Annual report and accounts
2020/21




HC 1009

Care Quality Commission

Annual report and accounts 2020/21

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HC 1009

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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 values

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

Caring: Treating everyone with dignity and respect

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

Teamwork: Enabling us to be the best we can be

How we are organised

We are organised under six directorates:

- Adult Social Care
- Hospitals (including mental health)
- Primary Medical Services and Integrated Care
- Intelligence and Digital
- Engagement, Policy and Strategy
- Regulatory, Customer and Corporate Operations

What we do

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.

1
Encourage improvement, innovation and sustainability in care – supporting improvement and adapting our approach as new care models develop.

2
Deliver an intelligence-driven approach to regulation – using information more effectively to target our resources.

3
Promote a single shared view of quality – working with others to deliver a single vision of high-quality care.

4
Improve our efficiency and effectiveness – working more efficiently, achieving savings, and improving how we work with the public and providers.

Who we work with

- We are independent. 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 Improvement and NHS England. CQC's Chief Executive has responsibility as Accounting Officer for the NGO and for Healthwatch England.

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Performance report

The performance report consists of three sections:

Foreword

Peter Wyman CBE DL
Chair

Ian Trenholm
Chief Executive

This reporting year has been like no other for CQC. With services under such intense pressure from the impact of the COVID-19 pandemic, our role has been more important than ever.

It has been a time of unprecedented threat to public health, with a huge focus on infection prevention and control, immense challenges in protecting people who are in vulnerable circumstances, and the need to balance different aspects of care such as people's physical safety and mental wellbeing.

Our core purpose and our regulatory role did not change. We continued to do our work and adapted to the unprecedented situation in which we all found ourselves.

Understanding the enormous stresses that providers and their teams have been under, our focus has remained on responding to the risks of poor care, and making sure that people continued to receive safe, effective, compassionate, high-quality care.

We have responded to information from people who use services, carers, and health and social care professionals and workers, specifically on safeguarding and whistleblowing. A record number of people told us they believed we were trusted to be on the side of people who use services, and with it a strong recognition for the work we do to improve care for people.

In a year when everything was changing so quickly, including advice for care providers, our people helped to support providers, stakeholders and government with data, information and insight – gathered from providers, the public and stakeholders – to help shape the national and local response to the pandemic. Where necessary we intervened to protect the safety and wellbeing of people who use services, examples of which included highlighting that blanket do not resuscitate orders should never be imposed on groups of people.

We also had to respond and adapt our work to the significant changes in the ways that many services were delivered to people – for example, the increase in digital and online services.

The pandemic has accelerated the changes that were already underway at CQC to transform the way we regulate – to be more relevant to the way care is now delivered, more flexible to manage risk and uncertainty, and able to respond in a quicker and more proportionate way as the health and care environment continues to evolve. Throughout the year, we continued to put in place the systems, technology and culture we need for the future. The work we carried out to create and implement a transitional model for regulation has given us the springboard to develop further our new ways of working.

In May 2021, we published and embarked on our new and ambitious strategy, and we are fully committed to implementing and delivering on that strategy over the next few years.

Peter Wyman CBE DL
Chair

Ian Trenholm
Chief Executive

Key highlights

6,815 inspections with a site visit.

531 services improved from requires improvement or inadequate. **Half** the inadequate services that we inspected had improved.

We undertook regulatory activity with **51%** of registered locations using our new transitional regulatory models, in addition to inspections.

Information of concern (safeguarding, whistleblowing, concerns and complaints) was the most common inspection trigger in **54%** of inspections.

44% more whistleblowing enquiries than 2019/20.

97% of safeguarding alerts referred within one day.

When we took urgent enforcement, **94%** was served within three days against our target of 70%.

Processed **29,542** registration applications, and prioritised applications that would add safe capacity.

In April 2020 we stood up a service to coordinate testing social care staff. This offered a test to more than **40,000** people.

We provided support to **473** individual providers who contacted us asking for financial support during the height of COVID-19.

57% of stakeholders said our inspection reports enhanced coordination of care across organisational boundaries.

Our **provider collaboration reviews** looked at how providers worked together in local areas to respond to COVID-19.

Implemented a **reverse mentoring programme** for our Black and minority ethnic colleagues – all senior leaders being mentored in this way.

We completed an infection prevention and control review on **30%** of adult social care residential locations.

We worked closely with stakeholders and inspected proposed designated setting locations – approved **144** locations and **2,253** beds.

64% of respondents to our public awareness survey had a positive overall impression of CQC – the highest percentage we have recorded.

78% agreed that CQC is driving improvements in the quality of health and social care services.

Reduced office space by **34%**, delivering future savings in excess of **£4m** a year.

485 office-based people transferred to become homeworkers.

We reduced overall revenue expenditure by **3% (£6.6m)**. We spent **£2.2m** on our COVID-19 response.

PERFORMANCE REPORT

Performance summary

The last year has been a period of intense activity for us. In supporting the health and care system to respond to the COVID-19 emergency, we have continued to develop and transform the way the work. Throughout, we have maintained our focus on responding to the risk of poor care and acting to protect people who use health and care services.

When the pandemic was announced and the first national lockdown occurred in March 2020, we paused routine inspections and focused our activity in response to risk.

We developed and adopted a transitional monitoring approach that maximised our effectiveness during the pandemic but also accelerated our longer-term plans to become a more intelligence-led, responsive regulator. We regularly and consistently reviewed our approach, with priorities set each quarter to reflect the evolving pressures across health and social care and to ensure we could continue to respond to any evidence of significant risk of harm to the public.

The completion of the digital foundations programme that was underway before the pandemic gave us the tools to be more responsive to change and innovate in this period, and to accelerate our journey to become a more intelligence-led responsive regulator. Our focus on digital capabilities has also enabled us to respond more flexibly to COVID-19 and to introduce across the year a transitional approach to regulation.

Over the last year, driven by a need to adapt to the pandemic, we made substantial progress in our ability to monitor services. The launch of our emergency support framework (ESF) gave us a structured way to have conversations with providers to help monitor risk and support them, and we built on this with our transitional monitoring app (TMA). Together these have enabled us to have contact with more providers than we had in previous years through our inspection methodology alone. We are continuing to build on our learning over the year to improve our ability to monitor risk, which will help us be more targeted in our regulatory activity.

We published our new strategy in May 2021 and our programme of business change and improvement to deliver the strategy will develop further in 2021/22 and beyond.

The performance against our existing strategic priorities is set out as follows.

Priority one: Encourage improvement, innovation and sustainability in care

Key areas of performance from priority one in 2020/21

- In our 2020 Stakeholder Survey, 67% of stakeholders told us that we work with them effectively, similar performance to the previous year despite the challenges of the pandemic.
- The survey also showed that 57% of stakeholders found that our inspection reports enhanced coordination of care across organisational and service boundaries.
- In October 2020 we published our restraint, segregation and seclusion review, where we identified a number of people in segregation who had been let down by the health and care system. We have collated our learnings (including the good practice we saw during our review) and published recommendations.
- We completed infection prevention and control (IPC) reviews, as part of our inspection process, on 30% of adult social care residential locations.

- In November 2020 we published our IPC inspection report. This described what we had seen during our inspections and insights from care home providers on what had worked, and what was challenging through the pandemic.
- When we took urgent enforcement, 94% was served within three days against our target of 70%.
- We contributed at system level through our provider collaboration reviews, looking at how health and social care providers are working together in local areas. The reviews aimed to help providers learn from each other's experience of responding to COVID-19. Our programme of collaboration reviews will continue across five phases: phase one was care for older people; and phase two was urgent and emergency care. Phases one and two were completed in 2020/21, while three to five are scheduled for the next financial year. Each one includes a focus on inequalities.

Our ambition is to work with others to support improvement, adapt our approach as new care models develop, and publish new ratings of NHS trusts' use of resources. We have supported this through the following areas:

Insight reports

In May 2020 we published the first of our regular CQC Insight reports, highlighting COVID-19-related pressures on the services that we regulate. In our reports we have analysed and shared insights from people who receive care, staff, data we collect and regular conversations with providers and partners. The documents are intended to: help everyone involved in health and social care to work together to learn from the pandemic: share and reflect on what has gone well; understand and learn from the experience of what hasn't gone well; and help health and care systems prepare for the future.

Across the year Insight reports have covered topics such as COVID-19 outbreaks, availability of personal protective equipment (PPE), financial viability of adult social care services and the changing face of primary care. Of the providers who completed our annual provider survey, 95% told us that Insight reports covered topics and issues that interested them, and 43% told us they took action to make changes and improvements as a result of reading the documents.

Review of DNACPR decisions

During the beginning of the pandemic there were concerns that 'do not attempt cardiopulmonary resuscitation' (DNACPR) decisions were being applied to groups of people, without consideration of each person's individual circumstances – and without appropriately involving people, or their families and/or carers. In October 2020, the Department for Health and Social Care (DHSC) commissioned us to conduct a special review into these concerns.

In our review, which took place between November 2020 and January 2021, we looked at how DNACPR decisions were made in the context of advance care planning, across all types of health and care sectors including care homes, primary care services and hospitals. We listened to the experiences of over 750 people. It was clear that, while the concerns raised were not new, the pressures of the pandemic had exposed them more widely and more clearly demonstrated the lasting impact on people. In our report we made a number of recommendations, including an action for us to ensure a continued focus on DNACPR decisions through our monitoring, assessment and inspection of all health and social care providers.

Closed cultures

A key focus in 2020/21 was our regulation of services for people with a learning disability and autistic people, with a particular focus on closed cultures, restraint, seclusion and segregation. Across the year we have introduced additional guidance, training and support for our inspectors to enable them to better identify services that might be at risk of being or developing into a closed culture. We improved how we use and analyse data, and we have commenced a pilot of inspections to support the review on our approach to inspections of services for people with a learning disability and autistic people. We published our ‘Out of Sight-who cares?’ report in October 2020 and made a series of recommendations for government, CQC, NHS England, local authorities and more to improve the provision of support for people with a learning disability and autistic people.

Safe houses

We have been working closely with the Home Office since 2019 to consider how we might help them monitor the quality of support offered to people who are in safe houses. Safe house residential and outreach support services support people who are victims of modern slavery, which includes human trafficking, slavery, servitude and forced or compulsory labour. The programme commenced in December 2020 and by the end of March 2021 we completed inspections of 16 services, which were reported on in nine reports. The reports are not published on our website but shared with providers and commissioners.

Future approach

At the end of January 2021, we launched a proposal for more flexible and responsive regulation, building on our transitional approach developed during the pandemic and accelerating the changes that we were already seeking to adopt, in order to become a more intelligence-led, responsive regulator. The proposal was the first step in changing the way we consult and engage on any changes to our methods of inspection and regulation. The new approach allows us to hear people's views constantly through a range of ways and to engage with stakeholders in a collective approach to solution design.

Priority two: Deliver an intelligence-driven approach to regulation

Key areas of performance from priority two in 2020/21

- In 2019/20 we conducted 16,398 inspections across all sectors, resulting in us having regulatory activity with 34% of registered locations. In 2020/21, we carried out 7,057 inspections; however, using our transitional approach (ESF and TMA) we had regulatory activity with 51% of registered locations.
- 54% of our inspections were triggered by information of concern, which includes whistleblowing, safeguarding and complaints.
- We received 15,829 whistleblowing enquiries this year, compared with 10,988 in 2019/20. Of these, 85% related to adult social care, 12% to hospitals and 3% to primary medical services.
- We use safeguarding alerts to quickly inform local authorities of the most urgent and serious information of concern that we receive. In 2020/21, 97% of alerts were referred within one day, ahead of the targeted 95% and an increase of 1% from the previous year.
- Across the year there have been five campaigns to promote Give Feedback on Care and we've

received 42,638 individual pieces of feedback this year.

- 51% of people who responded to our public awareness survey told us they knew that they could report concerns about care to CQC, and that these concerns would inform where, when and what we inspect. This was an increase from 46% in 2019.
- In November 2020 we spoke with 117 (98%) emergency departments to understand how they were preparing for winter pressures. We then conducted 10 emergency department inspections, focusing on safety issues.
- We made eight visits to keep the operation of the Mental Health Act (MHA) 2007 under review. The frequency of MHA visits depends on the patient group, but regional teams can choose to make an additional assessment outside the planned cycle.
- In response to COVID-19, throughout the year we prioritised registration applications that would add capacity safely to the sector. Over the 12-month period, 29,542 registration applications were completed.
- Our registration target for the year was to improve the timeliness on all application types: a simple application takes an average of 21.1 days to complete; a normal application takes 58.4 days; and a complex one 115.2 days on average. All application types saw increases in the average time

taken to complete since April 2020. Improving our timeliness and end user experience will continue to be a key area of focus into 2021/22.

- We introduced robotic process automation in our national customer service centre, which has so far saved 115 hours of resource each week while also ensuring information is captured and made available in a more timely and consistent manner.
- This year, we have continued to inspect only where there were serious risks to people's safety and where we could not seek assurance through other routes, or where it supported the health and care system's response to the pandemic. Due to the nature of inspections this year, as well as ensuring all time spent on-site was essential, we rated 32% of our inspections. Across the year, 531 services improved from requires improvement or inadequate, and of these 385 improved to good. Half the inadequate services that we re-inspected had improved; 10% of previously inadequate services improved to good.
- At year-end, 1% of registered locations were rated as inadequate, 13% were rated as requires improvement, 81% were rated as good and 5% were rated as outstanding, showing no change in percentage per rating compared with the end of 2019/20.

Our ambition is to use information from the public and providers more effectively to target our resources where the risk to the quality of care is greatest and to check where quality is improving.

Pandemic response

Throughout the pandemic, our core purpose of keeping people safe has been the driver in our decisions. As the risks of the pandemic have changed across the year, we have responded and continued to invest in how we use technology to assess risk and expand our approach to regulatory activity. During the year we used information we held about services to ensure our priority and regulatory activity was targeted at risk in the sector. We inspected where it was necessary but, recognising the pressure on the sector and the risk of COVID-19, we used new approaches.

We launched our Emergency Support Framework (ESF) in May 2020. This was developed for use when COVID-19 was impacting our routine inspections. The ESF provided a structure for the conversations that we were having with providers and for the escalation of concerns either to inform system partners, to target additional support and resource, or to trigger inspections.

Our transitional approach built on the work of the ESF to look at more areas where quality needs to improve. Central to this are the experiences of people who use services, their families and their carers. To promote this, we launched a year-long campaign with Healthwatch England, voluntary sector partners and others to encourage people to share their experience through our Give Feedback on Care service. Leveraging this experience, our inspectors monitored and reviewed information from all available sources, collecting further information where necessary.

Feedback about services

Some of the information we receive is shared with us by people who work (or who have worked) for health and social care organisations that are registered with us, or who provide services to those organisations (such as agencies). It is important that people who work in health and care organisations feel they can speak to us about any issues that cause them concern and that they know our response will be prompt and appropriate. People can contact us through all our communication channels. We describe any concerns we receive as ‘whistleblowing’ enquiries.

When we receive a concern, we consider the information carefully and prioritise which action to take according to the level of risk. The most serious concerns, for example where there may be a risk of harm to an individual, will trigger a safeguarding process that may include a referral – this might be to a local authority, for example. Other actions might include carrying out an inspection, working jointly with other partners or taking enforcement action. There are some enquiries that remain completely anonymous and, in these instances, it may be harder for us to progress an action due to lack of information.

Throughout the year we received an increase in contacts from people who work or have worked in regulated services. In 2020/21 we received 15,829 whistleblowing enquiries, an increase of 4,841 from the 10,988 received in 2019/20. The total volume of whistleblowing enquiries increased by 44.1% compared with the previous year.

On average, 45% of the information shared is addressed through our safeguarding procedures and led by other agencies. The remaining contacts are addressed through our regulatory processes as appropriate.

Sharing data across the sector

Throughout the year we have been working closely with other bodies and stakeholders to collect, share and reuse data in relation to the social care sector. Across the year we have led a data coordination group to bring agencies and providers together to ensure the data collection requirements for information were clear, proportionate and minimised burden.

Priority three: Promote a single shared view of quality

Key areas of performance from priority three in 2020/21

- In March 2021, we agreed a new memorandum of understanding with the Equality and Human Rights Commission, which sets out how we will work more closely together to safeguard the wellbeing and rights of people receiving health and social care in England.
- In a public survey, awareness of our inspection reports rose 2% compared with 2019, and 47% of people who responded were aware of CQC reports.
- 64% of all respondents to our public awareness survey had a positive overall impression of us – the highest percentage we have recorded. This compares with 54% in 2019 and 47% in 2018.
- There was also a record high score among respondents who agreed that ‘CQC can be trusted to work on the side of people who use services’ (83%); and who agreed that ‘CQC is driving improvements in the quality of health and social care services in England’ (78%).
- Respondents to the public awareness survey were slightly less likely to have seen, read or used one of our reports compared with 2019: 30% had seen or read one of our reports (down from 34% in 2019)

and 9% had seen but not read our reports (up from 7% in 2019).

- 92% of respondents of the public awareness survey said the last inspection report they looked at was clear and easy to understand, compared with 93% in 2019; 88% of respondents confirmed our ratings were easy to understand – an increase from 80% in 2019.
- 60% of respondents who completed the public awareness survey said they felt clear about the standard of care either they or their loved ones are entitled to receive from health and social care services under regulation.
- 47% of respondents said they were aware that we produce inspection reports that provide independent information on the quality and safety of all health and social care services, an increase from 45% in 2019.
- 79% of providers agreed that, during the pandemic, we had focused on what had mattered most. However, there was a noticeable variance across the sectors with adult social providers agreeing in 83% of cases, hospital providers in 79% and primary medical service providers in 55%.
- 75% of providers agreed that we, alongside commissioners and other regulators, had set out a shared definition of what good quality care looks like; 70% agreed that we had worked well with other partners in the health and social care system to coordinate work.

Our ambition is to work with others to agree a consistent approach to defining and measuring quality, collecting information from providers, and delivering a single vision of care that can help the public better understand the quality of care they receive.

Designated settings

In October 2020 we started to work with DHSC, local authorities and individual care providers, to provide assurance of safe and high-quality care in designated settings (DS). DS are for people leaving hospital who have tested positive for COVID-19. For inspections of DS, we used our infection, prevention and control (IPC) framework, inspecting DS locations against eight areas of reporting, including adequacy of PPE, staff training, shielding and social distancing. The work on DS was in response to the government's aim for each local authority to have access to at least one DS as soon as possible after the scheme launched.

At the end of the year we had conducted 175 inspections of proposed DS sites and approved 144, equating to 2,253 beds available to people diagnosed with COVID-19. In February 2021, using a new digital solution, we began assurance calls for those locations that had previously been approved. At year-end, we had completed calls for 77% of DS locations. The average time between approval and call was 101 days. The work on DS and the regular supportive calls with providers continues into 2021/22.

Death notifications

One of the significant actions we have taken in response to the pandemic has been to publish provider-notified information on overall number of reported deaths and COVID-19 caused deaths of care home residents, by place of occurrence. As the scale of the pandemic was growing in 2020, we decided it was important for the aggregated information to be made public, to aid transparency and highlight the impact on residential adult social care. We worked closely with the Office of National Statistics (ONS) so that the information could be published alongside its weekly publication of care home deaths, based on death certificates.

The first weekly publication began on 28 April 2020 and we continued to publish throughout the year.

Since 23 March 2020 we have been sharing data on death notifications with DHSC on residential adult social care services, as well as community adult social care services. This information is sent every weekday and has been used to inform government policy responses to the pandemic. We have also provided approval for NHS England/Improvement and Public Health England to have access to this data to support their own responses to the pandemic. Additionally, we have given access to some academics, who are part of a Scientific Advisory Group for Emergencies (SAGE) sub-group, to help them inform and advise SAGE on the impacts of COVID-19 on care home residents.

Priority four: Improve our efficiency and effectiveness

Key areas of performance from priority four in 2020/21

- We reduced overall revenue expenditure by 3% (£6.6m) compared with 2019/20, despite spending £2.2m on our COVID-19 response.
- Our fees scheme has remained the same for another year, providing stability and certainty for providers.
- Over 1,050 colleagues transitioned from office working to working from home in response to the pandemic. Of these, well over 500 have made the decision to permanently change their location of work.
- We have reduced our estate by 34% over the course of the year, which will deliver future recurring savings in excess of £4m per annum.
- Our travel expenditure reduced by £8.3m compared with 2019/20, providing valuable lessons for our future ways of working and increased sustainability.
- Due to the pandemic, the Stonewall (UK Workplace Equality index) was suspended. We remain with a position of 135th out of 504 organisations and we are due to submit an entry in 2021, which will be awarded in 2022.

- We have implemented a reverse mentoring programme for our Black and minority ethnic colleagues as part of our work on race equality. All senior leaders are currently being mentored by Black and minority ethnic colleagues.
- Success profiles are now integrated into our ‘My Performance’ approach and colleagues are now creating task-based and behavioural objectives on the system. Over 2,283 colleagues (72%) joined and engaged in our update briefings and they have been well received.
- In 2020/21 we have received and investigated 141 complaints about us, compared with 212 in 2019/20. This year, 8% of the complaints have been upheld, compared with 16% in 2019/20, and 37% were partial upheld, compared with 35% in 2019/20. At the time of publication 30 (21%) are still being investigated.

Our ambition is to work more effectively, achieving our planned savings each year, improving how we work with the public and providers, and supporting our people to do their jobs well.

Pandemic response

Much of our focus in 2020/21 has been on building an overarching transformation programme that will take us towards our ambition of being a world class regulator. Our new operating model and blueprint were agreed by our Executive Team (ET) in December

2020. Work has since focused on finalising the business case to set out the strategic intent that will help define our portfolio delivery in the future and the benefits this approach will deliver for our operation, the providers we regulate and people who use services. Our ET started hosting engagement sessions with colleagues from across the business led by our Chief Executive, sharing an early version of these plans for the future.

Throughout the pandemic we have regularly used our crisis management procedures to ensure our discussions and responses were timely and appropriate. Our governance structure allowed urgent issues to be discussed frequently and ensure timely and appropriate decisions could be made.

Throughout 2020/21 we ensured the wellbeing of our people was a primary focus. We have aimed to ensure that our people have the right tools to be able to work effectively during the sudden transition to homeworking, and to provide the right support framework for our people to operate at their best, whatever their personal circumstances may be.

Our people

During the year we conducted three pulse surveys. These shorter, more frequent surveys enable us to check in with colleagues more regularly, in what has been challenging and uncertain times, and gather feedback on a range of themes, to help inform and refine our approaches to our work. In each pulse survey, we asked whether colleagues would recommend CQC as a good place to work. The responses were 74% in May 2020, 62% in October 2020 and 67% in March 2021. All of these were an increase from the 56% score in 2019/20.

Our first pulse survey of 2020/21 was unique because it was our first survey set during the pandemic. The focus of the survey was to see how colleagues were feeling and if they felt well-supported, informed and received appropriate communication. Colleagues reported that they felt well-supported by their manager and that they felt better supported by the organisation than before, particularly regarding their wellbeing. A total of 78% reported that they felt able to manage their health and wellbeing and 73% felt able to maintain a healthy work-life balance.

We conducted further surveys in October 2020 and March 2021 focusing on how change was managed and experienced, and on diversity and inclusion (D&I). Our March survey allowed us to test the impact of our D&I strategy, which was launched in June 2020, and to gather up-to-date information on race equality and disability equality. There were high levels of support for our diversity and inclusion agenda from among staff, with several scores in excess of 75% agreement.

We remain committed to reporting on the Workforce Disability Equality Standard (WDES) for CQC, addressing any inequality of opportunity and improving the experience of our people. The WDES is an NHS standard which helps us understand and improve the experiences of disabled colleagues. We are implementing the WDES for the first time this year and we have developed a robust action plan to address some of the key issues that have emerged.

The Workforce Race Equality Standard (WRES) also helps us understand and improve the experiences of colleagues from Black and minority ethnic backgrounds. We have developed an action plan for publication, linked to our D&I Strategy and supported by the newly formed Action for Race Equality Group, which includes members from our Race Equality Network and D&I experts.

COVID-19 meant we had to rapidly consider how we ensured colleagues' safety. This included:

- guidance and training for colleagues in relation to COVID-19 and infection prevention and control
- risk assessments with all our people to understand individual risks, including circumstances where they may need additional support
- guidance on staying safe while working from home and how to support colleagues with caring responsibilities.

In January 2021 we began a programme of testing for our operational inspectors and provided people on inspections with home testing kits. This meant they needed to record a negative test before crossing the threshold of a service.

Further information on our approach to health and safety is covered in section seven of the People report.

Digital approach

In 2020, we completed our digital foundations programme, which was designed to strengthen our IT service, improve how we work and lay the foundations for our new regulatory platform and further digital change. We have created a digital workplace that gives colleagues a modern, mobile, connected working environment. The programme completion has improved the way we work, making us more responsive to change, more innovative and better able to do the work that matters for people who use services.

Our estate

The use of our estate in 2020/21 has been very limited due to COVID-19. We still have seven office locations, but we have made some significant planned changes in London and Newcastle, and to a lesser extent in Nottingham and Bristol.

Our way of working has changed too. Before the pandemic, there were more than 1,050 office-based employees ; this has now reduced to just under 500 and the expectation of smarter working arrangements for those who are office-based.

Overall, with our planned estate rationalisation and change ways of working, we have reduced the size of our estate in 2020/21 by 34% while implementing efficient, effective and flexible home-working arrangements:

- In London we have moved office from Victoria to Stratford. This has meant a reduction of over 2,800 square metres (sqm), which will save almost £4m per annum (pa).
- In Newcastle we have given up one floor in our Citygate office, a space reduction of 551 sqm and a saving of £275,000 pa.
- In Nottingham we have moved office location – this has resulted in a space reduction of 162 sqm and a saving of £80,000 pa.
- In Bristol we now share an office with the Health Research Authority, which has taken 30% of our space. This has led to a more efficient use of the office and a saving of almost £100,000 pa.

Looking forward, we have engaged with the Government Property Agency to indicate interest in government hubs in Newcastle, Manchester and Birmingham. We are already located in what will become the Bristol hub.

Sustainability

Our aim is to reduce the impact of our business on the environment by reducing travel, reducing the size of our estate, and encouraging recycling. Ensuring sustainability is a key factor in the goods and services we procure. Our environmental sustainability steering group has been meeting throughout the year and has developed a five-year Sustainable Development Management Plan/Green Plan. Priority areas in the plan are:

- improved governance to drive sustainability
- reducing travel and promoting low carbon alternatives
- improving recycling
- reducing water and energy consumption
- promoting improved workforce behaviours
- modelling procurement and supply chain on best practice
- using our role as a regulator to promote sustainability with providers and across health and care systems.

In the future, we will also look at what we can do in our role as a regulator. Due to the impact of the pandemic on our work, performance data for the current year will be very skewed – our five-year green plan will re-establish targets based on new data when a new normal baseline can be established.

Future direction

Throughout the pandemic, we have worked closely with stakeholders and providers, ensuring that people who receive care are at the heart of everything we do. 2020/21 provided us with an opportunity to fast track how we better use data and intelligence in our regulatory activities, while using the benefits of our digital transformation. This has accelerated our journey towards being a more intelligence-led, responsive regulator.

In January 2021 we published a formal consultation on our future approach to regulation, which led to over 10,000 interactions with stakeholders. Our new strategy is built on four themes that determine the changes we want to make in order to be a more intelligence-led, responsive regulator: people and communities, smarter regulation, safety through learning, and accelerating improvement.

Our transformation continues into 2021/22 and the publication of our strategy in May 2021 was a key milestone.

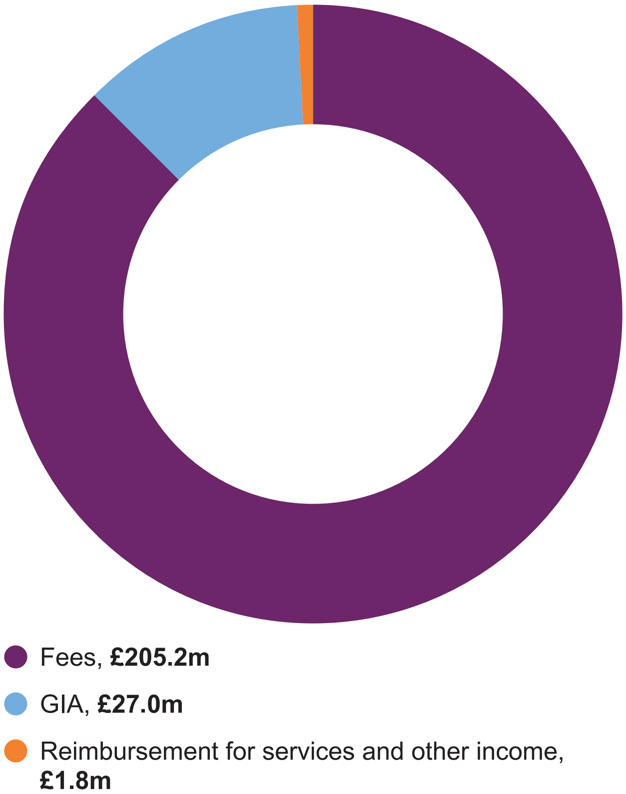
How we used our money

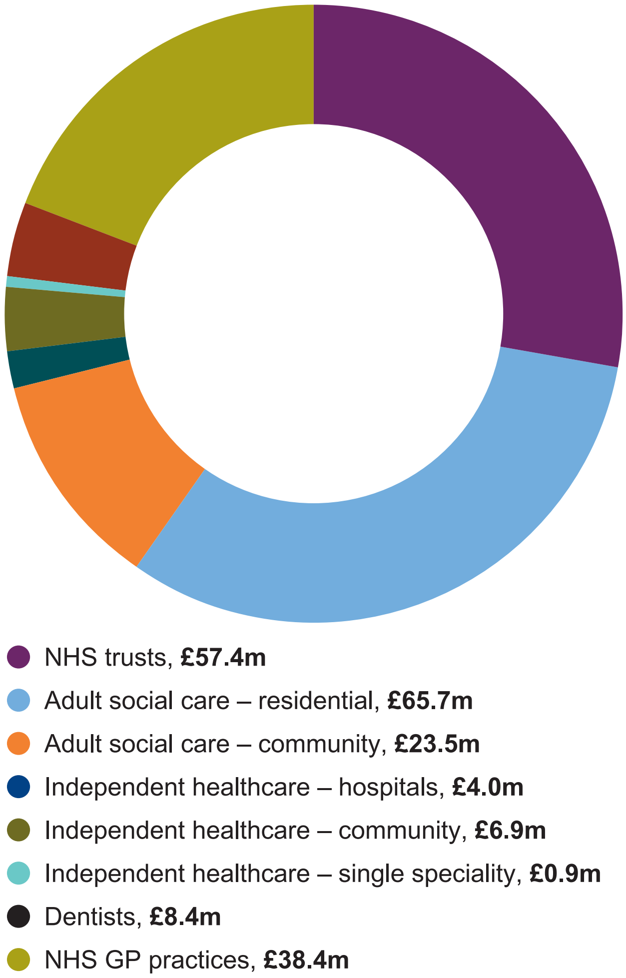
We are primarily funded through fees charged to registered providers, with DHSC providing grant-in-aid (GIA) for specific costs that we are unable to recover from fees. In 2020/21 our fees made up 88% of our revenue funding, with 11% from GIA, and the remaining 1% coming from other external sources. Capital expenditure was funded through additional GIA and utilisation of 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 activities. Fees have remained payable throughout the pandemic and we have worked with registered providers experiencing financial difficulties, offering revised payment plans. To provide stability, our fee scheme will remain unchanged for 2021/22. See page 103 for further details.

What we received

Our funding is broken down into the following areas:





GIA received from DHSC relates to areas and activities such as Enforcement, Mental Health Act, Healthwatch England, Market Oversight, and the National Guardian's Freedom to Speak Up Office.

What we spent

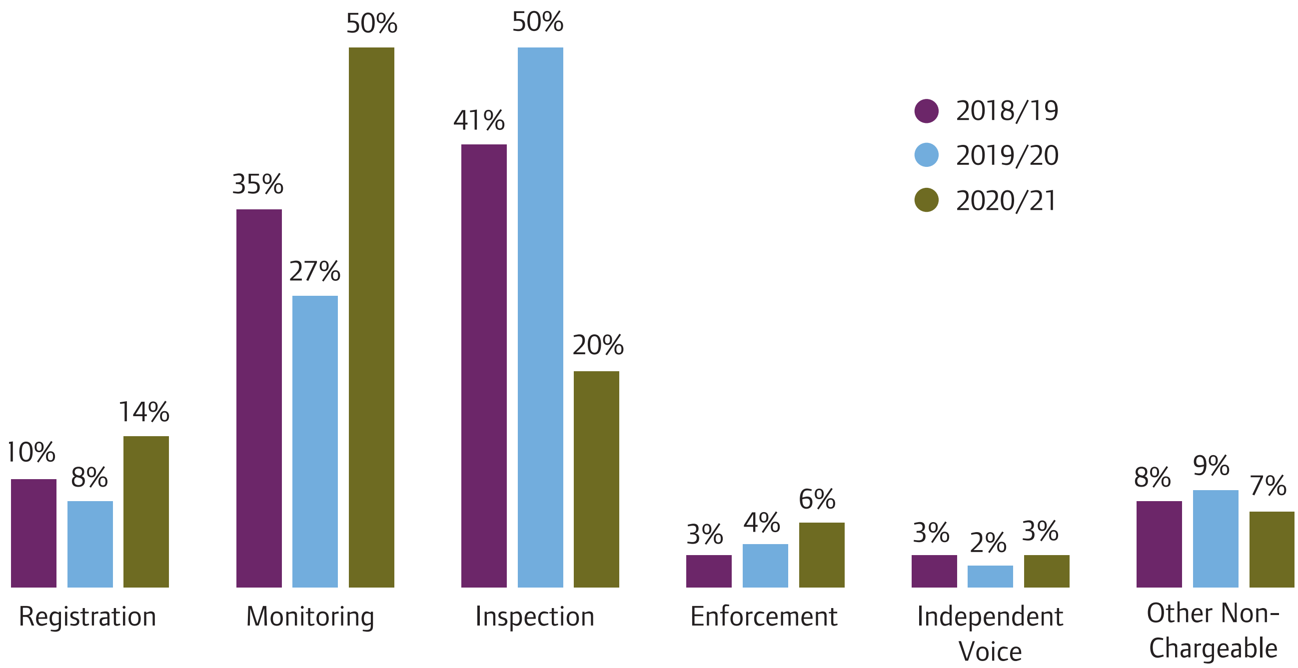
During 2020/21 our total revenue expenditure (excluding non-cash items – see note 2.2 to the financial statements) was £212.2m with a further £14.7m invested through capital expenditure.

Overall, our revenue expenditure (excluding non-cash items) reduced by £8.9m (4%) compared with 2019/20. The impact of the pandemic and national restrictions on our activities has resulted in significant savings relating to lower expenditure on travel and subsistence (£8.3m) and reduced costs relating to our flexible workforce as a result of reduced inspection activity (£4.0m). Our response to COVID-19 involved one-off costs of £2.2m, primarily relating to expenditure for establishing our emergency support framework, providing PPE to our people and equipment to enable our office based workforce to operate at home. This ensured that we were able to continue to carry out our regulatory duties, monitor risk while ensuring the safety of our people and providing a sustainable platform for us to operate going forward.

Despite the impact of the pandemic, we continued to accelerate our transformative change programme, investing an additional £7.0m (£5.8m revenue, £1.2m capital) compared with 2019/20. The benefits of this will ensure that our regulation is smarter, reducing the burden on providers and driving out a more economical and effective use of our operating budget, providing greater value for money for providers we regulate and taxpayers.

Our expenditure relates to the following areas of our operating model, and reflects the impact of our COVID-19 response this year:

Expenditure by operating model area



Ian Trenholm
Chief Executive,
Care Quality Commission
10 January 2021

2

Accountability Report

The accountability report consists of four sections:

Corporate governance report

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

Directors' report

CQC's Board

The Board has key roles that are set out in legislation and in our framework agreement with 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 (Peter Wyman) and up to 14 Board members, the majority of whom must be non-executive members. The current composition of the Board, excluding the Chair, is six non-executive members, one associate non-executive member, our Chief Executive (who is also the Accounting Officer), our three Chief Inspectors, and our Chief Operating Officer. One of our non-executive directors (Mark Saxton) acts as the Senior Independent Director.

Membership of the Board changed during the year. Terms of appointment for non-executive directors John Oldham, Paul Rew and Liz Sayce came to an end on 31 July 2020, 30 December 2020 and 31 January 2021 respectively. Sally Cheshire, Mark Chambers and Stephen Marston were appointed as non-executive directors from 4 January 2021, and Ali Hasan was appointed as an associate non-executive director, also from 4 January 2021. Another new non-executive director, Belinda Black, will take up her appointment from 1 May 2021. In light of these changes, it is intended that a Board effectiveness review will be held in summer 2021. The membership and attendance at meetings is detailed in figure 1.

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 been unable to meet face-to-face but meetings have continued to take place online. The Board meets both in public and private session throughout the year and the public sessions have been recorded and are available to view on CQC's website following each meeting. From April 2021, public sessions were live streamed as well as being recorded. At each of its meetings, the Board receives performance data setting out the 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.

Feedback from Board members confirms that papers and data reviewed by the Board are of a good standard and well received. In addition, further digital and intelligence development has allowed for a greater range of data and more effective analysis to be made available for regular items such as performance reporting. The Board receives reports on information and cyber security risk at each of its meetings and there have been no significant information or cyber security incidents to report over the course of the year.

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: oversight of our ongoing response to the pandemic, including the initial emergency response, development and implementation of the transitional model and the assessment of its effectiveness; and oversight of our financial and business planning and the seeking of assurance around related controls, directly in Board and through the scrutiny of the Audit and Corporate Governance Committee (ACGC). Through the Regulatory Governance Committee, and directly in Board, the Board seek assurance that systems, process and accountabilities are in place for identifying and managing risks associated with delivering the regulatory programme.

Figure 1: Board and committee membership and attendance

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			3/3	
Ian Trenholm	Executive Director	Chief Executive	From 30 July 2018	10/11				
Prof. Edward Baker	Executive Director	Chief Inspector of Hospitals	From 31 July 2017	11/11				
Dr Rosie Benneyworth	Executive Director	Chief Inspector of Primary Medical Services and Integrated Care	From 4 March 2019	10/11				
Sally Cheshire CBE	Non-Executive Director	Chair of ACGC	4 January 2021 – 3 January 2025	3/3	2/2	2/2	1/1	2/2
Mark Chambers	Non-Executive Director	Chair of RGC	4 January 2021 – 3 January 2024	3/3	2/2	2/2	1/1	
Sir Robert Francis QC	Non-Executive Director	Chair of Healthwatch England from 2018	1 July 2014 – 3 0 June 2021	11/11			2/3	
Jora Gill	Non-Executive Director		1 November 2016 – 31 October 2022	11/11	1/4		1/3	8/8
Dr Ali Hasan	Associate Non-Executive Director		4 January 2021 – 3 January 2022	3/3			1/1	
Stephen Marston	Non-Executive Director		4 January 2021 – 3 January 2023	3/3			1/1	
Sir John Oldham OBE	Non-Executive Director		1 January 2018 – 31 July 2020	4/4	2/2		1/1	3/3
Paul Rew	Non-Executive Director	Chair of ACGC	1 July 2014 – 31 December 2020	7/8	3/3	4/4	1/2	6/6
Mark Saxton	Non-Executive Director		1 March 2018 – 31 July 2023	11/11	4/4		3/3	8/8
Liz Sayce OBE	Non-Executive Director	Chair of RGC	1 January 2018 – 31 January 2021	9/9		5/5	2/2	
Kirsty Shaw	Executive Director	Chief Operating Officer	From 1 October 2018	10/11				
Kate Terroni	Executive Director	Chief Inspector of Adult Social Care	From 1 May 2019	11/11				
Jeremy Boss	Independent member of ACGC		1 January 2020 - 31 December 2023		3/4			
David Corner	Independent member of ACGC		1 January 2020 - 31 December 2022		4/4			

Key ACGC = Audit and Corporate Governance Committee RGC = Regulatory Governance Committee
RemCom = Remuneration 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 10 (represented as 10 / 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.

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.

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:
https://www.cqc.org.uk/about-us/how-we-are-run.
Figure 2 shows our governance structure.

Figure 2: CQC's governance structure

Parliament

Department of Health and Social Care

CQC Board

Provides leadership to CQC, sets its strategic direction and holds the Chief Executive to account for the delivery of its objectives.

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.

CQC directorates

Adult Social Care

Hospitals

Primary Medical Services and Integrated Care

Digital and Intelligence

Regulatory Customer and Corporate Operations

Engagement Policy and Strategy

National Guardian (Freedom to Speak Up) Office
The National Guardian Office was established in April 2016 to lead on culture change in the NHS. It has operational independence from CQC and is jointly funded by CQC. NHS improvement and NHS England.

Statutory Committees of the Board

Healthwatch England
The Health and Social Care Act 2012 made provision for the establishment of a statutory committee within CQC, Healthwatch England. Its purpose is to be the national consumer champion for users of health and social care services and to provide CQC and other bodies with advice, information and assistance.

Cross-Sector Provider 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 Cross-Sector Provider Advisory Group fulfils this function.

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.

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.

Resources Committee
Oversees, monitors and, where delegations permit, takes decisions on the effective use of CQC's financial, people and commercial resources (from 01/04/21, to help us more effectively manage business, Resources Committee was split into a separate Investment Committee and People Committee).

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

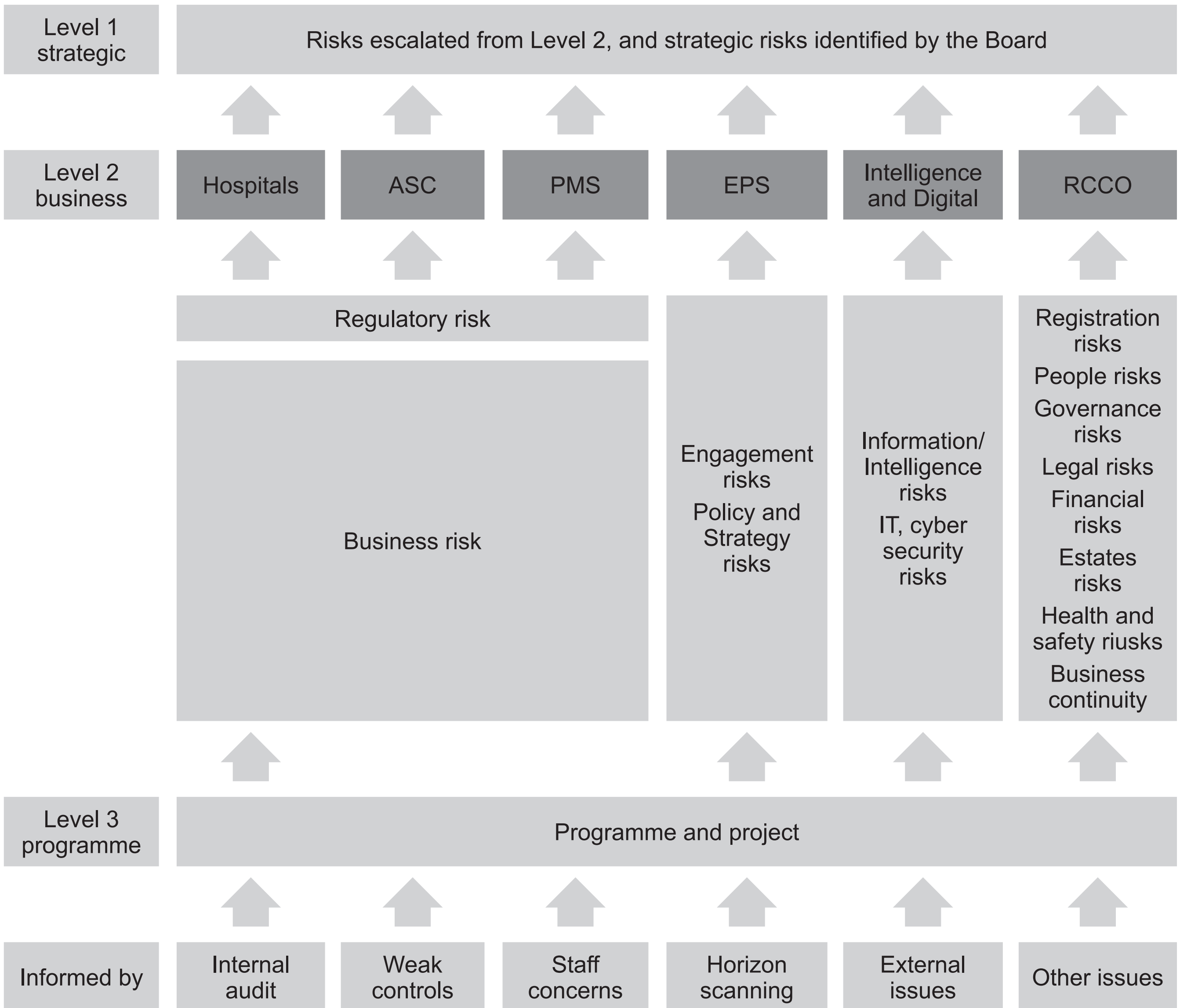
Research, Development and Evaluation Committee
Provides leadership, guidance and oversight of Research, Development and Evaluation (RDE) that informs the development of our approach.

Risk management

We see the effective management of risks to the delivery of our purpose (enterprise, or corporate risk) as critical to our assurance and governance. Our corporate risk framework covers the identification and management of risks to the delivery of our purpose, strategy and business plan. We use the three lines of defence model in managing, monitoring and independently assuring risk. We have an agreed 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 ET have identified which 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 regularly reviews the CQC corporate risk register in accountability meetings and periodically in its Audit and Risk Committee.

CQC risk escalation process

This diagram below outlines CQC's risk escalation process through risk management levels:


Level 1 strategic
Risks escalated from Level 2, and strategic risks identified by the Board
Level 2 business
Hospitals
ASC
PMS
EPS
Intelligence and Digital
RCCO
Regulatory risk
Business risk
Engagement risks
Policy and Strategy risks
Information/ Intelligence risks
IT, cyber security risks
Registration risks
People risks
Governance risks
Legal risks
Financial risks
Estates risks
Health and safety riusks
Business continuity
Level 3 programme
Programme and project
Informed by
Internal audit
Weak controls
Staff concerns
Horizon scanning
External issues
Other issues

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

- The risk of delaying in-person inspections and being mainly limited to remote inspections, and of not having an effective intelligence-led approach to underpin this, meaning there was a risk that poor practice and patient harm goes undetected. This is against the background of providers potentially finding it harder to maintain standards during the pandemic.
- A failure to adapt our regulatory model to the pace of change in health and social care organisation, for instance the focus on integrated care and place, and changes in care pathways with accelerated changes triggered by the COVID 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 well-being of our own people from the impact of COVID-19, including home working, potential for isolation, etc.
- Delivering a challenging change programme.
- Developing a credible new strategy.
- Information and cyber security risks.

- The UK's relationships with the EU and the rest of the world. This impacts on processes for the health and care system, including the recruitment and retention of a skilled health and care workforce; access to medicines, medical goods and non-medical consumables; and arrangements for reciprocal healthcare.

Management assurance

We have a management assurance framework designed to seek assurance from all parts of the organisation that internal controls are working effectively and to identify areas of concern.

There are six 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 have improved our management assurance process – updating the standards and making the evidence required for meeting them clearer. The assessments this year reset our picture of management assurance and establish a new baseline from which to gauge future progress.

What do the assessments tell us?

61% of the standards across all six areas are green (fully met); 37% are amber (partly met); and 2% are red (not met).

The areas with most green standards are: Financial management systems and controls (76%); Information and evidence management (75%); and Governance and decision making (75%). Those with fewer are: Continuous improvement (54%); Performance planning and risk (50%); and People management and development (48%).

Management controls and responding to the challenges of the pandemic

During the pandemic, we established mechanisms for swift decision-making, as required. This has been kept under review and adapted according to changing risk in the areas we regulate.

The ability to implement the agreed business plan for 2020/21 was significantly challenged as a result of the pandemic. However, we adapted our regulatory approach in the light of this and reviewed and communicated fresh organisational priorities at the mid-year point. A further review of priorities took place during February and March.

Financial controls were monitored closely during the year. Financial delegations remained the same during COVID-19 and contingency plans were in place to ensure payments could still be made. Aged debt, working capital cover and projected income were monitored weekly and reported to our gold command senior management oversight group.

Significant work took place to ensure the stability and performance of our supply chain during both the pandemic and Brexit. We supported the national PPE programme and worked full time within the DHSC PPE teams to help source critical items in the early stages of the pandemic for use by health and social care providers. Also, we sourced a range of PPE and homeworking solutions to allow our employees to continue to operate safely and effectively during this time.

The impact of the pandemic on our people's working lives, like the rest of the working population, was significant. We set out from the start of the pandemic to ensure people were effectively supported. This included risk assessments, provision of PPE, training/learning about COVID-19, provision of office equipment for home working, as well as support for wellbeing from managers and colleagues.

Other use of management controls

We have three Freedom to Speak Up guardians, supported by around 70 speak up ambassadors. We champion the importance of speaking up across the organisation and support a culture of openness where staff are encouraged and supported to speak up. In 2020/21 there were 40 recorded concerns/cases reported through the speak up route. Of these, 50% were enquiries to Ambassadors or Guardians which were resolved by advice, signposting and/or informal routes for mediation. The remaining 50% were either informally investigated by the Guardians or joint work was undertaken with HR where there was either a formal process followed or advice given. One contact resulted in a whistleblowing investigation. Our Guardians regularly report to the CQC Board on their work. In 2021/22 they plan to focus more on the outcomes from speaking up to ensure any learning or change that comes from speaking up is embedded and sustained.

Information governance and security (including cyber security) are important areas of focus at CQC. Like previous years, there has been ongoing improvement work throughout 2020/21, driven by our information governance working group. There has also been ongoing work to ensure that changes to working practices introduced in response to the global pandemic are secure and lawful.

Security incident analysis and response has continued throughout 2020/21 and is reported to CQC's senior information risk owner (SIRO) and the ACGC. The number of incidents reported and investigated during the year was consistent with that of previous years. They were low-level incidents where no harm or distress was caused.

On matters of information security and privacy, we have continued to liaise with the DHSC, NHSE&I, NHS Digital and the Information Commissioner's Office. We did not have any data security breaches that we were required to report to the ICO in 2020/21.

In the area of counter-fraud, the number of allegations of fraud received during 2020/21 has continued to be very low, with four cases reported and investigated. Those cases contained allegations of corruption or conflict of interest. Following thorough investigation, no allegation was substantiated.

Pay controls

During the year we incurred a liability from the NHS pension scheme upon the retirement on an individual who had been on an external secondment with an increased salary (which has been disclosed as a loss on page 54 of the Accountability Report). The liability arose as the individual had a salary increase above the allowable rate in the final year before retirement and in accordance with NHS pension scheme rules the difference in pension liability needs to be funded by the individual's final employer.

An investigation into the circumstances surrounding this loss, led by our Chief Operating Officer, concluded that there was no evidence of fraud or necessity to take disciplinary or legal action, however it did highlight weakness in our processes which failed to provide adequate oversight of the potential financial risk when staff are seconded with a salary increase above the allowable rate. Interim measures are in place to review all external secondments whilst revisions to policy and governance approval processes are embedded across the organisation to mitigate the risk of future loss. These will ensure the appropriateness of placements, the suitability of candidates, consideration of financial risk and articulates the benefit to the individual and to CQC.

Conclusion

Our internal controls stood up well to our pandemic response. 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. 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. To support them, we are ensuring all the directorate assessments are discussed with subject matter experts in CQC, so they can support improvement; and we have created dashboards for directorates so they can easily track their progress against these standards. We will review our progress on our areas that need improving at mid-year 2021-22; and in 2022 do a further assessment of all the areas.

Head of Internal Audit Opinion

In relation to Internal Audit, we have considered and advised on: the annual Internal Audit plan; how well this has supported the Head of Internal Audit's responsibility to provide her annual opinion on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes; the results of Internal Audit work and the reports produced; and tracking management response to recommendations made by that work. We acknowledge the emphasis Internal Audit have placed on considering CQC's Transformation Programme and welcome this focus. The Internal Audit programme has been flexible and targeted to address key areas in the programme as they develop and therefore provide the assurances that we need.

Work in 2020/21 covered a number of areas of governance, including the impact of COVID-19 on CQC, reviews of Programme Management and individual change programmes, and reviews of areas of internal control including regulatory risk management, income and debts, and employment taxes. Twenty-one audit reviews have been completed during 2020/21. Of these, there were 16 reports for which formal ratings were issued. The rating scheme changed between years, but the ratings and comparison to the equivalent from 2019/20 were: three were rated high risk (2019/2020: one limited assurance), nine were rated medium risk (2019/2020: 13 moderate assurance), and four were rated low risk (2019/2020: none substantial assurance). One report has been carried over and will be finalised as part of the 2021/2022 internal audit programme. The three high risk reports related to CQC's handling of whistleblowing information (for which management action was in progress at the time), investment appraisal and benefits management and initial planning for the Regulatory Platform programme. All recommendations have been discussed with management and action plans agreed. Generally, progress continues to be made and lessons learned across the organisation.

My opinion is as follows:

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.

*Note: the above conclusion, while using a different rating scheme, is consistent with the prior year conclusion, being the second level on a scale of four.

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 key transformation programmes including IT projects, work that is underway to develop the new future operating model and the area of provider risk assessment and response (including inspection framework). It has also considered a number of core processes and other functions including Market Oversight and the National Guardian's Freedom to Speak Up arrangements in arms length bodies.
- 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 2021.

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 (that is, 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.

Compliance with standards

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

The key element of our governance work in 2020 was to review CQC's initial response to the COVID-19 pandemic. We also considered how well management had and was responding to the new and changing risks as a result of the pandemic.

Our review of CQC's initial response showed much good practice. Crisis response and business continuity plans had been in place prior to the pandemic, a clear command structure for crisis management was initiated, and there was early recognition that an independent perspective on plans would be helpful and external assurance was obtained. As part of managing risks, a decision was quickly made to move entirely to home working and to adopt a new, temporary provider assessment framework which lightened the load of inspection on providers and minimised the need to 'cross the threshold'. Management determined minimum staffing levels to support critical activities, assessed the supplier contract portfolio, and obtained updated continuity and recovery plans and readiness statements where required. A number of fast track procurements were completed, for example to secure stocks of personal protective equipment (PPE).

Our review complimented a wider management exercise designed to ensure any learning from the response was captured. We identified a number of actions designed to assist continuity and resilience planning, and a further number related to the programmes established to return CQC to future normal working. Management had redesigned the controls self-assessment framework. We found strong engagement from staff and an improved focus on evidence, with no concerns arising from our review of a sample of forms prepared by directorates /departments. CQC continues to have a clear focus on the management of risk, particularly the more significant risks via ACGC and Board. The ACGC sub-committee for Transformation received our reports on reviews of transformation programmes and we believe provides a valuable forum to gather assurance and provide challenge over the transformation programme.

Internal control

Of the reviews that we completed during the year, each has considered aspects of internal control. A number of our recommendations related to ongoing transformation programmes, which we have commented on separately below. Our high risk, non-transformation and change findings concerned: a need to enhance the governance for preparation of business cases and completion of business case templates; and assurance over the handling of whistleblowing information, as management had undertaken an extensive review of how information had been handled on cases during the COVID-19 crisis period and implemented actions, but there remained a need to embed these.

Transformation and change programmes

Our updated Programme Governance Baseline Assessment and work on individual programmes evidenced improving programme management and delivery capabilities. In particular, our reviews of the governance of the Digital Foundations Programme and subsequent readiness assessment identified a number of elements of good practice in that programme, which has now delivered new IT infrastructure. Management implemented a new benefits management framework, but a theme from our reviews of Programme Governance, Investment Appraisal and the Registration Programme was the need to fully embed this to achieve a greater focus on benefits, benefits management and benefits realisation. A full re-evaluation of benefits has recently been completed to provide the baseline for future monitoring. Other areas highlighted by our work included defining a clear plan for the future of the Registration Programme, which was subsequently absorbed into Regulatory Platform and elements into business operations, and in the Regulatory Platform programme a need to formalise engagement with the business and approaches to managing plans and delivering quality.

Jane Forbes
Head of Internal Audit.

Accounting Officer's conclusion

The COVID-19 pandemic has dominated the year with the whole organisation working from home, or in the field, and a number of fundamental shifts in the way we discharged our regulatory responsibilities.

A significant element of our internal auditor's work focused on our response to the pandemic. Many elements of good practice were found and the recommendations and suggestions have assisted our learning from the crisis response and will benefit future business continuity and business planning. Our learning here, and from the past five years, has informed our new strategy from 2021 which was published in May 2021 and sets out our ambitions under the themes of: people and communities;

smarter regulation; safety through learning; and accelerating improvement.

Delivery of our transformation programme has continued throughout the year and work is focused around: our regulatory framework; regulatory services; and our organisational design and development. The internal audit programme looked at key transformation programmes including IT projects, work to develop the new future operating model and provider risk assessment and response. Again, much good practice was identified and we have worked to implement the agreed actions flowing out of these audit report.

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.

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 2020/21.

Work will continue in 2020/22 to maintain and strengthen the assurance and overall internal control environment in CQC.

Remuneration and people report

Remuneration 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 ET. The content of the tables and fair pay disclosures are subject to audit.

Remuneration of the Chair and non-executive Board members

Non-executive Board members' remuneration is determined by the DHSC based on a commitment of two to three 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) £	2020/21 Total (bands of £5,000) £000	Salary (bands of £5,000) £000	Benefits in kind (taxable)[1] to nearest £100) £	2019/20 Total (bands of £5,000) £000
Peter Wyman CBE DL (Chair)	60–65	800	**60–65**	60–65	6,400	**65–70**
Sir Robert Francis QC	30–35	–	**30–35**	30–35	700	**30–35**
Jora Gill	5–10	–	**5-10**	5–10	500	**5–10**
Mark Saxton	5–10	700	**5–10**	5–10	1,700	**5–10**
Sally Cheshire CBE	0–5[2]	–	**0–5**	–	–	**–**
Mark Chambers	0–5[3]	–	**0–5**	–	–	**–**
Dr. Ali Hasan	0–5[3]	–	**0–5**	–	–	**–**
Stephen Marston	–[4]	–	**–**	–	–	**–**
Liz Sayce OBE	5–10[5]	–	**5–10**	5–10	300	**5–10**
Paul Rew	5–10[6]	200	**10–15**	10–15	200	**10–15**
Sir John Oldham OBE	0–5[7]	–	**0–5**	5–10	800	**5–10**
Prof. Louis Appleby CBE	–	–	**–**	0–5[8]	300	**0–5**
Prof. Paul Corrigan CBE	–	–	**–**	0–5[8]	–	**0–5**

Notes:

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

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

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

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

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

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

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

[8] Prof. Louis Appleby and Prof. Paul Corrigan's appointments expired on 30 June 2019, full-year equivalent salary £5-10k.

Payments to independent members (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) £	2020/21 Total (bands of £5,000) £000	Fees (bands of £5,000 £000	Benefits in kind (taxable)[1] to nearest £100) £	2019/20 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	400	**0–5**
Linda Farrant[3]	–	–	**–**	0–5	300	**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.

[3] Linda Farrant appointment expired 26 July 2019.

Remuneration and pension benefits of the Executive Team

Remuneration

The Chief Executive and members of the 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 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 three months' notice and termination payments are only made in appropriate circumstances. They may also be able to access the

NHS pension scheme arrangements for early retirement, depending on age and scheme membership. Any amounts disclosed as compensation for loss of office are also included in our people report (page 44).

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 2020/21.

Remuneration of the ET (subject to audit)

				2020/21				2019/20
	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) £000	Total (bands of £5,000) £000
Ian Trenholm **Chief Executive**	195–200	500	–	**195–200**	195–200	10,700	12.5–15	**220–225**
Prof. Edward Baker **Chief Inspector of Hospitals**	180–185	–	–[3]	**180–185**	180–185	–	–[3]	**180–185**
Kirsty Shaw **Chief Operating Officer**	140–145	7,600	30–32.5	**180–185**	140–145	10,100	25–27.5	**175–180**
Dr Rosie Benneyworth **Chief Inspector of Primary Medical Services and Integrated Care**	160–165	–	32.5–35	**190–195**	160–165	–	95–97.5	**255–260**
Mark Sutton **Chief Digital Officer**	140–145	–	32.5–35	**175–180**	140–145	–	30–32.5	**170–175**
Kate Terroni **Chief Inspector of Adult Social Care**	160–165	–	37.5–40	**195–200**	145–150[4]	–	32.5–35	**180–185**
Dr Malte Gerhold **Director of Strategy and Intelligence**	–	–	–	**–**	130–135[5]	–	20–22.5	**150–155**
Deborah Westhead **Chief Inspector of Adult Social Care**	–	–	–	**–**	10–15[6]	–	5–7.5	**20–25**

1 Benefits in kind represent the monetary value of benefits, treated by HMRC as a taxable emolument, provided by CQC. Ian Trenholm and Kirsty Shaw 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 was in receipt of benefits.

4 Kate Terroni was appointed on 1 May 2019, full-year equivalent salary £160-165k.

5 Dr Malte Gerhold left CQC on 8 March 2020, full-year equivalent salary £140-145k.

6 Deborah Westhead was an interim appointment from 3 December 2018 to 10 May 2019, full-year equivalent salary £130-135k.

Pension benefits

Pension benefits were provided through the NHS pension scheme for members who chose to contribute. Pension benefits at 31 March 2021 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 2021 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 2021 (bands of £5,000) £000	Cash equivalent transfer value at 1 April 2020 £000	Cash equivalent transfer value at 31 March 2021 £000	Real increase in cash equivalent transfer value £000	Employers contribution to stakeholder pensions £000
Ian Trenholm **Chief Executive**	0–2.5	–	100–105	–	1,426	1,491	13	–
Prof. Edward Baker **Chief Inspector of Hospitals**	–[1]	–[1]	–[1]	–[1]	–[1]	–[1]	–[1]	–[1]
Kirsty Shaw **Chief Operating Officer**	2.5–5	–	5–10	–	60	93	13	–
Dr Rosie Benneyworth **Chief Inspector of Primary Medical Services and Integrated Care**	2.5–5	(0–2.5)	20–25	30–35	284	326	14	–
Mark Sutton **Chief Digital Officer**	2.5–5	–	5–10	–	32	67	14	–
Kate Terroni **Chief Inspector of Adult Social Care**	2.5–5	–	5–10	–	26	56	7	–

[1] Pension benefits of Prof. Edward Baker is £nil as he is in receipt of benefits.

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)[1]

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's employees.

The annualised banded remuneration of the highest paid director in CQC during 2020/21 was £195-200k (2019/20: £205-210k). This was 4.8 times (2019/20: 5.2) the median remuneration of CQC's employees, which was £40,805 (2019/20: £39,810). This ratio has reduced due to the taxable benefits in kind of the highest paid director being lower during 2020/21.

In 2020/21, two employees (2019/20: none) have annualised equivalent remuneration in excess of the highest paid director. Each of these individuals were specialist contractors to support our change programme. The calculation is based on the full-time equivalent employees of the reporting entity at the reporting period end date, on an annualised basis.

1 The prior year comparative relating to the number of employees with annualised equivalent remuneration in excess of the highest paid director has been restated.

Remuneration ranged from £15-20k to £215-£220k (2019/20: £15-20k to £205-210k).

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	2020/21 total £000	Represented[1] 2019/20 total £000
Wages and salaries	129,011	8,248	**137,259**	137,287
Social security costs	13,565	396	**13,961**	14,319
NHS pension costs	20,855	57	**20,912**	20,274
LGPS pension costs	4,131	–	**4,131**	4,805
Other pension costs	50	18	**68**	71
Apprenticeship levy	640	–	**640**	662
Termination benefits	387	–	**387**	220
Sub–total	**168,639**	**8,719**	**177,358**	**177,638**
less capitalised staff costs	(1,500)	(1,057)	**(2,557)**	(2,048)
less recoveries in respect of outward secondments	(1,960)	–	**(1,960)**	(1,889)
Increase in provision for pension fund deficits	819	–	**819**	1,432
Total	**165,998**	**7,662**	**173,660**	**175,133**

1 661k of LGPS pension costs reclassified as increase in provision for pension fund deficits

Other employee costs consist of:

	2020/21 total £000	2019/20 total £000
Second Opinion Appointed Doctors	3,504	3,603
Agency	3,020	1,459
Inward secondments from other organisations	549	729
Bank inspectors and specialist advisors	538	4,425
Commissioners	51	46
Total	**7,662**	**10,262**

ACCOUNTABILITY REPORT

1.2 Average number of employees

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

	2020/21 number	Restated* 2019/20 number
Directly employed	3,022	3,109
Other	11	13
Employees engaged on capital projects	30	18
Total	**3,063**	**3,140**

* Employees engaged on capital projects had been omitted in the 2019/20 accounts

‘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 2021 was 3,056 (31 March 2020: 3,102).

Staff turnover during 2020/21 was 7.9% (2019/20: 10.4%).

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 have active members in 14 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 two 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 four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This 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 2021 is based on valuation data as at 31 March 2020, updated to 31 March 2021 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 was also expected to test the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. In January 2019, the Government announced 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.

The Government subsequently announced in July 2020 that the pause had been lifted, and so the cost control element of the 2016 valuations could be completed. The Government has set out that the costs of remedy of the discrimination will be included in this process. HMT valuation directions will set out the technical detail of how the costs of remedy will be included in the valuation process. The Government has also confirmed that the Government Actuary is reviewing the cost control mechanism (as was originally announced in 2018). The review will assess whether the cost control mechanism is working in line with original government objectives and reported to Government in April 2021. The findings of this review will not impact the 2016 valuations, with the aim for any changes to the cost cap mechanism to be made in time for the completion of the 2020 actuarial valuations.

Employer contributions for employees in the NHS Pension Scheme was 20.68% of each active member's pensionable pay during 2020/21 (2019/20: 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 (2019/20: £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 three of the original schemes have now ceased and at 31 March 2021 active membership was held in 14 schemes. On 31 January 2021 active membership ended in the Dorset Pension Fund resulting in a cessation charge totalling £2,322k being payable which was equal to the actuarial assessed pension deficit 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 2020/21, based on a percentage of payroll costs only, were £2,652k (2019/20: £2,869k), at rates ranging between 0% and 49.2% (2019/20: 0% and 41.6%). Employer contributions relating to the largest scheme, Teesside Pension Fund, were £2,403k (2019/20: £2,519k) at a rate of 17.9% (2019/20: 17.9%).

During 2020/21, indexed cash sums were levied in addition to a percentage of payroll costs as part of a strategy to reduce fund deficits. In total, £1,479k (2019/20: £1,936k) was paid to 9 of the 15 remaining pension funds, including Dorset Pension Fund, with amounts ranging from £6k to £515k (2019/20: £7 to £515k). No additional sums were paid in respect of the largest scheme, Teesside Pension Fund.

National Employment Savings Trust (NEST)

The NEST is a qualifying pension scheme established by law to support automatic enrolment.

Employer contributions based on a percentage of payroll costs totalled £68k for 2020/21 (2019/20: £71k) at a rate of 3% (2019/20: 3%).

2. Exit packages (subject to audit)

Exit package cost band	Compulsory redundancies		Other departures		Total exit packages		Total exit packages	
	2020/21						2019/20	
	Number	£	Number	£	Number	£	Number	£
Less than £10,000	3	13,837	–	–	3	13,837	3	4,070
£10,000 to £25,000	4	62,782	–	–	4	62,782	4	63,858
£25,001 to £50,000	2	54,600	–	-	2	54,600	2	67,841
£50,001 to £100,000	–	–	-	-	–	–	3	167,623
£100,001 to £150,000	–	–	–	–	–	–	–	–
£150,001 to £200,000	1	166,468	-	-	1	166,468	–	–
More than £200,000	–	–	–	-	–	–	–	–
Total	**10**	**297,687**	**–**	-	**10**	**297,687**	**12**	**303,392**

Redundancy and other departure costs were paid in accordance with CQC's terms and conditions approved by DHSC's Governance and Assurance Committee. Exit costs are accounted for in full in the year of departure. 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 table.

None of the exit packages relate to individuals named in the Remuneration report (2019/20: none).

	2020/21		2019/20	
	Agreements number	**Total value of agreements £000**	**Agreements number**	**Total value of agreements £000**
Voluntary redundancies including early retirement contractual costs	–	–	–	–
Mutually agreed resignations (MARS) contractual costs	–	–	–	–
Early retirements in the efficiency of service contractual costs	–	–	–	–
Contractual payments in lieu of notice	–	–	–	–
Exit payments following employment tribunals or court orders	–	–	–	–
Non-contractual payments requiring HM Treasury approval	–	–	2	32
Total	**–**	**–**	**2**	**32**

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 2021	**14**
Of which, the number that have existed, at the time of reporting:	
less than one year	10
for between one and two years	1
for between two and three years	3
for between three and four years	–
for four or more years	–

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The table below shows all off-payroll appointment engaged at any point between 1 April 2020 and 31 March 2021 that were for more than £245 per day:

	Number
Number of temporary off-payroll workers engaged between 1 April 2020 and 31 March 2021	**37**
Of which:	
number not subject to off-payroll legislation	3
number subject to off-payroll legislation and determined as in-scope of IR35	34
Of the temporary off-payroll workers engaged between 1 April 2020 and 31 March 2021	
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	14
number of engagements that saw a change to IR35 status following the consistency review	–

The table below shows the number of off-payroll engagement relating to Board members and senior officials with significant financial responsibilities who held post between 1 April 2020 and 31 March 2021:

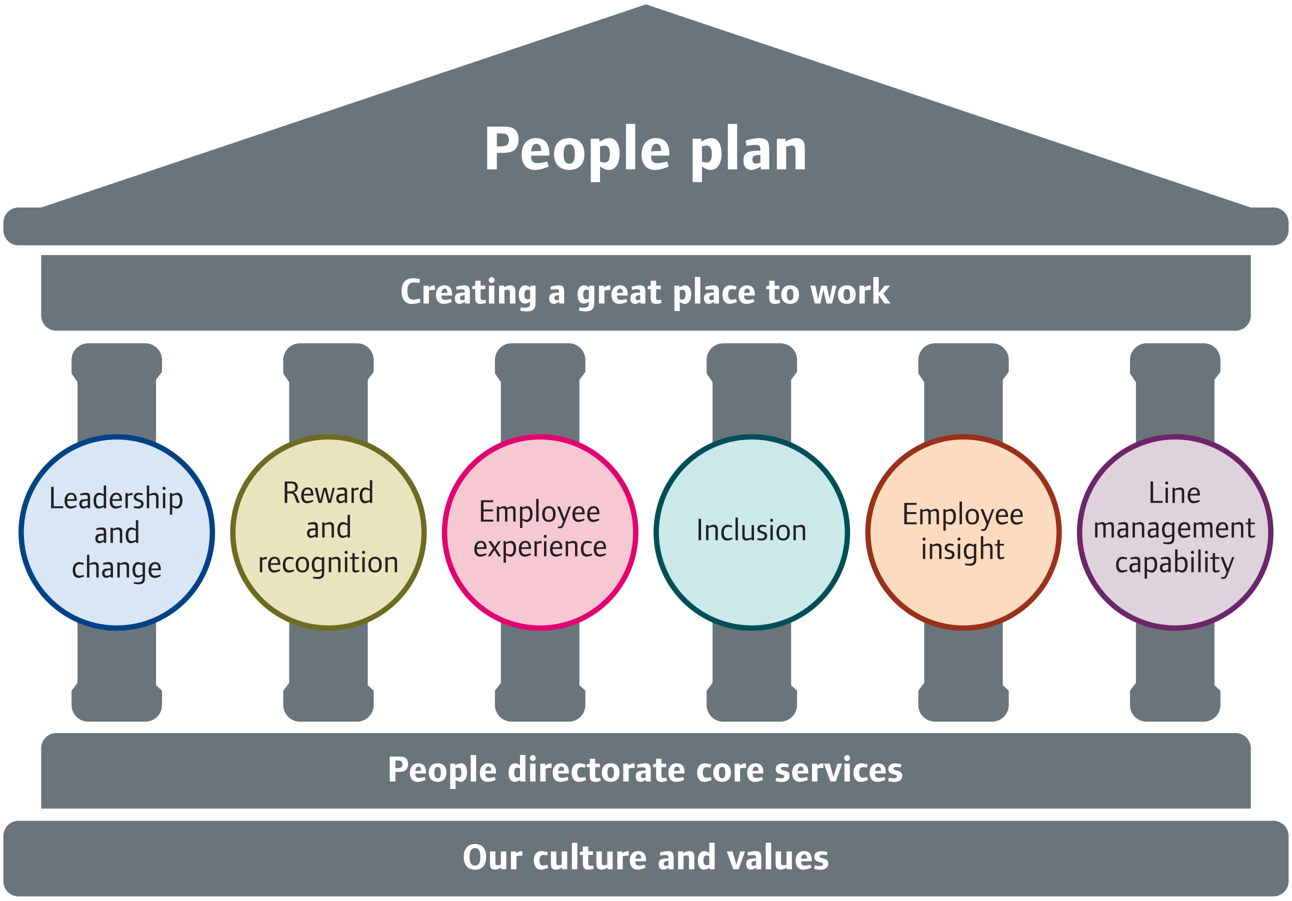
	Number
Number of off-payroll engagements of Board members and/or senior officials with significant financial responsibility during the year	–
Number of individuals on payroll and off-payroll that have been deemed Board members, and/or senior officials with significant financial responsibilities during the financial year.	18

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.

All existing engagements at 31 March 2021 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 are compliant with HMRC's off-payroll working rules which changed on 6 April 2021.

4. People plan

We are ambitious to build a fully inclusive organisation where we attract, develop and retain capable people, delivering our organisational purpose, and where all our people feel engaged and demonstrate our values every day. To achieve this, our People Plan is built on six key pillars – these are our key people priorities to enable the organisation's future delivery. The People Plan is underpinned by individual delivery plans for the respective workstreams and a high-level timeline to track progress.



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.

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 framework, we ensure all our policies are accessible and that they promote inclusion for everyone. In our reviews we always consult with representatives from the People directorate, the unions, the staff forum and the equality networks. We currently have five fully supported staff equality networks at CQC. Our networks are key in supporting with the delivery of our Diversity and Inclusion strategy priorities and contribute effectively to organisational improvement. Our network chairs have a seat at Board meetings and are given protected time for their Chair and Vice Chair roles and network activities.

All our People Management policies are legally compliant and follow the Advisory, Conciliation and Arbitration Service (ACAS) code of practice and best practice. We are currently undertaking 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.

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.

Throughout the pandemic we have engaged a wide network of colleagues regularly on Diversity and Inclusion and Wellbeing activity. We measure ourselves against best practice through MIND's workplace wellbeing index, Stonewall and other benchmarking groups. We have also signed up to the MH at Work commitment and are using these standards to inform our approach.

We have appointed our own CQC Guardians for the Freedom to Speak Up, 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. This help ranges from just listening, to signposting, to investigation of whistleblowing concerns. The Guardians report to the board twice yearly and their role includes identifying themes and trends across the organisation.

6. Equality, diversity and inclusion

Our colleagues work in a variety of roles across the organisation including in inspection teams, in our customer contact centre and in corporate or intelligence 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 three-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 four 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.

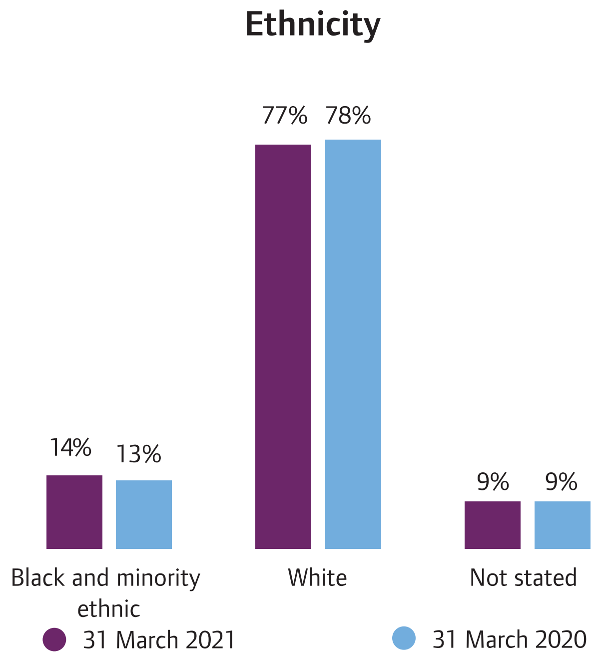
We believe this approach ensures that actions are not just delivered but embedded in our day-to-day work.

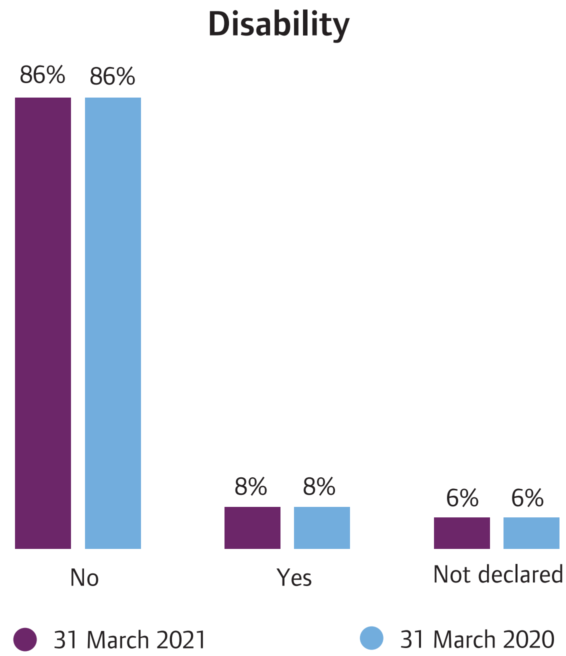
Through setting our priorities in this strategy, we will inspire and encourage colleagues to view their work through an inclusion lens and create safe environments to explore diverse ways of thinking, leading to an open, fair and compassionate environment.

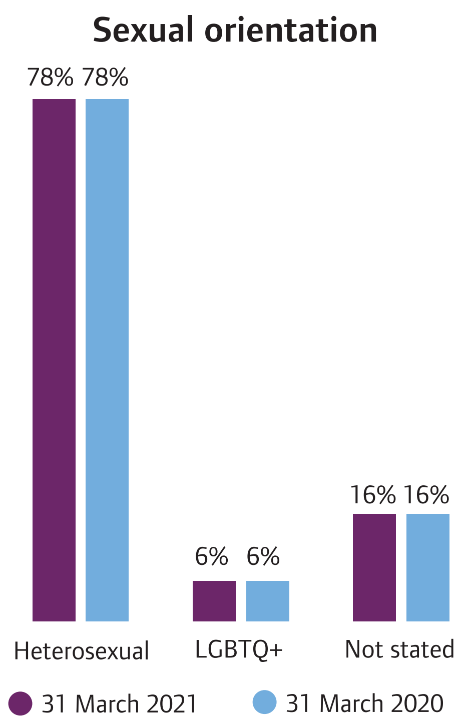
6.1 Equality profiles

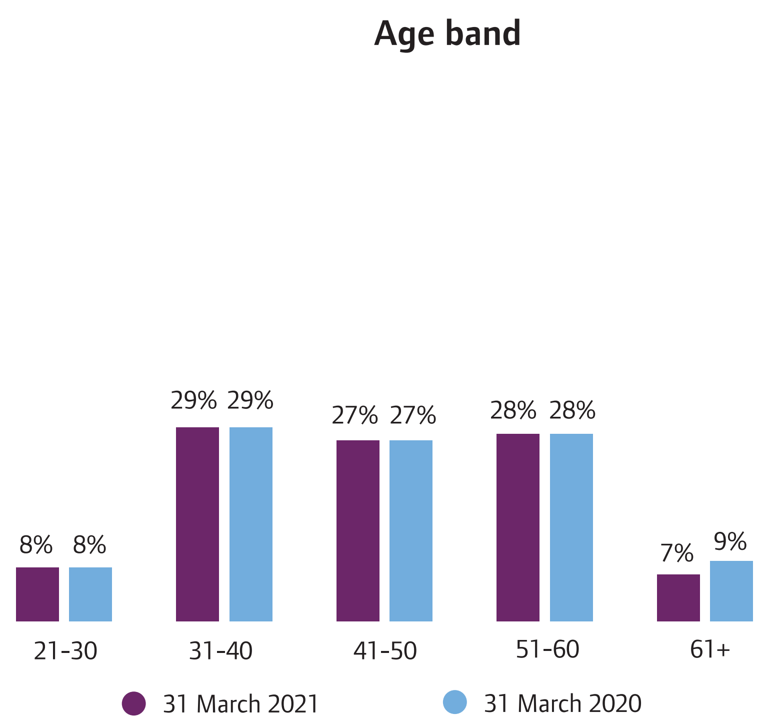
The table and graphs below show CQC equality profiles as at 31 March 2021:

	2020/21				2019/20			
	Board members and Executive Directors	**Directors**	**Other employees**	**Total employees**	**Board members and Executive Directors**	**Directors**	**Other employees**	**Total employees**
Male	9	8	947	**964**	9	7	961	**977**
Female	4	19	2,189	**2,212**	4	19	2,234	**2,257**

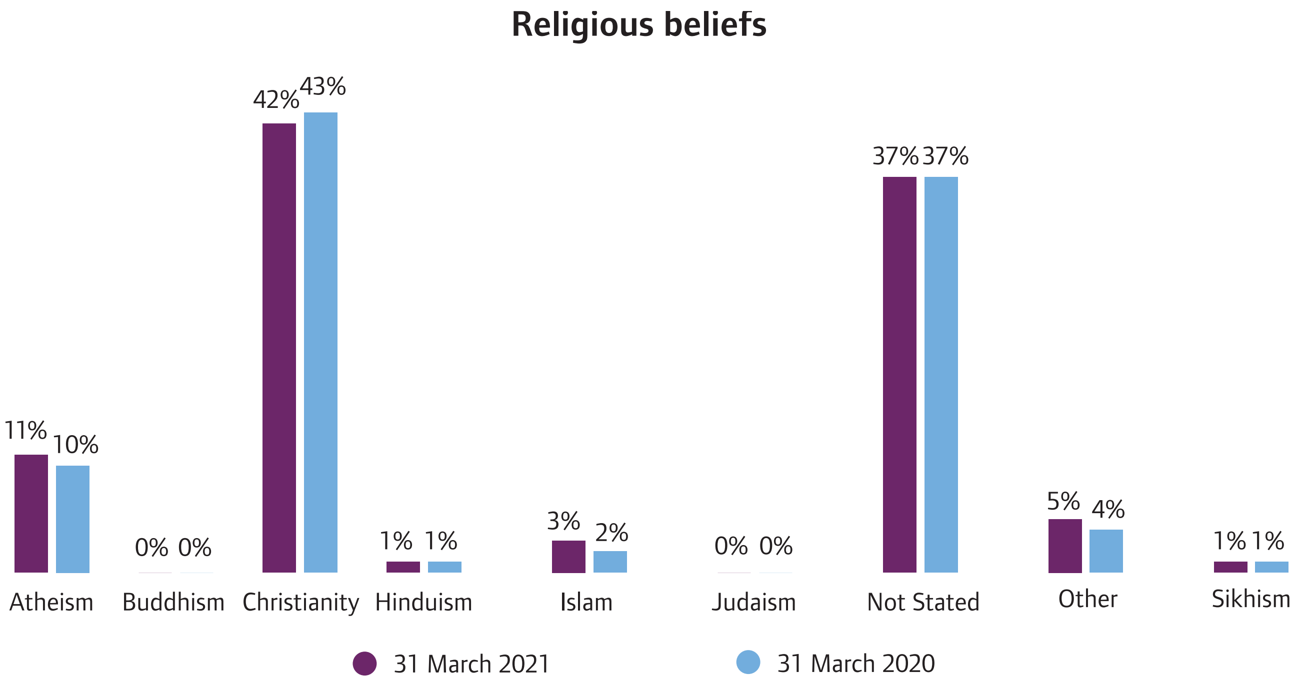








ACCOUNTABILITY REPORT



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 2021 the gender split in CQC was 69.6% female employees to 30.4% male employees and this was closely replicated across the quartile data (31 March 2020: female 69.5%, male 30.5%).

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. Although 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		1.7%
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	35.01%	64.99%
Second quartile	26.55%	73.45%
Third quartile	26.50%	73.50%
Fourth (upper) quartile	34.49%	65.51%

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:

7.1 Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
30	29.8

7.2 Percentage of time spent on facility time

Percentage of time	Number of employees
0%	–
1–50%	30
51–99%	–
100%	–

7.3 Percentage of pay bill spent on facility time

Total cost of facility time	£38k
Total pay bill	£175,982k
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.02%

7.4 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	15.98%

8. Sickness absence

During 2020/21, the average number of long-term days of sickness per absent employee was 15 (2019/20: 17 days) and the average number of short-term days of sickness was three (2019/20: 4 days).

9. Health and safety

In March 2020 we started 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.

Temporary home working

Almost 1,000 office-based staff were assisted to work at home and were provided with workstation furniture, chairs and peripheral IT equipment to do this safely. Colleagues were required to complete a Display Screen Equipment Assessment for their new workstation and support and guidance was provided to assist them. Those colleagues who have medical conditions that require reasonable adjustments were provided with the appropriate equipment and support.

These changes were made very early on in the pandemic and initially relied on rented furniture. This was subsequently swapped out using surplus office furniture resulting from the London office move and other changes.

Personal protective equipment

A comprehensive set of Personal Protective Equipment was provided to all inspectors. This was supported with updated infection control and protection procedures; training and guidance documents were developed to support this. Colleagues were also issued with scrubs to wear on inspections.

Risk assessments

An Inspection risk assessment was developed to support the Emergency Support Framework to ensure that inspectors were fully assessed and safe. The assessment continues to be updated to reflect new ways of working.

An Individual risk assessment was developed in response to the ‘Disparities in the risks and outcomes of COVID-19’ report released by Public Health England which detailed the health inequalities of COVID-19 for specific groups of the population. Each colleague was asked to complete this assessment to determine how best CQC could support them during the pandemic.

Re-opening offices

All CQC offices closed at the outset of the pandemic but were reviewed and provided with full COVID secure measures to allow a small number of essential colleagues to work safely. Work is currently ongoing to develop risk assessments and safe working procedures with a view to a wider opening of CQC offices when Government guidelines allow this.

Testing for inspectors

Weekly Polymerase Chain Reaction (PCR) testing was introduced for colleagues crossing provider thresholds. Supporting guidance and training materials were produced to support colleagues. We introduced Lateral Flow Tests (LFT) to enable everyone crossing a threshold in a care setting to test themselves on the morning of their visit. The LFT testing regime will provide further assurance to colleagues and providers that they are not COVID-19 positive prior to entering the care setting.

10. Expenditure on consultancy

Total spend on consultancy services, as defined by HM Treasury, during 2020/21 was £659k (2019/20: £66k) and was subject to approval from DHSC in line with our delegations. The majority of this spend was connected to our change programme and laying the foundations for our new Regulatory Platform.

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

	2020/21	2019/20
Total number of losses	563	675
Total value of losses (£000)	1,579	1,152

CQC incurred two losses exceeding £300k during the year (2019/20: one case totalling £351k). Approval has been obtained from DHSC, in accordance with our delegated authority, to settle both cases. Liabilities of £701k arose from a HMRC compliance check covering a period of four years and includes the social security costs relating to the benefits arising from those deemed to have a dual workplace. An NHS pension scheme final pay control charge of £531k was also incurred following the immediate retirement of an individual upon completion of a secondment to an external body (see page 49 of the Governance Statement for further details) which we have also brought to HM Treasury's (HMT) attention in accordance with Managing Public Money.

1.2 Special payments

	2020/21	2019/20
Total number of special payments	1	5
Total value of special payments (£000)	1	32

1.3 Gifts

During 2020/21 CQC made no gifts or donations (2019/20: none).

2. Remote contingent liabilities

There were no remote contingent liabilities as at 31 March 2021 (31 March 2020: 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	2020/21 Surplus £000	Restated 2019/21 Surplus £000
Regulatory fees for chargeable activities	(205,192)	196,048[2]	**9,144**	**(5,477)**

There will always be variation when aligning costs for chargeable activity to our fee income on an annual basis, in 2020/21 this represents a 4% surplus. During 2020/21 the full cost of our chargeable activities is lower than anticipated due to the impact of COVID-19 on our normal operations.

4. Better payment practice code

In accordance with the governments prompt payment policy CQC aims to pay 90% of undisputed and valid invoices within five working days and 100% of all undisputed and valid invoices within 30 days.

2 Full chargeable cost of £196,048k excludes non-cash items totalling £1,867k 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 £819k, net interest on pension scheme assets and liabilities £1,934k, expected credit loss £259k, provision expenses (£1,208k), finance expenses £7k and apprenticeship training grant expense £56k all of which are covered by non-cash budgets.

		2020/21		2019/20	
	Target	Number	Value	Number	Value
Invoices paid within five working days	90.0%	76.6%	71.5%	77.1%	72.7%
Invoices paid within 30 days	100.0%	98.4%	98.1%	98.1%	99.3%

Ian Trenholm
Chief Executive,
Care Quality Commission
10 January 2022

The 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 2021 under the Health and Social Care Act 2008. The financial statements comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

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 2021 and of the Care Quality Commission's 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 (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Board and 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 is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Board and 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, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited 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.

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 Report and Accountability Report. 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 or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or

- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; or
- I have not received all of the information and explanations I require for my audit; 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 the Accounting Officer are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Board and the Accounting Officer determine are necessary to enable the preparation of the financial statements to be free from material misstatement, whether due to fraud or error;
- 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 Board and the Accounting Officer anticipate 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- inquiring 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 relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged 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 Health and Social Care Act 2008 and Managing Public Money.

- discussing among the engagement team and involving relevant internal and external specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals, accounting for estimates and other areas of management judgement such as provisions and the valuation of defined benefit pension schemes' assets and liabilities; and

- obtaining an understanding of the Care Quality Commission's framework of authority as well as other legal and regulatory frameworks that the Care Quality Commission operates in, focusing on those laws and regulations that had a direct effect on 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 Health and Social Care Act 2008, Managing Public Money, employment law, tax legislation, and pensions legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit and Corporate Governance Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and

evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions 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

14 January 2022

3

Financial statements

The financial statements are prepared in accordance with the Financial Reporting Manual 2020/21, published by HM Treasury, and comprise:

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2021

	Note	2020/21 £000	Restated 2019/20 £000
Revenue from contracts with customers	3.1	(206,837)	(206,612)
Other operating income	3.2	(56)	(77)
Total operating income		**(206,893)**	**(206,689)**
Staff costs	4.1	173,660	175,133
Purchase of goods and services	4.2	36,393	39,119
Depreciation, amortisation and impairment charges	4.2	8,960	6,928
Provision expense	4.2	(1,208)	(1)
Other operating expenditure	4.2	5,123	10,487
Total operating expenditure		**222,928**	**231,666**
Net operating expenditure		**16,035**	**24,977**
Finance expense		7	14
Net expenditure for the year		**16,042**	**24,991**
Other comprehensive net expenditure			
Items that will not be reclassified to net operating costs:			
– Net gain on revaluation of intangible assets	6.1	(16)	(218)
– Net gain on revaluation of property, plant and equipment	7.1	(14)	(53)
– Impairments charged to revaluation reserve:			
Intangible assets	6.1	42	3
Property, plant and equipment	7.1	8	1
– Actuarial (gain)/loss in pension schemes	5.4	(9,051)	21,774
– Re-measurement of net defined pension asset for changes in asset ceiling	5.4	983	3,301
Comprehensive net expenditure for the year[1]		**7,994**	**49,799**

[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 operating expenditure and fixed asset additions purchased during the reporting period. For further details of our financial performance including grant-in-aid funding see note 2.3 to the Financial Statements.

Notes 1 to 22, on pages 122 to 184, form part of these financial statements.

Statement of Financial Position

as at 31 March 2021

	Note	31 March 2021 £000	Restated 31 March 2020 £000	Restated 1 April 2019 £000
Non-current assets				
Intangible assets	6	22,932	18,794	11,311
Property, plant and equipment	7	6,332	4,828	5,602
LGPS pension assets	5.1	3,936	751	3,242
Total non-current assets		**33,200**	**24,373**	**20,155**
Current assets				
Trade and other receivables	9	13,231	11,496	13,328
Other current assets	9	3,710	848	627
Cash and cash equivalents	10	42,725	46,619	34,770
Total current assets		**59,666**	**58,963**	**48,725**
Total assets		**92,866**	**83,336**	**68,880**
Current liabilities				
Trade and other payables	11	(23,943)	(31,196)	(26,923)
Other pension liabilities	11	(16)	(16)	(21)
Provisions	12.1	(466)	(971)	(730)
Fee income in advance	11	(18,665)	(19,797)	(20,619)
Total current liabilities		**(43,090)**	**(51,980)**	**(48,293)**
Total assets less current liabilities		**49,776**	**31,356**	**20,587**
Non-current liabilities				
Provisions	12.1	(521)	(1,367)	(1,913)
Other pension liabilities	11	(31)	(47)	(69)
Total non-current liabilities excluding pension deficit		**(552)**	**(1,414)**	**(1,982)**
Assets less liabilities excluding pension deficit provision		**49,224**	**29,942**	**18,605**
LGPS pension deficit	5.1	(85,802)	(90,254)	(65,496)
Assets less liabilities		**(36,578)**	**(60,312)**	**(46,891)**
Taxpayers' equity				
General reserve		(60,801)	(86,500)	(69,617)
Revaluation reserve		334	363	276
Retained earnings		23,889	25,825	22,450
Total taxpayers' equity		**(36,578)**	**(60,312)**	**(46,891)**

Notes 1 to 22, on pages 122 to 184, form part of these financial statements

Ian Trenholm
Chief Executive

10 January 2022

Statement of Cash Flows

for the year ended 31 March 2021

	Note	2020/21 £000	Restated 2019/20 £000
Cash flows from operating activities:			
Net expenditure for the year		(16,042)	(24,991)
Adjustment for non-cash transactions	13.1	10,512	9,776
(Increase)/decrease in trade receivables and other current assets	9	(4,597)	1,611
(Decrease)/increase in trade and other payables	13.2	(6,273)	3,497
Decrease in pension liabilities	11	(16)	(27)
Decrease in fee income in advance	11	(1,132)	(822)
Use of provisions	12	(150)	(318)
Pension deficit provision: employer contributions – scheme cessation	5.7	(2,322)	(661)
Net cash outflow from operating activities		**(20,020)**	**(11,935)**
Cash flows from investing activities:			
Purchase of intangible assets	13.3	(11,356)	(11,704)
Purchase of property, plant and equipment	13.4	(4,246)	(890)
Net cash outflow from investing activities		**(15,602)**	**(12,594)**
Cash flows from financing activities:			
Grant-in-aid from DHSC: cash drawn down in year		31,728	36,378
Net financing		**31,728**	**36,378**
Net increase/(decrease) in cash and cash equivalents		**(3,894)**	**11,849**
Cash and cash equivalents at at start of year		46,619	34,770
Cash and cash equivalents at end of year	**10**	**42,725**	**46,619**

Notes 1 to 22, on pages 122 to 184, form part of these financial statements

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2021

	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
Restated balance at 1 April 2019		**(69,617)**	**276**	**22,450**	**(46,891)**
Restated changes in taxpayers' equity 2019/20:					
Grant-in-aid from DHSC: cash drawn down[1]		36,378	–	–	**36,378**
Net expenditure for the year		(24,991)	–	–	**(24,991)**
Revaluation gains:					
– intangible assets	6.1	–	218	–	**218**
– property, plant and equipment	7.1	–	53	–	**53**
Impairments and reversals:					
– intangible assets	6.1	–	(3)	–	**(3)**
– property, plant and equipment	7.1	–	(1)	–	**(1)**
Transfer between reserves:					
– Disposals and realised depreciation:					
– intangible assets	6.1	153	(153)	–	**–**
– property, plant and equipment	7.1	27	(27)	–	**–**
– Retained fee income	14	(6,033)	–	6,033	**–**
– Utilisation of retained fee income	14	2,658	–	(2,658)	**–**
Actuarial loss in pension schemes	5.4	(21,774)	–	–	**(21,774)**
Re-measurement of net defined pension asset for changes in asset ceiling	5.4	(3,301)	–	–	**(3,301)**
Balance at 31 March 2020		**(86,500)**	**363**	**25,825**	**(60,312)**
Changes in taxpayers' equity for 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**
Impairment 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 gain 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)**

[1] During 2020/21 grant-in-aid totalling £31,728k (£36,378k in 2019/20) was drawn down from DHSC of which:
- £24,653k (£24,841k in 2019/20) funded non-chargeable activities
- £nil (£nil in 2019/20) funded chargeable activities
- £4,753k (£10,876k in 2019/20) funded capital expenditure; and
- £2,322k (£661k in 2019/20) funded LGPS pension cessation charges.

Notes 1 to 22, on pages 122 to 184, form part of these financial statements

Notes to the financial statements

1. Statement of accounting policies

These financial statements have been prepared in a form directed by the Secretary of State and in accordance with the Financial Reporting Manual (FReM) 2020/21, issued by HM Treasury, and the DHSC Group Accounting Manual (GAM) 2020/21. The accounting policies contained in the FReM and GAM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM or GAM 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 2019/20 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.

1.1 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.

1.2 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 IFRS as set out in accounting policies.

1.3 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 2020/21 CQC experienced an operational impact due to COVID-19 pandemic. 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 14 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: annually intangible assets and property, plant and equipment are revalued using indices published by the Office for National Statistics (see accounting policy notes 1.12 and 1.13, note 6 and note 7).

1.4 Operating segments

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

1.5 Revenue

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

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

- CQC will not disclose information regarding performance obligations as part of a contract that has an original expected duration of one year or less;
- CQC is to similarly not disclose information where revenue is recognised in line with the practical expedient offered in the standard where the right to consideration corresponds directly with value of the performance completed to date; and

- the FReM has mandated the exercise of the practical expedient offered in the standard that requires CQC to reflect the aggregate effect of all contracts modified before the date of initial application.

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, which has been effective from 1 April 2019 and remained unchanged in 2020/21. 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.

1.6 Employee benefits

1.6.1 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.

1.6.2 Retirement benefit costs

NHS pensions

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

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

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

Local government pensions

Some employees are members of the Local Government Pension Scheme (LGPS), which is a defined benefit pension scheme that is administered through 14 active pension funds. Employees who were members of the LGPS in a predecessor organisation 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.

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.

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.

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.

1.7 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.

1.8 Grants receivable

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

1.9 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 accrual's basis.

1.10 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.

1.11 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.

1.12 Intangible assets

1.12.1 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.

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

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

General IT software project management costs are not capitalised.

1.12.2 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.

1.13 Property, plant and equipment

1.13.1 Recognition

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

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

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

1.13.2 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.

1.14 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 useful life
Intangible assets	IT software developments	3 to 5 years
	Software licences	3 to 5 years
	Website	3 to 5 years
Property, plant and equipment	Information technology	3 to 7 years
	Furniture and fittings	10 years (or lease break date if lower)

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.

1.15 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.

1.16 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 0.95% (2019/20: minus 0.50%) in real terms. All other provisions are subject to three separate discount rates according to the expected timing of cash flows from the Statement of Financial Position date:

- a short-term rate of minus 0.02% (2019/20: 0.51%) for expected cash flows up to and including five years
- a medium-term rate of 0.18% (2019/20: 0.55%) for expected cash flows over five years up to and including 10 years
- a long-term rate of 1.99% (2019/20: 1.99%) for expected cash flows over 10 years.

All percentages are in real terms.

1.17 Contingent liabilities and contingent assets

A contingent liability is:

- a possible obligation that arises from past events and the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of CQC, or
- a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation, or the amount of the obligation cannot be measured sufficiently reliably.

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

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

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

1.18 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.

1.19 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.

1.19.1 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.

1.19.2 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.

1.20 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. Consequently, the liability for additional pension contributions resulting from the early termination of staff in previous years is discounted by minus 0.95% (2019/20: minus 0.50%). This is the rate for market yields on AA corporate bonds as published by HM Treasury.

1.21 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 2020/21. 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. CQC currently has commitments under operating leases of approx. £13.8m, which IFRS 16 requires to be recognised on the Statement of Financial Position as right of use assets. Corresponding lease liabilities will also be recognised on transition to the standard as currently interpreted by the FReM. The value of right of use assets that would be presented under IFRS16 on the Statement of Financial Position will not be materially different to the commitments under operating leases disclosed in note 16.

- *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)
- Other includes Change, Chief Executive, Digital and Intelligence, Engagement Policy and Strategy, Healthwatch England, and Regulatory Customer and Corporate Operations (RCCO).

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	2020/21 total £000	Restated 2019/20 total £000
Pay costs	41,847	33,673	19,805	77,129	**172,454**	173,701
Non-pay costs	497	361	229	38,623	**39,710**	47,402
Total	**42,344**	**34,034**	**20,034**	**115,752**	**212,164**	**221,103**

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.

	2020/21 total £000	**Restated 2019/20 total £000**
Pay costs	172,454	173,701
Non-pay costs	39,710	47,402
Total expenditure	**212,164**	**221,103**
Items not included within operating segments:		
Staff costs		
Increase in provision for pension fund deficits	819	1,432
Depreciation, amortisation and impairment charges	8,960	6,928
Provisions	(1,208)	(1)
Other operating expenditure		
Net interest expense on pension scheme assets and liabilities	1,934	1,403
Expected credit loss	259	801
Total operating expenditure	**222,928**	**231,666**

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.

			2020/21			Restated 2019/20
	Chargeable activities £000	Non-chargeable activities £000	Total £000	Chargeable activities £000	Non-chargeable activities £000	Total £000
Funding						
Revenue from contracts with customers	(205,192)	(1,645)	**(206,837)**	(204,022)	(2,590)	**(206,612)**
Grant-in-aid (cash)	–	(24,653)	**(24,653)**	–	(24,841)	**(24,841)**
Other operating income	(56)	–	**(56)**	(77)	–	**(77)**
Subtotal: funding	**(205,248)**	**(26,298)**	**(231,546)**	**(204,099)**	**(27,431)**	**(231,530)**
Operating expenditure						
Staff costs	152,046	21,614	**173,660**	152,231	22,902	**175,133**
Purchase of goods and services	34,877	1,516	**36,393**	35,208	3,911	**39,119**
Depreciation, amortisation and impairment charges	7,968	992	**8,960**	6,033	895	**6,928**
Provision expenses	(1,208)	–	**(1,208)**	(1)	–	**(1)**
Other operating expenditure	4,225	898	**5,123**	8,786	1,701	**10,487**
Subtotal: operating expenditure	**197,908**	**25,020**	**222,928**	**202,257**	**29,409**	**231,666**
Finance expenses	7	–	**7**	14	–	**14**
Total expenditure	**197,915**	**25,020**	**222,935**	**202,271**	**29,409**	**231,680**
Net excess of (income)/ expenditure[1]	**(7,333)**	**(1,278)**	**(8,611)**	**(1,828)**	**1,978**	**150**

[1] In agreeing annual budgets, DHSC allows CQC to incur certain non-cash expenses. In 2020/21 these items amounted to £2,803k (2019/20: £4,544k) and, if excluded from expenditure above, this would present an adjusted year to date net surplus of £11,414k – comprising a chargeable surplus of £9,144k and a non-chargeable surplus of £2,270k (2019/20: adjusted net surplus of £4,394k comprising a chargeable surplus of £5,477k and a non-chargeable deficit of £1,083k).

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3. Income

3.1 Revenue from contracts with customers

	2020/21 total £000	2019/20 total £000
Income from fees:		
NHS trusts	(57,453)	(56,491)
Adult social care – residential	(65,704)	(67,660)
Adult social care – community	(23,472)	(22,956)
Independent healthcare – hospitals	(3,984)	(3,779)
Independent healthcare – community	(6,884)	(6,914)
Independent healthcare – single specialty	(935)	(868)
Dentists	(8,377)	(7,995)
NHS GP practices	(38,383)	(37,359)
Subtotal: income from fees	**(205,192)**	**(204,022)**
Income from other activities	(1,645)	(2,590)
Total revenue from contracts with customers	**(206,837)**	**(206,612)**

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

Income of £19,797k has been fully recognised in 2020/21 which was included in contract liabilities at 31 March 2020 (2019/20: £20,619k).

3.2 Other operating income

	2020/21 total £000	2019/20 total £000
Apprenticeship training grant (non-cash)	(56)	(77)
Total other operating income	**(56)**	**(77)**

4. Operating expenditure

4.1 Staff costs

	2020/21 total £000	Represented 2019/20 total £000
Wages and salaries	137,259	137,287
Social security costs	13,961	14,319
NHS pension costs	20,912	20,274
LGPS pension costs	4,131	4,805
Other pension costs	68	71
Apprenticeship levy	640	662
Termination benefits	387	220
Less capitalised staff costs	(2,557)	(2,048)
Less recoveries in respect of outward secondments	(1,960)	(1,889)
Increase in provision for pension fund deficits	819	1,432
Total staff costs	**173,660**	**175,133**

More detailed disclosure of our staff costs is included in the People Report (page 79)

4.2 Other operating expenditure

	2020/21 total £000	Restated[3] 2019/20 total £000
Purchase of goods and services		
Establishment	20,219	19,227
Professional fees	4,544	1,264
Rentals under operating leases	4,365	3,538
Premises	2,589	3,527
Training and development	1,497	1,384
Supplies and services	1,347	610
Travel and subsistence	923	9,259
External audit fee (statutory work)	659	66
Consultancy	170	165
Insurance	80	79
Subtotal: purchases of goods and services	**36,393**	**39,119**
Depreciation, amortisation and impairment charges		
Amortisation of intangible assets	4,337	4,466
Depreciation of property, plant and equipment	2,518	1,677
Impairment of intangible assets	2,057	747
Impairment of property, plant and equipment	48	38
Subtotal: depreciation, amortisation and impairment charges	**8,960**	**6,928**
Provision expense	**(1,208)**	**(1)**
Other operating expenditure		
Business rates paid to local authorities	1,984	1,887
Net interest expense on pension scheme assets and liabilities	1,934	1,403
Experts by Experience	1,408	3,663
Grants to other bodies	443	205
Expected credit loss	259	787
Other	(1,050)	143
Losses and special payments: irrecoverable debts	88	14
Apprenticeship training grant (non-cash)	56	77
Losses and special payments: other	1	2,308
Subtotal: other operating expenditure	**5,123**	**10,487**
Total other operating expenditure	**49,268**	**56,533**

3 2019/20 balances restated following the identification of low value items of property, plant and equipment capitalised in error, see notes 7 to 22 for details.

5. Pension costs

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

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

Both the NHS Pension Scheme, which is the principal pension scheme for staff recruited directly by CQC, and NEST are not designed to run in a way that would allow CQC to identify its share of the underlying scheme assets and liabilities. See note 1.3 in the People Report, page 42, 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 14 local pension funds that are part of LGPS at 31 March 2021

Valuations of CQC's assets and liabilities in each LGPS as at 31 March 2021 have been prepared in accordance with IAS 19. The results relating to each LGPS are disclosed in note 5.1 below. The Statement of Financial Position shows net pension assets totalling £3.9m (31 March 2020: £0.8m) and net pension deficits of £85.8m (31 March 2020: £90.3m) 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 2021 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
Hampshire	Aon Hewitt
Merseyside	Mercers Ltd.
Shropshire	Mercers Ltd.
Suffolk	Hymans Robertson LLP
Teesside	Aon Hewitt
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 2021 £000	Re-measurements for changes in asset ceilings 31 March 2021 £000	Liabilities 31 March 2021 £000	Surplus/ (deficit) 31 March 2021 £000	Surplus/ (deficit) 31 March 2020 £000
Funds with a net deficit					
Avon	5,637	–	(8,080)	**(2,443)**	(2,061)
Dorset[4]	–	–	–	**–**	(1,290)
Essex	7,488	(730)	(6,822)	**(64)**	(90)
Hampshire[5]	6,746	–	(9,467)	**(2,721)**	(2,059)
Merseyside	8,343	–	(8,926)	**(583)**	(789)
Shropshire	2,964	–	(4,176)	**(1,212)**	(1,176)
Suffolk	4,189	–	(4,995)	**(806)**	(491)
Teesside	338,970	–	(416,943)	**(77,973)**	(81,485)
Subtotal: funds with a net deficit	**374,337**	**(730)**	**(459,409)**	**(85,802)**	**(89,441)**[6]
Funds with a net surplus					
Cambridgeshire	4,400	(39)	(3,609)	**752**	–
Cheshire	4,718	(37)	(4,665)	**16**	–
Cumbria	4,919	(43)	(4,264)	**612**	340
East Sussex	7,744	(1,177)	(6,355)	**212**	–
Greater Manchester	21,112	(1,563)	(19,049)	**500**	–
West Sussex	5,613	(234)	(3,535)	**1,844**	411
West Yorkshire	13,855	(461)	(13,394)	**–**	(813)
Subtotal: funds with a net surplus	**62,361**	**(3,554)**	**(54,871)**	**3,936**	**(62)**[6]
Total	**436,698**	**(4,284)**	**(514,280)**	**(81,866)**	**(89,503)**

4 Membership in Dorset ended on 31 January 2021 resulting in a cessation charge totalling £2,322k 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.

5 The assets and liabilities relating to Hampshire are prepared on a cessation basis and use different financial assumptions to those used on an IAS19 basis. CQC's last active member in the fund left in April 2021 triggering a cessation event and the net deficit of £2,721k represents the liability due. This liability is included as a non-current LGPS pension deficit on the Statement of Financial Position in accordance with IAS19; however, settlement is due in 2021/22.

6 At 31 March 2021 West Yorkshire had a net surplus of £nil but was recognised with a net deficit of £813k at 31 March 2020. For comparative purposes, West Yorkshire has been included within the subtotal of funds with a net surplus. The Statement of Financial Position at 31 March 2020 recognises pension funds with a net surplus of £751k and pension funds with a net deficit of £90,254k.

All assets are held at bid value.

8 employees (2019/20: five) retired early on ill-health grounds during the period. No additional pension costs (2019/20: £nil) were levied on CQC as a result.

For any fund in surplus we are required, in accordance with paragraph 64 of IAS 19 and IFRIC 14[7], 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 2021, asset ceilings totalling £4,284k were applied to eight funds (31 March 2020: 6) 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:

7 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.

	2020/21 £000	2019/20 £000
Opening asset ceiling	**3,301**	–
Re-measurement of net defined pension asset for changes in asset ceiling	983	3,301
Closing asset ceiling	**4,284**	**3,301**

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[8] % per annum	
Key assumptions used:	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Discount rate	**2.1**	2.3	2.0 – 2.1	2.3 – 2.4
Expected rate of salary increases	**3.7**	3.0	2.9 – 4.2	2.0 – 3.6
Future pension increases	**2.7**	2.0	2.7 – 2.9	1.9 – 2.2
CPI inflation	**2.7**	2.0	2.7 – 2.9	1.9 – 2.1

8 Assumptions relating to Hampshire are 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[9]	
Key assumptions used:	**2020/21**	**2019/20**	**2020/21**	**2019/20**
Retiring today:				
Males	**21.9**	21.8	20.5 – 23.3	20.5 – 23.3
Females	**23.6**	23.5	23.3 – 25.4	23.1 – 25.5
Retiring in 20 years:				
Males	**23.3**	23.2	21.9 – 24.8	21.9 – 24.7
Females	**25.4**	25.3	24.7 – 27.4	25.0 – 27.3

5.3 Charges to net expenditure

Amounts recognised in the Statement of Comprehensive Net Expenditure in respect of these defined benefit pension schemes are as follows:

	2020/21 £000	Restated 2019/20 £000
Service costs:		
– Current service cost	4,910	5,531
– Past service cost	34	745
– Administration expenses	83	80
Sub-total: service cost	**5,027**	**6,356**
Net interest expense	1,934	1,403
Amount recognised in net expenditure	**6,961**	**7,759**

Of the expense for the year, the service costs totalling £4.9m (2019/20: £6.2m) have been included in the Statement of Comprehensive Net Expenditure as staff

9 Assumptions relating to Hampshire are 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.

expenditure. Within note 4.1 £4.1m (2019/20: £4.8m) of this is included within LGPS pension costs and represents the amount paid as contributions during the year. The remaining £0.8m (2019/20: £1.4m) is a non-cash adjustment presented as an increase in provision for pension fund deficits. The net interest expense of £1.9m (2019/20: £1.4m) has been included in other expenditure, note 4.2. The re-measurement of the net defined benefit obligation is included as other comprehensive expenditure in the Statement of Comprehensive Net Expenditure.

5.4 Charges to other comprehensive net expenditure

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

	2020/21 £000	Represented 2019/20 £000
The return on plan assets (excluding amounts included in net interest expense)	(78,696)	50,287
Other re-measurement losses on plan assets	(30)	(17)
Actuarial gains arising from changes in demographic assumptions	99	(14,135)
Actuarial losses/(gains) arising from changes in financial assumptions	75,175	(8,621)
Actuarial gains arising from experience adjustments	(5,599)	(5,740)
Subtotal: actuarial (gain)/loss in pension schemes	**(9,051)**	**21,774**
Re-measurement of net defined pension asset for changes in asset ceiling	983	3,301
Re-measurement of the net defined benefit obligations	**(8,068)**	**25,075**

The cumulative re-measurements recognised in reserves since the date of transition to IFRS on 1 April 2008 to 31 March 2021 is £86m (31 March 2020: £94m).

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 2021 £000	31 March 2020 £000
Present value of funded benefit obligations	(514,183)	(447,596)
Fair value of scheme assets	436,698	361,427
Deficit in scheme	**(77,485)**	**(86,169)**
Present value of unfunded benefit obligations	(97)	(33)
Re-measurement of net defined benefit pension asset for changes in asset ceiling	(4,284)	(3,301)
Net deficit recognised in the Statement of Financial Position	**(81,866)**	**(89,503)**

5.6 Reconciliation of fair value of scheme liabilities

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

	2020/21 £000	2019/20 £000
At 1 April	**(447,629)**	**(479,509)**
Current service cost	(4,910)	(5,519)
Administration expenses	(69)	(73)
Interest cost	(10,159)	(11,214)
Contributions from scheme members	(1,132)	(1,181)
Past service costs	(34)	(757)
Re-measurement gains/(losses):		
– Actuarial (losses)/gains arising from changes in demographic assumptions	(99)	14,135
– Actuarial (losses)/gains arising from changes in financial assumptions	(75,175)	8,621
– Actuarial gains arising from experience adjustments	5,599	5,740
Benefits paid	14,251	15,432
Settlements – scheme cessation	5,077	6,696
At 31 March	**(514,280)**	**(447,629)**

5.7 Reconciliation of fair value of employer assets

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

	2020/21 £000	Represented 2019/20 £000
At 1 April	**361,427**	**417,255**
Interest income	8,225	9,811
Re-measurement gains:		
The return on plan assets (excluding amounts included in net interest expense)	78,696	(50,287)
Other	30	17
Employer contributions – normal	4,208	4,924
Employer contributions – scheme cessation	2,322	661
Member contributions	1,132	1,181
Benefits paid	(14,251)	(15,432)
Administration expenses	(14)	(7)
Settlements – scheme cessation	(5,077)	(6,696)
Assets at 31 March	**436,698**	**361,427**
Re-measurement gains:	(4,284)	(3,301)
Net value of assets at 31 March	**432,414**	**358,126**

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 2021 £000	Unquoted assets as at 31 March 2021 £000	Total assets as at 31 March 2021 £000	Total assets as at 31 March 2020 £000
Equities	306,682	8,155	314,837	241,217
Property	6,641	25,070	31,711	30,749
Government bonds	3,453	1,303	4,756	4,140
Other bonds	5,361	793	6,154	6,287
Cash	29,874	763	30,637	39,071
Other	30,671	17,932	48,603	39,963
Total	**382,682**	**54,016**	**436,698**	**361,427**

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: 17 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 2021 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	409,855	416,943	**424,031**	95,994	97,337	98,692
Movement	(7,088)	–	**7,088**	(1,343)	–	1,355
Adjustment to expected rate of salary increases	**+ 0.1%**	**Current**	**- 0.1%**	**+ 0.1%**	**Current**	**- 0.1%**
Present value of total obligation	417,777	416,943	416,109	97,396	97,337	97,278
Movement	834	–	(834)	59	–	(59)
Adjustment to future pension increases	**+ 0.1%**	**Current**	**- 0.1%**	**+ 0.1%**	**Current**	**- 0.1%**
Present value of total obligation	423,197	416,943	410,689	98,650	97,337	96,036
Movement	6,254	–	(6,254)	1,313	–	(1,301)
Adjustment to life expectancy	**- 1 year**	**Current**	**+ 1 year**	**- 1 year**	**Current**	**+ 1 year**
Present value of total obligation	401,933	416,943	432,370	93,583	97,337	101,148
Movement	(15,010)	–	15,427	(3,754)	–	3,811

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 three years following a full actuarial valuation. The last triennial actuarial valuation was completed as at 31 March 2019 which set the employer contribution rates for three years from 1 April 2020 to 31 March 2023. 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 2021/22 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 2021/22 will total £3,736k (Teesside: £2,512k).

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 2021 was 7% (31 March 2020: 7%).

6. Intangible Assets

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 charged to other operating expenditure	(790)	(801)	(16)	(1,395)	**(3,002)**
Indexation (losses)/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 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**

Intangible assets are indexed annually using the appropriate producer price index (PPI) published by the Office for National Statistics.

The gross cost of intangible assets that were fully amortised but still in use at 31 March 2021 is £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 amounts to £2,557k.

All intangible assets are owned by CQC.

2019/20	Information technology £000	Development expenditure £000	Software licences £000	Websites £000	Total £000
Cost or valuation					
At 1 April 2019	**41,365**	**2,556**	**3,958**	**7,859**	**55,738**
Additions	–	12,299	182	–	**12,481**
Reclassifications	5,407	(5,407)	–	–	**–**
Disposals	(1,415)	–	(1,548)	–	**(2,963)**
Impairments charged to revaluation reserve	(4)	(1)	(1)	–	**(6)**
(Impairments) and reversals charged to other operating expenditure	(633)	(192)	(10)	6	**(829)**
Indexation gains to revaluation reserve	709	29	40	125	**903**
At 31 March 2020	**45,429**	**9,284**	**2,621**	**7,990**	**65,324**
Amortisation					
At 1 April 2019	**33,973**	**–**	**3,698**	**6,756**	**44,427**
Charged in year	3,842	–	266	358	**4,466**
Disposals	(1,415)	–	(1,548)	–	**(2,963)**
Impairments charged to revaluation reserve	(3)	–	–	–	**(3)**
(Impairments) and reversals charged to other operating expenditure	(77)	–	(8)	3	**(82)**
Indexation gains to revaluation reserve	540	–	35	110	**685**
At 31 March 2020	**36,860**	**–**	**2,443**	**7,227**	**46,530**
Net book value at 1 April 2019	**7,392**	**2,556**	**260**	**1,103**	**11,311**
Net book value at 31 March 2020	**8,569**	**9,284**	**178**	**763**	**18,794**

The gross cost of intangible assets that were fully amortised but still in use at 31 March 2020 was £27,774k.

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 £2,048k.

All intangible assets were owned by CQC.

6.1 Movement in revaluation reserve: intangible assets

	2020/21 £000	2019/20 £000
Balance at 1 April	**234**	**172**
Net gain on indexation of intangible assets	16	218
Impairments charged to reserve	(42)	(3)
Transfers between reserves for intangible assets	(1)	(153)
Balance at 31 March	**207**	**234**

7. Property, plant and equipment

2020/21	Information technology £000	Furniture and fittings £000	Total £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 are owned by CQC.

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

Restated[10] 2019/20	Information technology £000	Furniture and fittings £000	Total £000
Cost or valuation			
At 1 April 2019	**11,148**	3,308	**14,456**
Additions	889	–	**889**
Disposals	(139)	–	**(139)**
Impairments transferred to other operating expenditure	(54)	(23)	**(77)**
Impairments transferred to revaluation reserve	–	(2)	**(2)**
Indexation gains to revaluation reserve	145	(66)	**79**
At 31 March 2020	**11,989**	**3,217**	**15,206**
Depreciation			
At 1 April 2019	**6,390**	**2,464**	**8,854**
Charged in year	1,258	419	**1,677**
Disposals	(139)	–	**(139)**
Impairments transferred to other operating expenditure	(19)	(20)	**(39)**
Impairments transferred to revaluation reserve	–	(1)	**(1)**
Indexation gains to revaluation reserve	97	(71)	**26**
At 31 March 2020	**7,587**	**2,791**	**10,378**
Net book value at 1 April 2020	**4,758**	**844**	**5,602**
Net book value at 31 March 2021	**4,402**	**426**	**4,828**

All property, plant and equipment are owned by CQC at 31 March 2020.

10 During 2020/21 it was discovered that low value items of property, plant and equipment had been erroneously classified as capital expenditure. These errors have been corrected by restating the 2019/20 prior year comparative. This has impacted on the cost or valuation, depreciation and revaluation reserve balances. See note 22 for further details.

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

	2020/21 £000	Restated[10] 2019/20 £000
Balance at 1 April	**129**	**104**
Net gain on indexation of property, plant and equipment	14	53
Impairments charged to reserve	(8)	(1)
Transfers between reserves for property, plant and equipment	(8)	(27)
Balance at 31 March	**127**	**129**

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 have 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.

In response to the COVID-19 pandemic CQC supported registered providers facing liquidity issues by offering revised payment schedules and paused the active chasing of debt for six months. A hold was also put on any accounts being sent to an external debt collection company during this period. The impact of the pandemic has been closely monitored by management and the ET through regular reporting throughout the financial year.

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 have no material exposure to currency or commodity risk. All material assets and liabilities are denominated in sterling. Except for cash and cash equivalents, CQC have 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 2021 £000	31 March 2020 £000
Trade and other receivables with DHSC group bodies	3,984	1,708
Trade and other receivables with other bodies	9,247	9,788
Cash at bank and in hand	42,725	46,619
Total	**55,956**	**58,115**

8.2 Financial liabilities

	31 March 2021 £000	31 March 2020 £000
Trade and other payables with DHSC group bodies	408	1,413
Trade and other payables with other bodies	18,490	22,777
Other financial liabilities	47	63
Total	**18,945**	**24,253**

9. Trade receivables and other current assets

	31 March 2021 £000	31 March 2020 £000
Trade and other receivables		
Contract receivables	13,161	12,566
Other receivables	2,837	2,612
Expected credit loss	(2,781)	(3,794)
Deposits and advances	14	112
Subtotal: Trade and other receivables	**13,231**	**11,496**
Other current assets		
Prepayments	3,710	848
Subtotal: Other current assets	**3,710**	**848**
Total	**16,941**	**12,344**

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

The expected credit loss relating to contract receivables totals £2,636k (31 March 2020: £3,716k) and other receivables totals £145k (31 March 2020: £78k).

Deposits and advances include advance salary payments and staff loans, these total £2k and £12k (31 March 2020: £8k and £104k). 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

	2020/21 £000	2019/20 £000
Balance at 1 April	**3,794**	**3,007**
Recognition of expected credit loss allowance	569	752
Changes to expected credit loss allowances	264	704
Provision utilised due to write-off	(1,272)	(6)
Provision reversed as unused (eg settlement of receivable)	(574)	(663)
Balance at 31 March	**2,781**	**3,794**

10. Cash and cash equivalents

	2020/21 £000	2019/20 £000
Balance at 1 April	**46,619**	**34,770**
Net change in cash and cash equivalent balances	(3,894)	11,849
Balance at 31 March	**42,725**	**46,619**
The following balances at the end of the period were held at:		
Government banking service and cash in hand	42,725	46,619
Total balance at 31 March	**42,725**	**46,619**

11. Trade payables and other current liabilities

	31 March 2021 £000	31 March 2020 £000
Amounts falling due within one year		
VAT	(565)	(474)
Other taxation and social security	(4,998)	(6,532)
Trade payables	(5,561)	(3,666)
Other payables	(2,995)	(4,072)
Accruals	(9,021)	(14,669)
Capital creditors – intangible assets	(800)	(1,598)
Capital creditors – property, plant and equipment	(3)	(185)
Total trade and other payables	**(23,943)**	**(31,196)**
Current pension liabilities	(16)	(16)
Fee income in advance	(18,665)	(19,797)
Total current trade payables and other current liabilities	**(42,624)**	**(51,009)**
Amounts falling after more than one year		
Pension liabilities	(31)	(47)
Total non-current trade payables and other non-current liabilities	**(31)**	**(47)**

Trade payable days at 31 March 2021 were equivalent to 20 days (31 March 2020: 28 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.

Trade payables falling due after more than one year have been reduced by a discount factor of minus 0.95% per annum (2019/20: minus 0.50%) in accordance with HM Treasury guidance.

12. Provisions for liabilities and charges

	2020/21			2019/20		
	Leased property dilapidations	Legal	Total	Leased property dilapidations	Legal	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	**1,931**	**407**	**2,338**	**2,206**	**437**	**2,643**
Provided in year	–	466	**466**	–	407	**407**
Provisions not required written back	(1,374)	(300)	**(1,674)**	(78)	(334)	**(412)**
Provisions utilised in year	(43)	(107)	**(150)**	(215)	(103)	**(318)**
Change in discount rate	–	–	**–**	4	–	**4**
Unwinding of discount	7	–	**7**	14	–	**14**
Balance at 31 March	**521**	**466**	**987**	**1,931**	**407**	**2,338**

12.1 Analysis of expected timings of discounted cash flows

	2020/21			2019/20		
	Leased property dilapidations	Legal	Total	Leased property dilapidations	Legal	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	–	466	**466**	564	407	**971**
Later than one year and not later than five years	521	–	**521**	1,367	–	**1,367**
Later than five years	–	–	**–**	–	–	**–**
Balance at 31 March	**521**	**466**	**987**	**1,931**	**407**	**2,338**

Leased property dilapidations are the costs that would be payable on the termination of the leases. A provision totalling £1.4m was released during the year relating to the vacated office space on Buckingham Palace Road, London due to the landlord confirming that CQC was not liable for the cost of any dilapidations.

The legal provision includes expected costs relating to ongoing cases, tribunals and judicial reviews estimated at £0.5m (31 March 2020: £0.4m).

No provisions were recognised in respect of employment termination costs (31 March 2020: £nil).

Provisions falling due up to five years have been discounted by a factor of minus 0.02% (2019/20: 0.51%) and provisions falling due between five and 10 years have been discounted by a factor of 0.18% (2019/20: 0.55%) in accordance with HM Treasury guidance.

13. Reconciliation of movements in the Statement of Cash Flows

13.1 Adjustment for non-cash transactions

	Note	2020/21 £000	Restated 2019/20 £000
Depreciation, amortisation and impairment charges	4.2	8,960	6,928
Increase in provision for pension fund deficit	4.1	819	1,432
Net interest expenses on pension scheme assets and liabilities	4.2	1,934	1,403
Provisions expense	4.2	(1,208)	(1)
Finance expense: Unwinding of discount on provisions	12	7	14
Total adjustment for non-cash transactions		**10,512**	**9,776**

13.2 Movement in trade and other payables

	Note	2020/21 £000	2019/20 £000
(Decrease)/increase in trade and other payables	11	(7,253)	4,273
Less decrease/(increase) in capital creditors – intangible assets	11	798	(777)
Less decrease in capital creditors – property, plant and equipment	11	182	1
Total movement in trade and other payables		**(6,273)**	**3,497**

13.3 Purchase of intangible assets

	Note	2020/21 £000	2019/20 £000
Additions	6	(10,558)	(12,481)
(Decrease)/increase in capital creditors – intangible assets	11	(798)	777
Total purchase of intangible assets		**(11,356)**	**(11,704)**

13.4 Purchase of property, plant and equipment

	Note	2020/21 £000	Restated 2020 £000
Additions	7	(4,064)	(889)
Decrease in capital creditors – property, plant and equipment	11	(182)	(1)
Total purchase of property, plant and equipment		**(4,246)**	**(890)**

14. Movements on reserves

	General reserve £000	Revaluation reserve £000	Retained earnings reserve £000	Total £000
Restated balances at 1 April 2019	**(69,617)**	**276**	**22,450**	**(46,891)**
(Decrease)/increase in the year	(16,883)	87	3,375	**(13,421)**
Restated 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 31 March 2021	**(60,801)**	**334**	**23,889**	**(36,578)**

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. £7,968k 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 £9,904k was utilised to fund capital expenditure resulting in a net utilisation of £1,936k.

15. Capital commitments

Contracted capital commitments at 31 March 2021, not otherwise included within these financial statements:

	31 March 2021 £000	31 March 2020 £000
Intangible assets	1,128	2,755
Property, plant and equipment	126	460
Total	**1,254**	**3,215**

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 2021 £000	31 March 2020 £000
Buildings		
Not later than one year	2,432	4,476
Later than one year and not later than five years	7,778	4,027
Later than five years	3,596	–
Total	**13,806**	**8,503**
Other		
Not later than one year	76	44
Later than one year and not later than five years	99	56
Later than five years	–	–
Total	**175**	**100**

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.

During the year CQC entered into a 10-year arrangement for a new office space in London which has an annual rental charge of £0.8m payable to DHSC.

There were no future minimum lease payments due under finance leases at the Statement of Financial Position date (31 March 2020: none).

17. Other financial commitments

CQC has entered into non-cancellable contracts which are not operating leases or capital commitments. The total payments to which CQC is committed are as follows:

	31 March 2021 £000	31 March 20120 £000
Not later than one year	19,244	10,628
Later than one year and not later than five years	13,464	17,189
Later than five years	–	–
Total	**32,708**	**27,817**

18. Contingent liabilities

CQC has the following contingent liabilities:

	31 March 2021 £000	31 March 2020 £000
Backdated VAT charges	325	616
Employment tribunals and legal advice	463	367
Total	**788**	**983**

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. The most material transactions during 2020/21 have been with DHSC and NHS Improvement. We also have transactions with all NHS foundation trusts and NHS trusts as each are charged an annual statutory fee as providers of regulated activities.

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

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

20. Events after the reporting period date

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

The following events after the reporting date have resulted in adjustments to the Financial Statements:

- Pension fund cessation: the last member of the Hampshire Pension Fund left CQC in April 2021 resulting in a cessation event. The net deficit presented in note 5.1 has been calculated on a cessation basis.

- HMRC liability: in May 2021 settlement was agreed with HMRC in relation to a social security liability arising from the deemed benefit of colleagues with a dual workplace. The liability presented as part of note 11 reflect the value of the crystallised liability.
- Intangible asset impairment: in May 2021 a review of development work in our change programme resulted in the identification of an impairment arising due to incompatibility with our Registration Platform. This impairment is presented in note 6.

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.

22. Prior period adjustment

During 2020/21 it was discovered that low value items of property, plant and equipment had been erroneously classified as capital expenditure. These errors have been corrected by restating the 2019/20 prior year comparative for property, plant and equipment. The impact of the prior period adjustment is as follows:

- Net Reduction in PPE balance as at 1 April 2019 of £173k, with related adjustments to general reserve and the revaluation reserve;
- Net Reduction in PPE balance as at 31 March 2020 of £278k, with related adjustments to the general reserve, revaluation reserve and retained earnings; and
- Increase in 2019-20 net expenditure of £105k.

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