand the lines of accountability. We acknowledge that this matter is being considered at the time of writing.

Internal control

We completed reviews of 15 areas and processes during the year, each of which has considered aspects of internal control. No reports were rated critical risk, 1 was rated high risk, 7 medium risk, 3 low risk, and 4 were not rated, with 1 yet to be finalised. These resulted in 1 high, 33 medium and 10 low risk findings to help improve or address weaknesses in the design of controls and/or operating effectiveness. A further 17 observations were noted within rated audit reviews.

Transformation and change programmes

CQC has embarked on a complex, multi-year transformation programme that has the potential to fundamentally change CQC as an organisation. In 2020/21, we undertook 2 baseline maturity assessments of the programme governance and risk arrangements, from which a number of actions for improvement were identified. In 2021/22, we revisited our assessment by following up on progress made with the action plan. This evidenced improving maturity in the programme governance and risk management baseline. We also completed 2 advisory reviews relating to the strategy and profile of transformation programmes which resulted in 17 observations being shared with Management.
The key observations highlighted from our advisory reviews were as follows:

1. that programmes are being delivered alongside BAU pressures and increasingly, as responsibilities transfer for implementation, by BAU resources;
2. whilst an agile approach has many benefits, it also creates ongoing uncertainty, notably in respect of future roles and redundancies, benefits realisation and the ability to communicate clearly about expected future changes, and
3. scale and complexity of the programmes still creates a level of risk, including coordinating the overall programme, managing programme interdependencies and addressing resource capacity challenges.

Jane Forbes
Head of Internal Audit

Accounting Officer's conclusion

In May 2021, we launched our new strategy for the changing world of health and social care which set out our ambitions under the themes of: people and communities; smarter regulation; safety through learning; and accelerating improvement. Our regulatory and organisational transformation has continued and we have made progress in developing the technology that will underpin our move to becoming a modern, forward-thinking and insight-led regulator. Our internal auditor's work has incorporated reviews which has supported us in developing this work and our ambitions. The reviews have identified many examples of good practice. Where recommendations and suggestions have been made, we have worked to implement these and to look at how they can assist our learning in the future.

We continue to ensure that robust mechanisms are in place to assess risk and compliance, with regular review at the Board and the ACGC.

The Head of Internal Audit has provided an annual opinion providing satisfactory 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 2021 to 2022. Work will continue to maintain and strengthen the assurance and overall internal control environment in CQC.

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

Non-executive Board members' remuneration is determined by the DHSC based on a commitment of 2 to 3 days per 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 the fulfilment of 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.

Chairman and non-executive Board members' emoluments (subject to audit)

	Salary (bands of £5,000) £000	Benefits in kind (taxable)[1] to nearest £100) £	2021/22 Total (bands of £5,000) £000	Salary (bands of £5,000) £000	Benefits in kind (taxable)[1] to nearest £100) £	2020/21 Total (bands of £5,000) £000
Peter Wyman CBE DL (Chair)	60–65[2]	4,100	**65–70**	60–65	800	**60–65**
Sir Robert Francis QC	30–35	–	**30–35**	30–35	–	**30–35**
Jora Gill	5–10	800	**5–10**	5–10	–	**5-10**
Mark Saxton	5–10	600	**5–10**	5–10	700	**5–10**
Sally Cheshire CBE	10–15	1,100	**10–15**	0–5[5]	–	**0–5**
Mark Chambers	5–10	500	**5–10**	0–5[6]	–	**0–5**
Dr. Ali Hasan	5–10	200	**5–10**	0–5[6]	–	**0–5**
Stephen Marston	–[3]	–	**–**	–[3]	–	**–**
Belinda Black	5–10[4]	1,300	**5–10**			
Liz Sayce OBE				5–10[7]	–	**5–10**
Paul Rew				5–10[8]	200	**10–15**
Sir John Oldham OBE				0–5[9]	–	**0–5**

Notes:

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

[2] Peter Wyman CBE DL's appointment expired on 31 March 2022. Ian Dilks OBE was appointed as CQC's new chair on 1 April 2022.

[3] Stephen Marston was appointed on 4 January 2021 but chose not to receive remuneration for his role.

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

[5] Sally Cheshire CBE was appointed on 4 January 2021, full-year equivalent salary £10-15k.

[6] Mark Chambers and Dr. Ali Hasan were appointed on 4 January 2021, full-year equivalent salary £5-10k.

[7] Liz Sayce OBE's appointment expired on 31 January 2021, full-year equivalent salary £5-10k.

[8] Paul Rew's appointment expired on 31 December 2020, full-year equivalent salary £10-15k.

[9] Sir John Oldham OBE's appointment expired on 31 July 2020, full-year equivalent salary £5-10k.

Payments to independent members of ACGC (subject to audit)

Independent members of ACGC are paid fees on a per meeting basis and are also reimbursed for expenses incurred in fulfilling their commitments to CQC.

	Fees (bands of £5,000 £000	Benefits in kind (taxable)[1] to nearest £100) £	2021/22 Total (bands of £5,000) £000	Fees (bands of £5,000 £000	Benefits in kind (taxable)[1] to nearest £100) £	2020/21 Total (bands of £5,000) £000
Jeremy Boss[2]	0–5	–	**0–5**	0–5	–	**0–5**
David Corner[2]	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.

[2] Jeremy Boss and David Corner appointed 1 January 2020.

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 arms' 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 (or their previous legacy Commission's redundancy policy if they transferred). Contracts of ET members include 3 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 (page 71).

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 2021/22.

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.

Remuneration of the ET (subject to audit)

	2021/22				2020/21			
	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 Chief Executive	195–200	600	30–32.5	**225–230**	195–200	500	–	**195–200**
Prof. Edward Baker Chief Inspector of Hospitals	180–185	–	–[3]	**180–185**	180–185	–	–[3]	**180–185**
Kirsty Shaw Chief Operating Officer	140–145	2,200	30–32.5	**175–180**	140–145	7,600	30–32.5	**180–185**
Dr Rosie Benneyworth Chief Inspector of Primary Medical Services and Integrated Care	160–165	400	30–32.5	**190–195**	160–165	–	32.5–35	**190–195**
Mark Sutton Chief Digital Officer	140–145	–	32.5–35	**175–180**	140–145	–	32.5–35	**175–180**
Kate Terroni Chief Inspector of Adult Social Care	160–165	–	37.5–40	**195–200**	160–165	–	37.5–40	**195–200**
Tyson Hepple Executive Director of Operations	90–95[4]	–	7.5–10	**100–105**				

[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] Pension-related benefits for Prof. Edward Baker are £nil as he has opted out of the pension scheme.

[4] Tyson Hepple was appointed on CQC on 9 August 2021, full-year equivalent salary £140-145k.

Pension benefits

Pension benefits were provided through the NHS pension scheme for members who chose to contribute. Pension benefits at 31 March 2022 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.

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

	Real increase in pension at age 60 (bands of £2,500) £000	Real increase in pension lump sum at age 60 (bands of £2,500) £000	Total accrued pension at age 60 at 31 March 2022 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 2022 (bands of £5,000) £000	Cash equivalent transfer value at 1 April 2021 £000	Cash equivalent transfer value at 31 March 2022 £000	Real increase in cash equivalent transfer value £000	Employers contribution to stakeholder pensions £000
Ian Trenholm Chief Executive	2.5–5	–	100–105	–	1,491	1,571	46	–
Prof. Edward Baker Chief Inspector of Hospitals	–[1]	–[1]	–[1]	–[1]	–[1]	–[1]	–[1]	–
Kirsty Shaw Chief Operating Officer	2.5–5	–	10–15	–	93	127	14	–
Dr Rosie Benneyworth Chief Inspector of Primary Medical Services and Integrated Care	2.5–5	(2.5)–0	25–30	30–35	326	364	14	–
Mark Sutton Chief Digital Officer	2.5–5	–	5–10	–	67	104	16	–
Kate Terroni Chief Inspector of Adult Social Care	2.5–5	–	5–10	–	56	88	31	–
Tyson Hepple Executive Director of Operations	0–2.5	–	0–5	–	–	23	1	–

[1] Pension benefits of Prof. Edward Baker is £nil as he has opted out of the pension scheme.

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. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any potential reduction to benefits resulting from Lifetime Allowance Tax that may be due when pension benefits are drawn.

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 2021/22 was £195-200k (2020/21: £195-200k). The relationship of the highest paid director to the remuneration of the organisation's workforce is disclosed in the table below as a pay ratio:

	25th percentile	Median	75th percentile
2021/22			
Total remuneration (£)	36,231	41,319	48,334
Salary component of total remuneration (£)	35,717	40,805	46,644
Pay ratio information	5.5 : 1	4.8 : 1	4.1:1
2020/21			
Total remuneration (£)	35,847	41,319	47,158
Salary component of total remuneration (£)	35,548	40,805	46,219
Pay ratio information	5.5 : 1	4.8 : 1	4.2 : 1

These ratios have remained consistent in accordance with HMT guidance requiring public sector pay awards to comply with a pay pause except for colleagues paid a salary under £24k who were awarded a consolidated pay award of £250 from 1 September 2021.

The percentage change in total remuneration of the highest paid director compared to 2020/21 was an increase 0.1% and for CQC colleagues as a whole was an average increase of 1.7%.

In 2021/22, 4 individuals (2020/21: 2), all of whom were engaged as temporary specialist contractors to support our change programme, had annualised equivalent remuneration in excess of the highest paid director. 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 £205–210k (2020/21: £15–20k to £215–220k).

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

	Permanently employed £000	Others £000	2021/22 total £000	2020/21 total £000
Wages and salaries	126,326	11,035	**137,361**	137,259
Social security costs	13,551	419	**13,970**	13,961
NHS pension costs	20,590	71	**20,661**	20,912
LGPS pension costs	3,448	–	**3,448**	4,131
Other pension costs	55	20	**75**	68
Apprenticeship levy	638	–	**638**	640
Termination benefits	3,014	–	**3,014**	387
Sub–total	**167,622**	**11,545**	**179,167**	**177,358**
less capitalised staff costs	(1,503)	(916)	**(2,419)**	(2,557)
less recoveries in respect of outward secondments	(1,720)	–	**(1,720)**	(1,960)
Increase in provision for pension fund deficits	2,393	–	**2,393**	819
Total	**166,792**	**10,629**	**177,421**	**173,660**

Other employee costs consist of:

	2021/22 total £000	Represented 2020/21 total £000
Second Opinion Appointed Doctors	3,131	3,504
Agency	3,212	3,020
Inward secondments from other organisations	1,243	549
Bank inspectors, specialist advisors and commissioners	3,043	589
Total	**10,629**	**7,662**

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1.2 Average number of employees

The average number of whole-time equivalent employees during the year was:

	2021/22 number	2020/21 number
Directly employed	2,944	3,022
Other	47	11
Employees engaged on capital projects	33	30
Total	**3,024**	**3,063**

'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 2022 was 2,982 (31 March 2021: 3,056).

Staff turnover during 2021/22 was 10.4% (2020/21: 7.9%). Turnover dropped during the pandemic, but it has now returned to pre-pandemic levels. 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 can be found 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.

In order that the defined benefit obligations recognised in the financial statements do not differ 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 4 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 utilises 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 2022, is based on valuation data as 31 March 2021, updated to 31 March 2022 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 2016 funding valuation also tested the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. There was initially a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

HMT published valuation directions dated 7 October 2021 (see Amending Directions 2021) that set out the technical detail of how the costs of remedy are included in the 2016 valuation process. Following these directions, the scheme actuary has completed the cost control element of the 2016 valuation for the NHS Pension Scheme, which concludes no changes to benefits or member contributions are required. The 2016 valuation reports can be found on the NHS Pensions website at https://www.nhsbsa.nhs.uk/nhs-pension-scheme-accounts-and-valuation-reports.

Employer contributions for employees in the NHS Pension Scheme was 20.68% of each active member's pensionable pay during 2021/22 (2020/21: 20.68%). 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 (2020/21: £nil).

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.

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 have now ceased and at 31 March 2022 active membership was held in 13 schemes. On 18 April 2021, active membership ended in the Hampshire Pension Fund, resulting in a cessation charge totalling £2,299k being payable which was equal to the actuarial assessed pension liability on that date.

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 2021/22, based on a percentage of payroll costs only, were £2,496k (2020/21: £2,652k), at rates ranging between 0% and 49.2% (2020/21: 0% and 49.2%). Employer contributions relating to the largest scheme, Teesside Pension Fund, were £2,239k (2020/21: £2,403k) at a rate of 17.9% (2020/21: 17.9%).

During 2021/22, indexed cash sums were levied in addition to a percentage of payroll costs as part of a strategy to reduce fund deficits. In total, £994k (2020/21: £1,479k) was paid to 7 of the 14 remaining pension funds, including Hampshire Pension Fund, with amounts ranging from £14k to £515k (2020/21: £6k to £515k). 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 £75k for 2021/22 (2020/21: £68k) at a rate of 3% (2020/21: 3%).

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 an increase in the number and cost of exit packages being recognised in 2021/22 and have been subject to GAC approval. This includes a higher number of colleagues opting to take voluntary redundancy and early retirements, an analysis of which are included in the analysis of other departures table on page 72 below.

Redundancy and other departure costs are paid in accordance with CQC's terms and conditions approved by DHSC's Governance and Assurance Committee (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.

The table below shows the total cost of exit packages agreed and accounted for in 2021/22 (2020/21 comparative figures are also presented). Exit costs of £575k were paid in 2021/22, the year of departure (2020/21: £181k).

	2021/22						2020/21	
Exit package cost band	Compulsory redundancies		Other departures		Total exit packages		Total exit packages	
	Number	£	Number	£	Number	£	Number	£
Less than £10,000	1	3,551	4	20,478	**5**	**24,029**	3	13,837
£10,000 to £25,000	3	51,314	18	281,763	**21**	**333,077**	4	62,782
£25,001 to £50,000	6	225,750	7	228,434	**13**	**454,184**	2	54,600
£50,001 to £100,000	–	–	5	359,792	**5**	**359,792**	–	–
£100,001 to £150,000	2	259,710	7	843,931	**9**	**1,103,641**	–	–
£150,001 to £200,000	1	178,799	3	500,264	**4**	**679,063**	1	166,468
More than £200,000	–	–	–	–	**–**	**–**	–	–
Total	**13**	**719,124**	**44**	**2,234,662**	**57**	**2,953,786**	**10**	**297,687**

None of the exit packages relate to individuals named in the Remuneration report (2020/21: none).

Analysis of other departures:

	2021/22		2020/21	
	Agreements Number	Total value of agreements £000	Agreements Number	Total value of agreements £000
Voluntary redundancies including early retirement contractual costs	**42**	**1,947**	–	–
Mutually agreed resignations (MARS) contractual costs	**–**	**–**	–	–
Early retirements in the efficiency of service contractual costs	**2**	**288**	–	–
Contractual payments in lieu of notice	**–**	**–**	–	–
Exit payments following employment tribunals or court orders	**–**	**–**	–	–
Non-contractual payments requiring HM Treasury approval	**–**	**–**	–	–
Total	**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 (via 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.

	Number
Number of existing engagements as of 31 March 2022	**42**
Of which, the number that have existed, at the time of reporting:	
less than one year	31
for between 1 and 2 years	10
for between 2 and 3 years	1
for between 3 and 4 years	–
for 4 or more years	–

The table below shows all off-payroll appointment engaged at any point between 1 April 2021 and 31 March 2022 that were for more than £245 per day:

	Number
Number of temporary off-payroll workers engaged between 1 April 2021 and 31 March 2022	**49**
Of which:	
number not subject to off-payroll legislation	2
number subject to off-payroll legislation and determined as in-scope of IR35	47
Of the temporary off-payroll workers engaged between 1 April 2021 and 31 March 2022	
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	42
number of engagements that saw a change to IR35 status following the consistency review	–

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

We are committed to building in-house capacity, but it is recognised 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 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 2022 have received approval from DHSC. 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

A great employee experience

The core focus of the People Plan is to contribute to making CQC a really great place to work now and in the future, while laying the foundations for how we transform the organisation to deliver our organisational purpose in the years to come

Our People Plan was developed in 2020 and focuses on 6 priorities: employee experience; reward and recognition; leading change; line management capability; diversity and inclusion and employee insight. We have delivered against all major milestones and started to reframe to focus for the next stage of our transformation to reflect the strategic people priorities and cultural ambitions of the organisation going forward.

5. People policies and engagement

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

We recognise UNISON, the Royal College of Nurses, 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 forum that represents the voices of all people in the organisation (the staff forum). 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 characteristics. More specifically, Managing Sickness Absence, Critical Illness, and our Reasonable Adjustments policies all make reference to the support available to employees with a disability.

Supporting and equipping line managers remains a high priority with individual coaching and support provided by Senior HR Advisors, Advice & 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. 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. As part of our commitment to developing high-quality policies that follow best practice, we partnered with Mind and Stonewall and sought their feedback at the start of the review. We will continue to engage with these groups to ensure these policies and procedures are updated in accordance with changes to legislation, with the EIA refreshed annually to monitor performance and put in place improvements where appropriate.

We currently have 5 fully supported staff equality networks at CQC. Our networks are key in supporting with 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 of 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 including Mind's Workplace Wellbeing Index, Stonewall and other benchmarking groups.

In response to the pandemic, we have increased our focus on mental health, working with colleagues with lived experiences and using the Mental Health at Work commitment standards to inform our approach.

We have appointed our own CQC Freedom to Speak Up Guardian, who are supported by a team of Freedom to Speak Up Ambassadors drawn from all parts of CQC. This assists us in our commitment to have an open culture where staff can raise any concerns they have. The help ranges from just listening, to signposting, to investigation of whistleblowing concerns. The CQC Guardian reports to the Board twice yearly and their role includes identifying themes and trends across the organisation.

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 for the duration.

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.

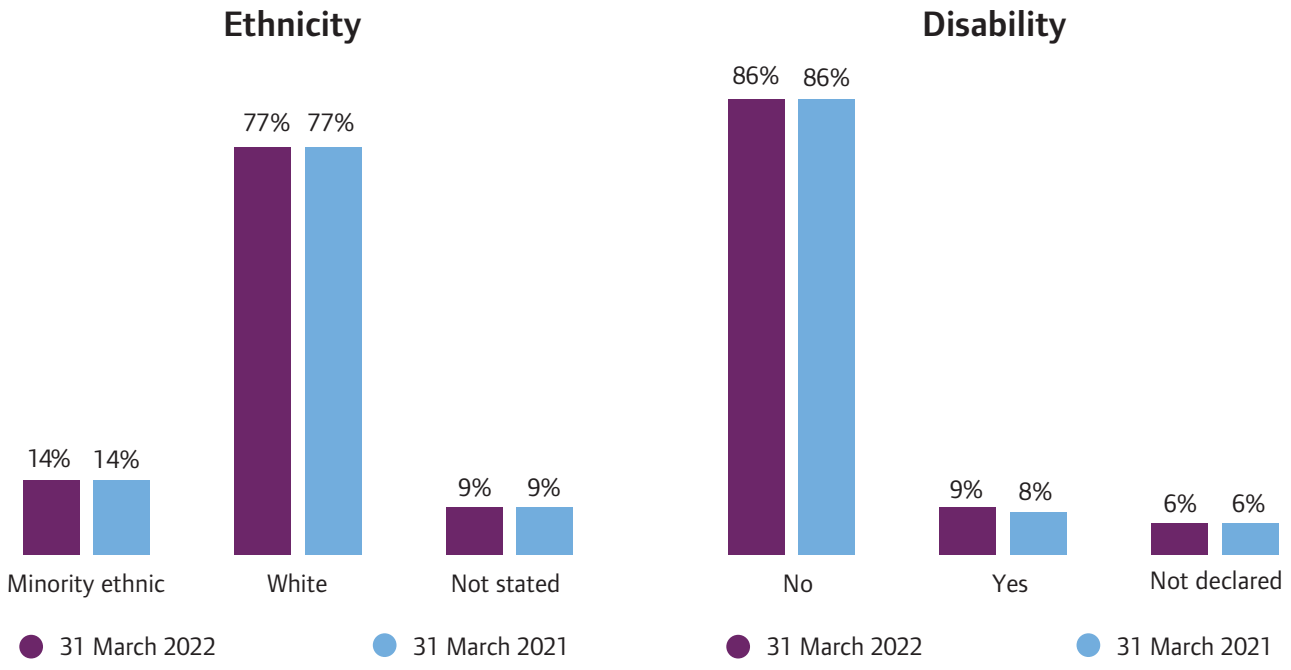
We believe this approach ensures that actions are not just delivered but embedded in our day-to-day work.

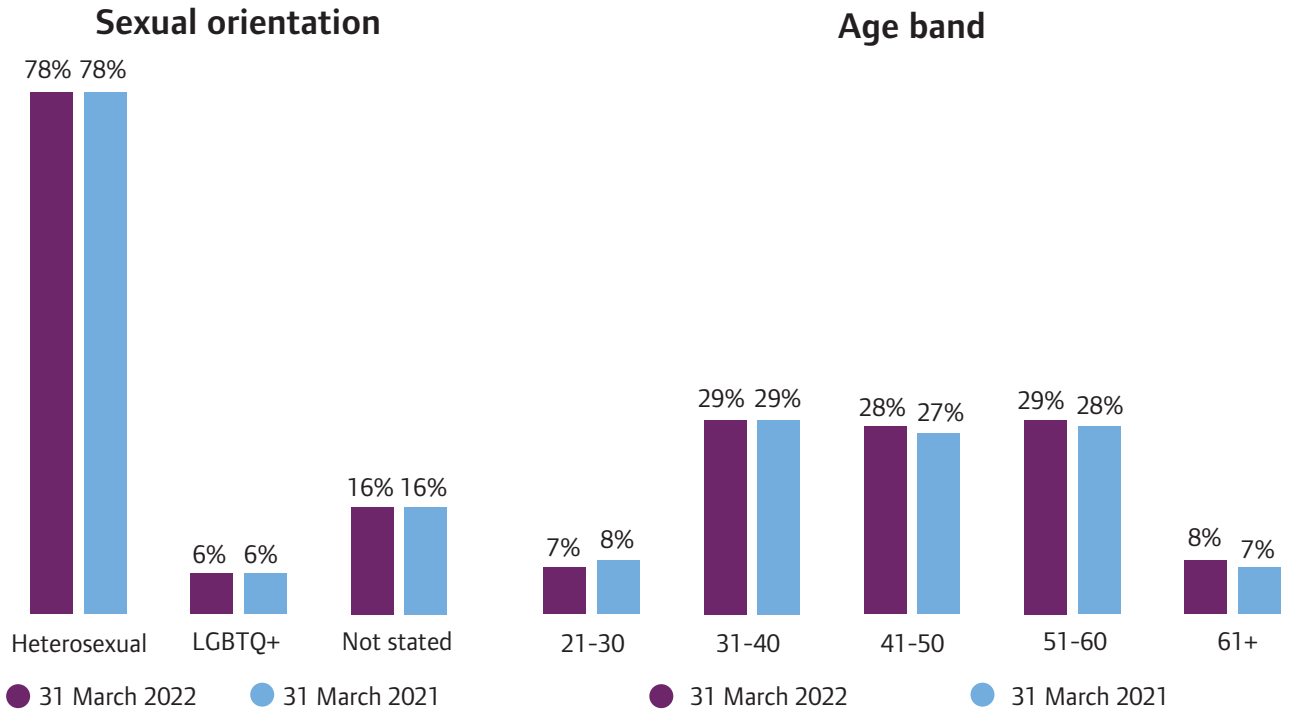
Through setting our priorities in this strategy, we will be open and transparent and show our commitment to providing a fair and inclusive environment for all colleagues. We will engage and work with our Equality Networks and locally embedded Diversity and Inclusion Coordinators to implement cross-organisational priorities of the strategy. Together we will inspire and encourage colleagues to view their work through an inclusion lens, to make sure our workforce represents the public we work hard to protect, and our people feel able to be their best at work.

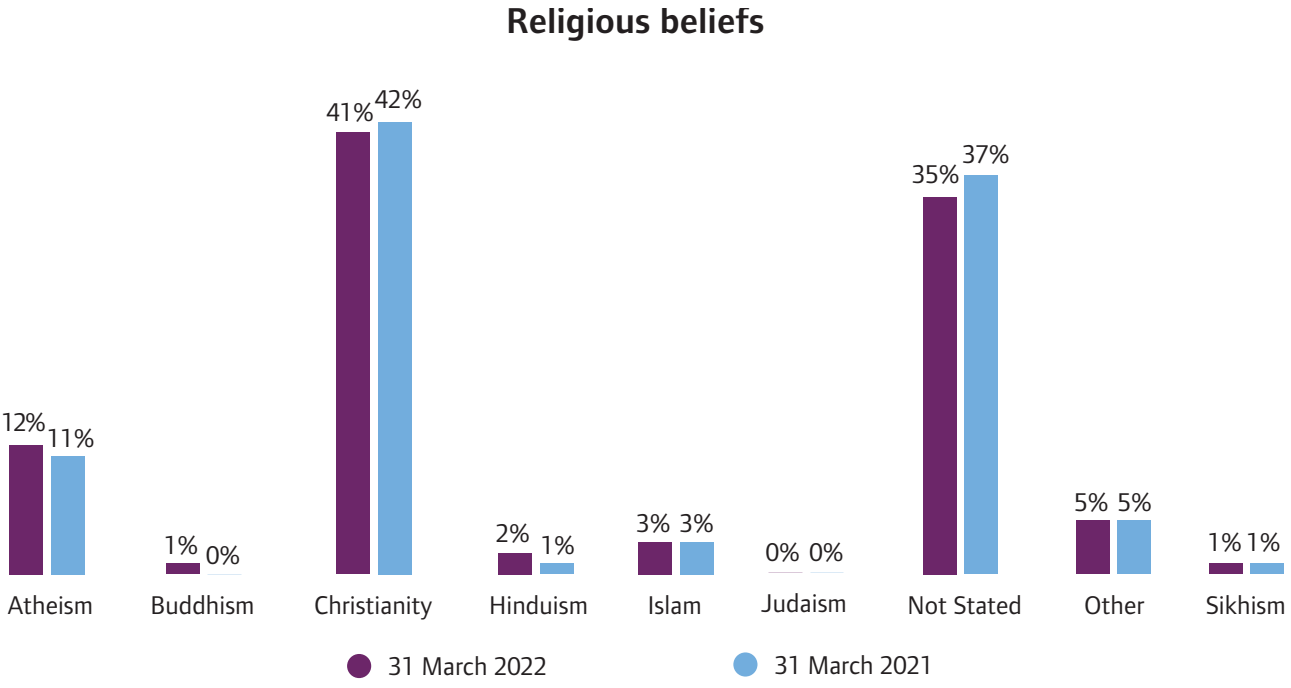
6.1 Equality profiles

The table and graphs below show CQC equality profiles as at 31 March 2022:

	2021/22				2020/21			
	Board members and Executive Directors	**Directors**	**Other employees**	**Total employees**	**Board members and Executive Directors**	**Directors**	**Other employees**	**Total employees**
Male	10	9	898	**917**	9	8	947	**964**
Female	5	18	2,174	**2,197**	4	19	2,189	**2,212**







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 2022, the gender split in CQC was 70.2% female employees to 29.8% male employees, and this was closely replicated across the quartile data (31 March 2021: female 69.6%, male 30.4%).

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, women's mean hourly pay is 2.5% lower than men's. Although this means the pay gap has increased 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.

Mean pay gap – ordinary pay			2.5%
Median pay gap – ordinary pay			0%
Mean pay gap – bonus pay in the 12 months ending 31 March 2021			n/a
Median pay gap – bonus pay in the 12 months to 31 March 2021			n/a
The proportion of male and female employees paid a bonus in the 12 months to 31 March 2021		Male	n/a
		Female	n/a
Proportion of male and female employees in each quartile:			
	Quartile	**Male**	**Female**
	First (lower) quartile	33.69%	66.31%
	Second quartile	26.25%	73.75%
	Third quartile	26.09%	73.91%
	Fourth (upper) quartile	33.12%	66.88%

7. Trade union facility time

We work in partnership with trades union representatives on all matters affecting our people. Regular 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. Details are below:

Relevant union officials

Number of employees who were relevant union officials during the relevant period	**Full-time equivalent employee number**
26	25.6

Percentage of time spent on facility time

Percentage of time	**Number of employees**
0%	3
1–50%	26
51–99%	–
100%	–

Percentage of pay bill spent on facility time

Total cost of facility time	£32k
Total pay bill	£177,581k
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ˜ total pay bill) x 100	0.02%

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	23.6%

8. Sickness absence

During 2021/22, the average number of long-term days of sickness per absent employee was 10 (2020/21: 15 days) and the average number of short-term days of sickness was 5 (2020/21: 3 days).

9. Health and safety

During 2021/22 we continued to implement our response to COVID-19 to support the safe operation of the business and staff and to allow us to respond quickly and effectively to new and emerging risks.

Personal protective equipment

A contract was established with our existing supplier, Banner, to provide personal protective equipment to inspectors as and when required, to ensure they had plentiful supplies for inspections.

Risk assessments

An Inspection risk assessment was developed to ensure that when inspectors need to cross the threshold of a provider's premises, they were fully assessed and safe. The assessment continues to be updated to reflect new ways of working during this time. This includes guidance from DHSC and UKHSA regarding testing and self-isolation prior to crossing the threshold of a health and care provider.

An Individual risk assessment was developed in response to the 'Disparities in the risks and outcomes of COVID-19' document released by Public Health England (now UKHSA), which detailed the health inequalities of COVID-19 for specific groups of the population. Each colleague is asked to complete this assessment to determine how best CQC can support them.

Testing for inspectors

Weekly Polymerase Chain Reaction (PCR) testing was introduced for colleagues crossing the threshold. Test kits were received into Newcastle and distributed across the country. Supporting guidance and training materials were produced to support colleagues. All test outcomes were recorded on Cygnum, CQC's time management tool. This requirement came to an end on 16 February 2022.

Additionally, Lateral Flow Tests (LFTs) were introduced to enable everyone crossing a threshold of a health and care setting to test themselves on the morning of their visit. The LFT testing regime provides further assurance to colleagues and providers that they are not COVID-19 positive prior to entering the care setting. This is an ongoing requirement.

Keeping our workplaces safe

Following government guidance regarding working from home, our offices re-opened to colleagues during periods of 2021. A number of control measures were put in place to ensure colleagues could work safely – for example, limited desk availability, reduced meeting room capacity, one-way systems, enhanced cleaning and sanitising stations, and the ventilation systems were checked by landlords to ensure optimum operating levels. The office risk assessments and emergency arrangements were reviewed to reflect the new arrangements.

Vaccination programme

A determined effort was made to encourage all colleagues to take up both COVID-19 and flu vaccinations. Seventy-eight per cent of colleagues have had their first vaccination, 75% have had their second vaccination, and 66% have had their flu vaccination.

10. Expenditure on consultancy

Total spend on consultancy services, as defined by HM Treasury, during 2021/22 was £135k (2020/21: £659k) and was subject to approval from DHSC 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

	2021/22	2020/21
Total number of losses	567	563
Total value of losses (£000)	1,502	1,579

The losses incurred during 2021/22 relate to the write-off of irrecoverable receivables invoices following the exhaustion of collection. CQC incurred no individual losses exceeding £300k during the year (2020/21: 2 cases totalling £1,232k).

1.2 Special payments

	2021/22	2020/21
Total number of special payments	5	1
Total value of special payments (£000)	11	1

The special payments incurred during the year relate to ex gratia payments made to individuals. There were no individual losses exceeding £300k during the year (2020/21: none).

1.3 Gifts

During 2021/22 CQC made no gifts or donations (2020/21: none).

2. Remote contingent liabilities

There were no remote contingent liabilities as at 31 March 2022 (31 March 2021: 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.

	Income £000	Full cost £000	2021/22 Surplus £000	2020/21 Surplus £000
Regulatory fees for chargeable activities	(207,909)	201,793[1]	**6,116**	**9,144**

There will always be variation when aligning costs for chargeable activity to our fee income on an annual basis. During 2020/21 the full cost of our chargeable activities was lower than anticipated due to the impact of COVID-19 on our normal operations, which continued into 2021/22.

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.

		2021/22		2020/21	
Average across financial year	**Target**	**Number**	**Value**	**Number**	**Value**
Invoices paid within 5 working days	90%	86.9%	90.4%	76.6%	71.5%
Invoices paid within 30 days	100%	99.5%	99.8%	98.4%	98.1%

Ian Trenholm
Chief Executive,
Care Quality Commission
4 July 2023

1 Full chargeable cost of £201,793k excludes non-cash items totalling £4,176k 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 £2,393k, net interest on pension scheme assets and liabilities £1,510k, expected credit loss (£136k), provision expenses £319k and apprenticeship training grant expense £90k all of which are covered by non-cash budgets.

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 2022 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 2022;
- 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 Care Quality Commission financial statements is applicable law and UK adopted International Accounting Standards.

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 2022 and its net 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 (2020). 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 have also elected to apply the ethical standards relevant to listed entities.

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 12 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 require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it 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 nor my auditor's certificate and report. 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.

In connection with my audit of the financial statements, 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

As 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;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with Secretary of State directions made under the Health and Social Care Act 2008;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with Secretary of State directions made 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, the 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 and the relevant external specialists, including pensions, 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 also required to perform specific procedures to respond to the risk of management override of controls.

I also 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

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- 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 and the Audit and Corporate Governance 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; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists 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 evidence sufficient 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 that 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

4 July 2023

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Financial statements

The financial statements are prepared in accordance with the Financial Reporting Manual 2021/22, published by HM Treasury, and comprise:

Statement of Comprehensive Net Expenditure 90
A statement of CQC's performance, summarising income and expenditure for the year.

Statement of Financial Position 91
A snapshot of CQC's assets and liabilities as at the end of the financial year.

Statement of Cash Flows 92
The movements in cash during the year.

Statement of Changes in Taxpayers' Equity 93
The movements to reserves in the year.

Notes to the financial statements 94
Additional details to the numbers included within the 4 financial statements.

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2022

	Note	2021/22 £000	2020/21 £000
Revenue from contracts with customers	3.1	(210,731)	(206,837)
Other operating income	3.2	(90)	(56)
Total operating income		**(210,821)**	**(206,893)**
Staff costs	4.1	177,421	173,660
Purchase of goods and services	4.2	37,137	36,393
Depreciation, amortisation and impairment charges	4.2	14,162	8,960
Provision expense	4.2	319	(1,208)
Other operating expenditure	4.2	4,648	5,123
Total operating expenditure		**233,687**	**222,928**
Net operating expenditure		**22,866**	**16,035**
Finance expense		–	7
Net expenditure for the year		**22,866**	**16,042**
Other comprehensive net expenditure			
Items that will not be reclassified to net operating costs:			
– Net gain on revaluation of intangible assets	6.1	(40)	(16)
– Net loss/(gain) on revaluation of property, plant and equipment	7.1	13	(14)
– Impairments charged to revaluation reserve:			
Intangible assets	6.1	25	42
Property, plant and equipment	7.1	20	8
– Actuarial gain in pension schemes	5.4	(53,744)	(9,051)
– Re-measurement of net defined pension asset for changes in asset ceiling	5.4	2,843	983
Comprehensive net expenditure for the year[1]		**(28,017)**	**7,994**

[1] 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.

Notes 1 to 21, on pages 94 to 132, form part of these financial statements.

Statement of Financial Position

as at 31 March 2022

	Note	31 March 2022 £000	31 March 2021 £000
Non-current assets			
Intangible assets	6	23,706	22,932
Property, plant and equipment	7	5,481	6,332
LGPS pension assets	5.1	9,334	3,936
Total non-current assets		**38,521**	**33,200**
Current assets			
Trade and other receivables	9	10,214	13,231
Other current assets	9	4,633	3,710
Cash and cash equivalents	10	61,357	42,725
Total current assets		**76,204**	**59,666**
Total assets		**114,725**	**92,866**
Current liabilities			
Trade and other payables	11	(29,186)	(23,943)
Other pension liabilities	11	(16)	(16)
Provisions	12.1	(867)	(466)
Fee income in advance	11	(18,641)	(18,665)
Total current liabilities		**(48,710)**	**(43,090)**
Total assets less current liabilities		**66,015**	**49,776**
Non-current liabilities			
Provisions	12.1	(329)	(521)
Other pension liabilities	11	(14)	(31)
Total non-current liabilities excluding LGPS pension liabilities		**(343)**	**(552)**
Assets less liabilities excluding LGPS pension liabilities		**65,672**	**49,224**
LGPS pension liabilities	5.1	(41,903)	(85,802)
Assets less liabilities		**23,769**	**(36,578)**
Taxpayers' equity			
General reserve		(291)	(60,801)
Revaluation reserve		283	334
Retained earnings		23,777	23,889
Total taxpayers' equity		**23,769**	**(36,578)**

Notes 1 to 21, on pages 94 to 132, form part of these financial statements.

Ian Trenholm
Chief Executive

4 July 2023

Statement of Cash Flows

for the year ended 31 March 2022

	Note	2021/22 £000	2020/21 £000
Cash flows from operating activities:			
Net expenditure for the year		(22,866)	(16,042)
Adjustment for non-cash transactions	13.1	18,384	10,512
Decrease/(increase) in trade receivables and other current assets	9	2,094	(4,597)
Increase/(decrease) in trade rand other payables	13.2	3,240	(6,273)
Decrease in pension liabilities	11	(17)	(16)
Decrease in fee income in advance	11	(24)	(1,132)
Use of provisions	12	(110)	(150)
LGPS pension liabilities: scheme cessation contribution	5.7	(2,299)	(2,322)
Net cash outflow from operating activities		**(1,598)**	**(20,020)**
Cash flows from investing activities:			
Purchase of intangible assets	13.3	(11,035)	(11,356)
Purchase of property, plant and equipment	13.4	(1,305)	(4,246)
Proceeds from disposal of property, plant and equipment	7	240	–
Net cash outflow from investing activities		**(12,100)**	**(15,602)**
Cash flows from financing activities:			
Grant-in-aid from DHSC: cash drawn down in year		32,330	31,728
Net financing		**32,330**	**31,728**
Net increase/(decrease) in cash and cash equivalents		**18,632**	**(3,894)**
Cash and cash equivalents at at start of year		42,725	46,619
Cash and cash equivalents at end of year	**10**	**61,357**	**42,725**

Notes 1 to 21, on pages 94 to 132, form part of these financial statements.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2022

	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
Balance at 1 April 2020		**(86,500)**	**363**	**25,825**	**(60,312)**
Changes in taxpayers' equity 2020/21:					
Grant-in-aid from DHSC: cash drawn down[1]		31,728	–	–	**31,728**
Net expenditure for the year		(16,042)	–	–	**(16,042)**
Revaluation gains:					
– intangible assets	6.1	–	16	–	**16**
– property, plant and equipment	7.1	–	14	–	**14**
Impairments and reversals:					
– intangible assets	6.1	–	(42)	–	**(42)**
– property, plant and equipment	7.1	–	(8)	–	**(8)**
Transfer between reserves:					
– Disposals and realised depreciation:					
– intangible assets	6.1	1	(1)	–	**–**
– property, plant and equipment	7.1	8	(8)	–	**–**
– Retained fee income	14	(7,968)	–	7,968	**–**
– Utilisation of retained fee income	14	9,904	–	(9,904)	**–**
Actuarial loss in pension schemes	5.4	9,051	–	–	**9,051**
Re-measurement of net defined pension asset for changes in asset ceiling	5.4	(983)	–	–	**(983)**
Balance at 31 March 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)**
Impairment 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	14	(10,711)	–	10,711	**–**
– Utilisation of retained fee income	14	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**

[1] During 2021/22 grant-in-aid totalling £32,330k (£31,728k in 2020/21) was drawn down from DHSC of which:
- £26,512k (£24,653k in 2020/21) funded non-chargeable activities
- £nil (£nil in 2020/21) funded chargeable activities
- £3,519k (£4,753k in 2020/21) funded capital expenditure; and
- £2,299k (£2,322k in 2020/21) funded LGPS pension cessation charges.

Notes 1 to 21, on pages 94 to 132, form part of these 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. Information about our role and purpose can be found on page 2. The address of our registered office and principal place of business is provided on page 134. 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) 2021/22, issued by HM Treasury, as interpreted for the health sector in the DHSC Group Accounting Manual (GAM) 2021/22. 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.

Accounting policies are unchanged compared with those in the 2020/21 financial statements, and no new accounting standards have been adopted in year.

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 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 8. In addition, grant-in-aid funding is drawn from DHSC to fund non-chargeable activities and capital expenditure.

1.3 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.

1.4 Critical accounting judgements and key sources of estimation uncertainty

In the application of 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 factors that are relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Throughout 2021/22 CQC continued to experience a level of operational impact due to COVID-19 pandemic, although to a lesser extent than 2020/21. If this has impacted our accounting judgements or uncertainty of our estimates, we have provided details in the appropriate note.

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 1.14, 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 1.19 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 1.12 and 1.13, note 6 and note 7).

1.5 Operating segments

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

1.6 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 1 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.

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 2021/22. 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.

1.7 Employee benefits

1.7.1 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.

1.7.2 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 4 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 3 financial years. The last full valuation was based on 31 March 2022 to set rates for the 3 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.

1.8 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.

1.9 Grants receivable

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

1.10 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.

1.11 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.

1.12 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.

1.13 Intangible assets

1.13.1 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 1 year.

General IT software project management costs are not capitalised.

1.13.2 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.

1.14 Property, plant and equipment

1.14.1 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 1 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.

1.14.2 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 1.12.2.

1.15 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:

Category	Asset type	Estimated asset life
Intangible assets	IT software developments	Over the estimated life of the asset, or 15 years, whichever is shorter.
	Software licences	Over the term of the licence
	Website	Over the estimated life of the asset, or 15 years, whichever is shorter.
Property, plant and equipment	Information technology	Up to 7 years
	Furniture and fittings	Up to 15 years in line with the lease term of the property in which the asset resides.

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.

1.16 Leases

CQC applies IAS17 '*Leases*' and recognises leases as either operating or finance leases. Leases are classified as finance leases when the risks and rewards of ownership are transferred substantially to the lessee; all other leases are operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. CQC has no finance leases.

1.17 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 minus 1.30% (2020/21: minus 0.95%) in real terms. All other provisions are subject to 3 separate discount rates according to the expected timing of cash flows from the Statement of Financial Position date:

- a short-term rate of 0.47% (2020/21: minus 0.02%) for expected cash flows up to and including 5 years
- a medium-term rate of 0.70% (2020/21: 0.18%) for expected cash flows over 5 years up to and including 10 years
- a long-term rate of 0.95% (2020/21: 1.99%) for expected cash flows over 10 years.

All percentages are in real terms.

1.18 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 1 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 1 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.

1.19 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.

1.20 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.

1.20.1 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.

1.20.2 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.

1.21 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.

1.22 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 2021/22. These standards are still subject to HM Treasury FReM adoption.

- *IFRS 16 Leases:* the standard is effective from 1 April 2022 as adapted and interpreted by the FReM. The standard introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

  Impact of the new definition of a lease
  The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease based on whether the lessee has the right to control the use of an identified asset for a period in exchange for consideration.

  CQC applies the definition of a lease in IFRS 16 as adapted and interpreted by the FReM and in accordance with related guidance in the GAM to all lease contracts in existence at 1 April 2022. Therefore, upon transition CQC will recognise the cumulative effects of initially applying IFRS 16 as an adjustment to the opening balances in the Statement of Financial Position.

  In preparation for first-time application of IFRS 16 CQC has carried out an implementation project which has shown that the new definition in the standard will not change significantly the scope of contracts that meet the definition of a lease for CQC.

  Impact on CQC
  IFRS 16 changes how CQC accounts for leases previously classified as operating leases under IAS 17, which were off-Statement of Financial Position.

  In applying IFRS 16, for all leases, CQC:

  - recognises a right-of-use asset and lease liabilities in the Statement of Financial Position, initially measured at the present value of future lease payments;
  - recognises depreciation for right-of-use assets and interest on lease liabilities in the Statement of Comprehensive Net Expenditure; and
  - separates the total amount of cash paid into a principal portion (presented with financing activities) and interest (presented within operating activities) in the Statement of Cash Flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (those with a term of 12 months or less) and leases of low-value assets (liability of £5,000 or less) CQC will recognise a lease expense on a straight-line basis in the Statement of Comprehensive Net Expenditure.

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 will result in the recognition of right-of-use assets and corresponding liabilities of approximately £9.7m.

- *IFRS 17 Insurance Contracts:* application is required for accounting periods beginning on or after 1 January 2023 but has not yet been adopted by the FReM. Early adoption is not therefore permitted. 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 ET regularly evaluate CQC's performance using operating segments.

CQC reports performance against each of the operational directorates. These are:

- Adult Social Care (ASC)
- Hospitals
- Primary Medical Services and Integrated Care (PMS)
- Others include: Change; Chief Executive; Digital and Intelligence; Engagement Policy and Strategy; Healthwatch England and Regulatory Customer and Corporate Operations (RCCO).

As we continue to implement our new strategy our reporting to the Board and ET will be updated in 2022/23 to reflect our new operational structure.

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

	ASC £000	Hospitals £000	PMS £000	Others £000	2021/22 total £000	2020/21 total £000
Pay costs	40,395	32,813	21,147	80,673	**175,028**	172,454
Non-pay costs	682	1,232	725	37,772	**40,411**	39,710
Total	**41,077**	**34,045**	**21,872**	**118,445**	**215,439**	**212,164**

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.

	2021/22 total £000	2020/21 total £000
Pay costs	175,028	172,454
Non-pay costs	40,411	39,710
Total net expenditure	**215,439**	**212,164**
Items not included within operating segments:		
Staff costs		
Increase in provision for pension fund liabilities	2,393	819
Depreciation, amortisation and impairment charges	14,162	8,960
Provisions	319	(1,208)
Other operating expenditure		
Net interest expense on pension scheme assets and liabilities	1,510	1,934
Expected credit loss	(136)	259
Total operating expenditure	**233,687**	**222,928**

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.

	2021/22			2020/21		
	Chargeable activities £000	Non-chargeable activities £000	Total £000	Chargeable activities £000	Non-chargeable activities £000	Total £000
Funding						
Revenue from contracts with customers	(207,909)	(2,822)	**(210,731)**	(205,192)	(1,645)	**(206,837)**
Grant-in-aid (cash)	–	(26,512)	**(26,512)**	–	(24,653)	**(24,653)**
Other operating income	(90)	–	**(90)**	(56)	–	**(56)**
Subtotal: funding	**(207,999)**	**(29,334)**	**(237,333)**	**(205,248)**	**(26,298)**	**(231,546)**
Operating expenditure						
Staff costs	154,626	22,795	**177,421**	152,046	21,614	**173,660**
Purchase of goods and services	33,628	3,509	**37,137**	34,877	1,516	**36,393**
Depreciation, amortisation and impairment charges	12,837	1,325	**14,162**	7,968	992	**8,960**
Provision expenses	319	–	**319**	(1,208)	–	**(1,208)**
Other operating expenditure	4,559	89	**4,648**	4,225	898	**5,123**
Subtotal: operating expenditure	**205,969**	**27,718**	**233,687**	**197,908**	**25,020**	**222,928**
Finance expenses	–	–	**–**	7	–	**7**
Total expenditure	**205,969**	**27,718**	**233,687**	**197,915**	**25,020**	**222,935**
Net excess of (income)/ expenditure[1]	**(2,030)**	**(1,616)**	**(3,646)**	**(7,333)**	**(1,278)**	**(8,611)**

[1] In agreeing annual budgets, DHSC allows CQC to incur certain non-cash expenses. In 2021/22 these items amounted to £5,411k (2020/21: £2,803k) and, if excluded from expenditure above, this would present an adjusted year to date net surplus of £9,057k – comprising a chargeable surplus of £6,116k and a non-chargeable surplus of £2,941k (2020/21: adjusted net surplus of £11,414k comprising a chargeable surplus of £9,144k and a non-chargeable deficit of £2,270k).

3. Income

3.1 Revenue from contracts with customers

	2021/22 total £000	2020/21 total £000
Income from fees:		
NHS trusts	(60,529)	(57,453)
Adult social care – residential	(65,947)	(65,704)
Adult social care – community	(23,139)	(23,472)
Independent healthcare – hospitals	(4,040)	(3,984)
Independent healthcare – community	(7,218)	(6,884)
Independent healthcare – single specialty	(1,000)	(935)
Dentists	(8,420)	(8,377)
NHS GP practices	(37,616)	(38,383)
Subtotal: income from fees	**(207,909)**	**(205,192)**
Income from other activities	(2,822)	(1,645)
Total revenue from contracts with customers	**(210,731)**	**(206,837)**

Income from other activities includes reimbursement for services performed in addition to our regulatory activities. This includes income in relation to the National Guardian's 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 2021, £18,665k has been recognised as operating income in 2021/22 (2020/21: £19,797k).

3.2 Other operating income

	2021/22 total £000	2020/21 total £000
Apprenticeship training grant (non-cash)	(90)	(56)
Total other operating income	**(90)**	**(56)**

4. Operating expenditure

4.1 Staff costs

	2021/22 total £000	2020/21 total £000
Wages and salaries	137,361	137,259
Social security costs	13,970	13,961
NHS pension costs	20,661	20,912
LGPS pension costs	3,448	4,131
Other pension costs	75	68
Apprenticeship levy	638	640
Termination benefits	3,014	387
Less capitalised staff costs	(2,419)	(2,557)
Less recoveries in respect of outward secondments	(1,720)	(1,960)
Increase in provision for pension fund liabilities	2,393	819
Total staff costs	**177,421**	**173,660**

More detailed disclosure of our staff costs is included in the People Report (page 68)

4.2 Other operating expenditure

	2021/22 total £000	Represented 2020/21 total £000
Purchase of goods and services		
Establishment	20,718	20,219
Professional fees	7,962	4,544
Rentals under operating leases	536	4,365
Premises	2,771	2,589
Training and development	1,486	1,497
Supplies and services	845	1,347
Travel and subsistence	2,437	923
External audit fee (statutory work)	173	170
Consultancy	135	659
Insurance	74	80
Subtotal: purchases of goods and services	**37,137**	**36,393**
Depreciation, amortisation and impairment charges		
Amortisation of intangible assets	6,424	4,337
Depreciation of property, plant and equipment	2,960	2,518
Impairment of intangible assets	4,361	2,057
Impairment of property, plant and equipment	417	48
Subtotal: depreciation, amortisation and impairment charges	**14,162**	**8,960**
Provision expense	**319**	**(1,208)**
Other operating expenditure		
Experts by Experience	1,866	1,408
Net interest expense on pension scheme assets and liabilities	1,510	1,934
Business rates paid to local authorities	1,154	1,984
Irrecoverable debts	116	88
Apprenticeship training grant (non-cash)	90	56
Grants to other bodies	52	443
Other	(4)	(1,049)
Movement in expected credit loss provision	(136)	259
Subtotal: other operating expenditure	**4,648**	**5,123**
Total other operating expenditure	**56,266**	**49,268**

5. Pension costs

During the year CQC's employees were able to participate in 1 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, page 69, 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 2022.

Valuations of CQC's assets and liabilities in each LGPS as at 31 March 2022 have been prepared in accordance with IAS 19. The results relating to each LGPS are disclosed in note 5.1 below. The Teesside results have been prepared using the assumptions and membership data from the 2022 triennial valuation. All other funds are prepared using the rolled forward data from the 2019 valuation, see note 20.

The Statement of Financial Position shows net pension assets totalling £9.3m (31 March 2021: £3.9m) and net pension liabilities of £44.5m (31 March 2021: £85.8m) 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 2022 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 2022 £000	Re-measurements for changes in asset ceilings 31 March 2022 £000	Liabilities 31 March 2022 £000	Surplus/ (deficit) 31 March 2022 £000	Surplus/ (deficit) 31 March 2021 £000
Funds with a net deficit					
Avon	5,761	–	(8,109)	**(2,348)**	(2,443)
Essex	8,070	(1,537)	(6,542)	**(9)**	(64)
Hampshire[2]	–	–	–	**–**	(2,721)
Merseyside	9,110	(124)	(8,986)	**–**	(583)
Shropshire	3,090	–	(4,157)	**(1,067)**	(1,212)
Suffolk	4,495	–	(4,718)	**(223)**	(806)
Teesside[3]	372,707	–	(410,963)	**(38,256)**	(77,973)
Subtotal: funds with a net liability	**403,233**	**(1,661)**	**(443,475)**	**(41,903)**	**(85,802)**
Funds with a net surplus					
Cambridgeshire	4,675	(209)	(3,450)	**1,016**	752
Cheshire	5,037	(250)	(4,410)	**377**	16
Cumbria	5,282	–	(4,304)	**978**	612
East Sussex	8,604	(1,268)	(6,089)	**1,247**	212
Greater Manchester	23,009	(2,355)	(17,987)	**2,667**	500
West Sussex	5,392	(193)	(3,333)	**1,866**	1,844
West Yorkshire	14,984	(1,191)	(12,610)	**1,183**	–
Subtotal: funds with a net asset	**66,983**	**(5,466)**	**(52,183)**	**9,334**	**3,936**
Total	**470,216**	**(7,127)**	**(495,658)**	**(32,569)**	**(81,866)**

All assets are held at bid value.

Six employees (2020/21: 8) retired early on ill-health grounds during the period. No additional pension costs (2020/21: £nil) were levied on CQC as a result.

2 Membership in Hampshire ended on 30 April 2021, resulting in a cessation charge totalling £2,299k being paid which was equal to the actuarial assessed pension deficit at that date. Additional GIA funding was provided by DHSC to settle the liability.

3 The assets and liabilities relating to Teesside are prepared on an IAS19 basis using updated financial and demographic assumptions and membership data following the 2022 triennial valuation exercise. All other funds use rolled forward data from the 2019 valuation. See note 20.

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. An asset ceiling is the limit above which further increases in net pension assets cease to be recognised for accounting purposes. As active membership in each LGPS is low, and closed to new members, a valuation prepared on a cessation basis is prepared to determine the economic benefit that could be achieved from a refund of surplus on exiting the fund. At 31 March 2022, asset ceilings totalling £7,127k were applied to 8 funds (31 March 2021: 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:

	2021/22 £000	2020/21 £000
Opening asset ceiling	**4,284**	3,301
Re-measurement of net defined pension asset for changes in asset ceiling	2,843	983
Closing asset ceiling	**7,127**	**4,284**

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 % per annum		Other pension funds % per annum	
Key assumptions used:	**2021/22[5]**	**2020/21**	**2021/22**	**2020/21[6]**
Discount rate	2.7	2.1	2.6 – 2.8	2.0 – 2.1
Expected rate of salary increases	4.3	3.7	3.3 – 5.0	2.9 – 4.2
Future pension increases	3.3	2.7	3.1 – 3.6	2.7 – 2.9
CPI inflation	3.3	2.7	3.1 – 3.5	2.7 – 2.9

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.

5 The 2021/22 financial assumptions relating to Teesside Pension Fund have been updated following the 2022 triennial valuation. All other funds used rolled forward data from the 2019 valuation. See note 20.

6 Assumptions relating to Hampshire were not included due to the valuation of assets and liabilities being prepared on a cessation basis. The key assumptions used in this valuation were: discount rate 1.3%, expected rate of salary increases 3.1%, future pension increases 3.1% and CPI inflation 3.1%.

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:	**2021/22[7]**	**2020/21**	**2021/22**	**2020/21[8]**
Retiring today:				
Males	20.9	21.9	20.3 – 23.1	20.5 – 23.3
Females	23.9	23.6	23.0 – 25.3	23.3 – 25.4
Retiring in 20 years:				
Males	21.9	23.3	21.6 – 24.6	21.9 – 24.8
Females	25.5	25.4	25.1 – 27.3	24.7 – 27.4

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:

	2021/22	2020/21
	£000	**£000**
Service costs:		
– Current service cost	5,784	4,910
– Past service cost	94	34
– Administration expenses	76	83
Sub-total: service costs	**5,954**	**5,027**
Net interest expense	1,510	1,934
Amount recognised in net expenditure	**7,464**	**6,961**

Of the expense for the year, the service costs totalling £5.8m (2020/21: £4.9m) have been included in the Statement of Comprehensive Net Expenditure as staff expenditure. Within note 4.1 £3.4m (2020/21: £4.1m) of this is included within LGPS pension costs and represents the amount paid as contributions during the year. The remaining £2.4m (2020/21: £0.8m) is a non-cash adjustment presented as an increase in provision for pension fund liabilities. The net interest expense of £1.5m (2020/21: £1.9m) 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.

7 The 2021/22 mortality assumptions relating to Teesside Pension Fund have been updated following the 2022 triennial valuation. All other funds used rolled forward data from the 2019 valuation. See note 20.

8 Assumptions relating to Hampshire were not included. The key assumptions used in this valuation were; life expectancy of those retiring today were; male 23.1 years, female 25.5 years and those retiring in 20 years were: male 24.8 years, female 27.3 years.

5.4 Charges to other comprehensive net expenditure

Amounts recognised in the Statement of Comprehensive Expenditure are as follows:

	2021/22 £000	2020/21 £000
The return on plan assets (excluding amounts included in net interest expense)	(41,043)	(78,696)
Other re-measurement gains on plan assets	(1,125)	(30)
Actuarial (gains)/losses arising from changes in demographic assumptions	(9,435)	99
Actuarial (gains)/losses arising from changes in financial assumptions	(7,163)	75,175
Actuarial losses/(gains) arising from experience adjustments	5,022	(5,599)
Subtotal: actuarial (gain)/loss in pension schemes	**(53,744)**	**(9,051)**
Re-measurement of net defined pension asset for changes in asset ceiling	2,843	983
Re-measurement of the net defined benefit obligations	**(50,901)**	**(8,068)**

The cumulative re-measurements recognised in reserves since the date of transition to IFRS on 1 April 2008 to 31 March 2022 is £35m (31 March 2021: £86m).

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 2022 £000	31 March 2021 £000
Present value of funded benefit obligations	(495,566)	(514,183)
Fair value of scheme assets	470,216	436,698
Deficit in scheme	**(25,350)**	**(77,485)**
Present value of unfunded benefit obligations	(92)	(97)
Re-measurement of net defined benefit pension asset for changes in asset ceiling	(7,127)	(4,284)
Re-measurement of the net defined benefit obligations	**(32,569)**	**(81,866)**

5.6 Reconciliation of fair value of scheme liabilities

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

	2021/22 £000	2020/21 £000
At 1 April	**(514,280)**	**(447,629)**
Current service cost	(5,784)	(4,910)
Administration expenses	(64)	(69)
Interest cost	(10,349)	(10,159)
Contributions from scheme members	(1,039)	(1,132)
Past service costs	(94)	(34)
Re-measurement gains/(losses):		
– Actuarial gains/(losses) arising from changes in demographic assumptions	9,435	(99)
– Actuarial gains/(losses) arising from changes in financial assumptions	7,163	(75,175)
– Actuarial (losses)/gains arising from experience adjustments	(5,022)	5,599
Benefits paid	15,189	14,251
Settlements – scheme cessation	9,187	5,077
At 31 March	**(495,658)**	**(514,280)**

5.7 Reconciliation of fair value of employer assets

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

	2021/22 £000	2020/21 £000
At 1 April	**436,698**	**361,427**
Interest income	8,839	8,225
Re-measurement gains:		
– The return on plan assets (excluding amounts included in net interest expense)	41,043	78,696
– Other	1,125	30
Employer contributions – normal	3,561	4,208
Employer contributions – scheme cessation	2,299	2,322
Member contributions	1,039	1,132
Benefits paid	(15,189)	(14,251)
Administration expenses	(12)	(14)
Settlements – scheme cessation	(9,187)	(5,077)
Assets at 31 March	**470,216**	**436,698**
Re-measurement gains for change in asset ceiling	(7,127)	(4,284)
Net value of assets at 31 March	**463,089**	**432,414**

The cessation charge of £2.3m 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 2022	Unquoted assets as at 31 March 2022	Total assets as at 31 March 2022	Represented Total assets as at 31 March 2021
	£000	£000	£000	£000
Equities	60,827	13,137	73,964	51,095
Properties	6,268	29,335	35,603	31,732
Government bonds	3,240	1,394	4,634	4,747
Other bonds	4,969	816	5,785	6,150
Managed investment funds: equities	230,246	2,758	233,004	274,870
Managed investment funds: bonds	6,037	1,153	7,190	7,420
Managed investment funds: infrastructure	19,158	5,171	24,329	3,583
Alternatives	1,740	4,487	6,227	7,859
Cash	61,546	930	62,476	30,605
Other	11,087	5,917	17,004	18,637
Total	**405,118**	**65,098**	**470,216**	**436,698**

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 12 and 17 years (Teesside: 16 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 2022 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	405,019	410,963	416,907	83,552	84,695	85,841
Movement	(5,944)	–	5,944	(1,143)	–	1,146
Adjustment to expected rate of salary increases	**+ 0.1%**	**Current**	**- 0.1%**	**+ 0.1%**	**Current**	**- 0.1%**
Present value of total obligation	411,676	410,963	410,250	84,744	84,695	84,646
Movement	713	–	(713)	49	–	(49)
Adjustment to CPI inflation rate	**+ 0.1%**	**Current**	**- 0.1%**	**+ 0.1%**	**Current**	**- 0.1%**
Present value of total obligation	416,138	410,963	405,788	85,814	84,695	83,578
Movement	5,175	–	(5,175)	1,119	–	(1,117)
Adjustment to life expectancy	**- 1 year**	**Current**	**+ 1 year**	**- 1 year**	**Current**	**+ 1 year**
Present value of total obligation	394,524	410,963	427,402	81,505	84,695	87,916
Movement	(16,439)	–	16,439	(3,190)	–	3,221

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, although only the results of Teesside is based on the outcome of this valuation, see note 20. 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 2022/23, set by the 2019 triennial valuation, range between 0% and 49.2% (17.9% for Teesside Pension Fund) with annual cash sums ranging from £14k to £515k (£nil for Teesside Pension Fund). It is estimated that employer contributions for 2022/23 will total £3,337k (Teesside: £2,122k).

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 have 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 2022 was 7% (31 March 2021: 7%).

6. Intangible Assets

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**

Intangible assets are indexed annually using the appropriate producer price index (PPI) published by the Office for National Statistics. During 2021/22 the indices used have fallen by 9% resulting in indexation losses being recognised.

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

The development expenditure relating to new Regulatory Platform is CQC's most material individual asset with a net book value of £7,251k at 31 March 2022. 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 £2,419k.

All intangible assets are owned by CQC.

2020/21	Information technology	Development expenditure	Software licences	Websites	Total
	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 2020	**45,429**	**9,284**	**2,621**	**7,990**	**65,324**
Additions	–	10,071	487	–	**10,558**
Reclassifications	10,320	(10,320)	–	–	**–**
Disposals	–	–	–	–	**–**
Impairments charged to revaluation reserve	(337)	–	–	(339)	**(676)**
(Impairments) and reversals charged to other operating expenditure	(790)	(801)	(16)	(1,395)	**(3,002)**
Indexation gains to revaluation reserve	(47)	4	(4)	(11)	**(58)**
At 31 March 2021	**54,575**	**8,238**	**3,088**	**6,245**	**72,146**
Amortisation					
At 1 April 2020	**36,860**	**–**	**2,443**	**7,227**	**46,530**
Charged in year	4,195	–	136	6	**4,337**
Disposals	–	–	–	–	**–**
Impairments charged to revaluation reserve	(313)	–	–	(321)	**(634)**
(Impairments) and reversals charged to other operating expenditure	(267)	–	(5)	(673)	**(945)**
Indexation gains to revaluation reserve	(59)	–	(4)	(11)	**(74)**
At 31 March 2021	**40,416**	**–**	**2,570**	**6,228**	**49,214**
Net book value at 1 April 2020	**8,569**	**9,284**	**178**	**763**	**18,794**
Net book value at 31 March 2021	**14,159**	**8,238**	**518**	**17**	**22,932**

The gross cost of intangible assets that were fully amortised but still in use at 31 March 2021 was £7,791k.

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 amounted to £2,557k.

All intangible assets were owned by CQC.

6.1 Movement in revaluation reserve: intangible assets

	2021/22 £000	2020/21 £000
Balance at 1 April	**207**	**234**
Net gain on indexation of intangible assets	40	16
Impairments charged to reserve	(25)	(42)
Transfers between reserves for intangible assets	–	(1)
Balance at 31 March	**222**	**207**

7. Property, plant and equipment

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 are owned by CQC.

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

2020/21	Information technology	Furniture and fittings	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2020	**11,989**	3,217	**15,206**
Additions	4,064	–	**4,064**
Disposals	–	–	**–**
Impairments transferred to other operating expenditure	(58)	(1)	**(59)**
Impairments transferred to revaluation reserve	(57)	–	**(57)**
Indexation gains to revaluation reserve	1	92	**93**
At 31 March 2021	**15,939**	**3,308**	**19,247**
Depreciation			
At 1 April 2020	**7,587**	**2,791**	**10,378**
Charged in year	2,242	276	**2,518**
Disposals	–	–	**–**
Impairments transferred to other operating expenditure	(11)	–	**(11)**
Impairments transferred to revaluation reserve	(49)	–	**(49)**
Indexation gains to revaluation reserve	–	79	**79**
At 31 March 2021	**9,769**	**3,146**	**12,915**
Net book value at 1 April 2020	**4,402**	**426**	**4,828**
Net book value at 31 March 2021	**6,170**	**162**	**6,332**

All property, plant and equipment were owned by CQC.

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

	2021/22	2020/21
	£000	£000
Balance at 1 April	**127**	**129**
Net (loss)/gain on indexation of property, plant and equipment	(13)	14
Impairments charged to reserve	(20)	(8)
Transfers between reserves for property, plant and equipment	(33)	(8)
Balance at 31 March	**61**	**127**

8. 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 ET 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 ET.

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.

8.1 Financial assets

	31 March 2022 £000	31 March 2021 £000
Trade and other receivables with DHSC group bodies	843	3,984
Trade and other receivables with other bodies	9,371	9,247
Cash at bank and in hand	61,357	42,725
Total	**71,571**	**55,956**

8.2 Financial liabilities

	31 March 2022 £000	31 March 2021 £000
Trade and other payables with DHSC group bodies	3,265	408
Trade and other payables with other bodies	21,707	18,490
Other financial liabilities	30	47
Total	**25,002**	**18,945**

9. Trade receivables and other current assets

	31 March 2022 £000	31 March 2021 £000
Trade and other receivables		
Contract receivables	8,787	13,161
Other receivables	2,675	2,837
Expected credit loss	(1,266)	(2,781)
Deposits and advances	18	14
Subtotal: Trade and other receivables	**10,214**	**13,231**
Other current assets		
Prepayments	4,633	3,710
Subtotal: Other current assets	**4,633**	**3,710**
Total	**14,847**	**16,941**

There were no amounts falling due after more than 1 year.

The expected credit loss relating to contract receivables totals £1,222k (31 March 2021: £2,636k) and other receivables totals £44k (31 March 2021: £145k).

Deposits and advances include advance salary payments and staff loans, these total £5k and £13k (31 March 2021: £2k and £12k). Staff can apply for advance payments on salary and loans up to a maximum of £5k for rail season tickets.

9.1 Movement in expected credit loss

	2021/22 £000	2020/21 £000
Balance at 1 April	**2,781**	**3,794**
Recognition of expected credit loss allowance	357	569
Changes to expected credit loss allowances	175	264
Provision utilised due to write-off	(1,379)	(1,272)
Provision reversed as unused (eg settlement of receivable)	(668)	(574)
Balance at 31 March	**1,266**	**2,781**

10. Cash and cash equivalents

	2021/22 £000	2020/21 £000
Balance at 1 April	**42,725**	**46,619**
Net change in cash and cash equivalent balances	18,632	(3,894)
Balance at 31 March	**61,357**	**42,725**
The following balances at the end of the period were held at:		
Government banking service and cash in hand	61,357	42,725
Total balance at 31 March	**61,357**	**42,725**

11. Trade payables and other current liabilities

	31 March 2022 £000	31 March 2021 £000
Amounts falling due within 1 year		
VAT	(521)	(565)
Other taxation and social security	(3,693)	(4,998)
Trade payables	(6,065)	(5,561)
Other payables	(3,689)	(2,995)
Accruals	(12,412)	(9,021)
Capital creditors – intangible assets	(1,371)	(800)
Capital creditors – property, plant and equipment	(1,435)	(3)
Total trade and other payables	**(29,186)**	**(23,943)**
Current pension liabilities	(16)	(16)
Fee income in advance	(18,641)	(18,665)
Total current trade payables and other current liabilities	**(47,843)**	**(42,624)**
Amounts falling after more than one year		
Pension liabilities	(14)	(31)
Total non-current trade payables and other non-current liabilities	**(14)**	**(31)**

Trade payable days at 31 March 2022 were equivalent to 20 days (31 March 2021: 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.

12. Provisions for liabilities and charges

	2021/22			2020/21		
	Leased property dilapidations	Other	Total	Leased property dilapidations	Other	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	**521**	**466**	**987**	**1,931**	**407**	**2,338**
Provided in year	–	709	**709**	–	466	**466**
Provisions not required written back	–	(386)	**(386)**	(1,374)	(300)	**(1,674)**
Provisions utilised in year	(44)	(66)	**(110)**	(43)	(107)	**(150)**
Change in discount rate	(4)	–	**(4)**	–	–	**–**
Unwinding of discount	–	–	**–**	7	–	**7**
Balance at 31 March	**473**	**723**	**1,196**	**521**	**466**	**987**

12.1 Analysis of expected timings of discounted cash flows

	2021/22			2020/21		
	Leased property dilapidations	Other	Total	Leased property dilapidations	Other	Total
	£000	£000	£000	£000	£000	£000
Not later than 1 year	144	723	**867**	–	466	**466**
Later than 1 year and not later than 5 years	329	–	**329**	521	–	**521**
Later than 5 years	–	–	**–**	–	–	**–**
Balance at 31 March	**473**	**723**	**1,196**	**521**	**466**	**987**

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 £0.5m (31 March 2021: £0.5m) and also in respect of employment termination costs totalling £0.2m (31 March 2021: £nil).

Provisions falling due up to 5 years have been discounted by a factor of minus 0.47% (2020/21: 0.02%) in accordance with HM Treasury guidance.

13. Reconciliation of movements in the Statement of Cash Flows

13.1 Adjustment for non-cash transactions

	Note	2021/22 £000	2020/21 £000
Depreciation, amortisation and impairment charges	4.2	14,162	8,960
Increase in provision for pension fund deficit	4.1	2,393	819
Net interest expenses on pension scheme assets and liabilities	4.2	1,510	1,934
Provisions expense	4.2	319	(1,208)
Finance expense: Unwinding of discount on provisions	12	–	7
Total adjustment for non-cash transactions		**18,384**	**10,512**

13.2 Movement in trade and other payables

	Note	2021/22 £000	2020/21 £000
Increase/(decrease) in trade and other payables	11	5,243	(7,253)
Less (increase)/decrease in capital creditors – intangible assets	11	(571)	798
Less (increase)/decrease in capital creditors – property, plant and equipment	11	(1,432)	182
Total movement in trade and other payables		**3,240**	**(6,273)**

13.3 Purchase of intangible assets

	Note	2021/22 £000	2020/21 £000
Additions	6	(11,606)	(10,558)
Increase/(decrease) in capital creditors – intangible assets	11	571	(798)
Total purchase of intangible assets		**(11,035)**	**(11,356)**

13.4 Purchase of property, plant and equipment

	Note	2021/22 £000	2020/21 £000
Additions	7	(2,737)	(4,064)
Decrease in capital creditors – property, plant and equipment	11	1,432	(182)
Total purchase of property, plant and equipment		**(1,305)**	**(4,246)**

14. Movements on reserves

	General reserve	Revaluation reserve	Retained earnings reserve	Total
	£000	£000	£000	£000
Balances at 1 April 2020	**(86,500)**	**363**	**25,825**	**(60,312)**
Increase/(decrease) in the year	25,699	(29)	(1,936)	**23,734**
Balances at 1 April 2021	**(60,801)**	**334**	**23,889**	**(36,578)**
Increase/(decrease) in the year	60,510	(51)	(112)	**60,347**
Balances at 31 March 2022	**(291)**	**283**	**23,777**	**23,769**

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. £10,711k 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 £10,823k was utilised to fund capital expenditure resulting in a net utilisation of £113k.

15. Capital commitments

Contracted capital commitments at 31 March 2022, not otherwise included within these financial statements:

	31 March 2022	31 March 2021
	£000	£000
Intangible assets	416	1,128
Property, plant and equipment	62	126
Total	**478**	**1,254**

16. Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods

	31 March 2022 £000	31 March 2021 £000
Buildings		
Not later than 1 year	2,287	2,432
Later than 1 year and not later than 5 years	5,429	7,778
Later than 5 years	2,706	3,596
Total	**10,422**	**13,806**
Other		
Not later than 1 year	50	76
Later than 1 year and not later than 5 years	–	99
Later than 5 years	–	–
Total	**50**	**175**

CQC leases buildings for its own use as office space under memorandum of term occupancy (MOTO) agreements. The obligations include any contingent rent implicit in the agreements.

There were no future minimum lease payments due under finance leases at the Statement of Financial Position date (31 March 2021: none).

17. 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 2022 £000	31 March 2021 £000
Not later than 1 year	27,985	19,244
Later than 1 year and not later than 5 years	30,560	13,464
Later than 5 years	–	–
Total	**58,545**	**32,708**

18. Contingent liabilities

CQC has the following contingent liabilities:

	31 March 2022 £000	31 March 2021 £000
Backdated VAT charges	313	325
Employment tribunals and legal advice	916	463
Total	**1,229**	**788**

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.

LGPS triennial actuarial valuation: a valuation of all funds was completed at 31 March 2022 and has been treated as an adjusting event in relation to the material Teesside fund. The IAS 19 valuation used in these Financial Statements for Teesside is based on the 2022 valuation rather than the 2019 valuation, which is the basis of all other funds. Teesside accounts for approximately 80% of the assets and liabilities recognised by CQC and has also seen a material change in its membership profile in the 3-year period between valuations. The impact of using the 2022 valuation for Teesside reduced the net deficit by £4,805k (increase in assets of £3,365k and reduction in liabilities of £1,440k). The other funds have experienced immaterial changes to their membership profiles over this period and therefore the triennial valuation is treated as a non-adjusting event.

It has been announced that the maternity investigations programme, part of the Healthcare Safety Investigation Branch currently, hosted by NHS England will move to be hosted by CQC from 1 October 2023. This will be accounted for as an adsorption 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. The Accounting Officer authorised these financial statements for issue on 4 July 2023.

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