Care Quality Commission

Annual report and accounts
2019/20

HC 1175

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Annual report and accounts 2019/20

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Contents

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

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.

Our strategic priorities

1 Encourage improvement, innovation and sustainability in care

2 Deliver an intelligence-driven approach to regulation

3 Promote a single shared view of quality

4 Improve our efficiency and effectiveness

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

Throughout 2019/20, we were focused on delivering the final year of our five-year strategy, while laying the foundations for the future. Our priority has always remained the safety and wellbeing of people who use health and social care services.

We made progress towards building a more targeted, responsive and collaborative approach to regulation, with our aim for more people to get high-quality care.

That central theme of collaboration has been a driver in our work, as we look to transform the way we work so that our regulation can support the needs of people where it is most needed, and we are ready as an organisation to regulate with new kinds of care provision as they emerge.

Our work to achieve these aims has inevitably been affected by the global coronavirus pandemic that has impacted all of our lives, professionally and personally. COVID-19 is the greatest public health crisis the world has seen in 100 years, and the challenges it has posed to the NHS, to national and local government, and to health and social care providers have been unprecedented.

Throughout the pandemic, our regulatory role has not changed – we have continued to ensure that health and social care services provide people with safe, effective, compassionate, high-quality care. Our core purpose to keep people safe has been at the heart of all decisions we have made.

During the early stages of the pandemic, we moved quickly to adapt how we regulate and work within the health and care system. We paused our routine inspection programmes for services and diverted our resources in a supportive and responsive way for providers. We also redeployed some of our colleagues to the frontline of care services and supported the national calls for volunteers.

While routine inspections were paused, we never stopped regulating. We continued to respond to information from frontline health and social care professionals and carers, specifically safeguarding and whistleblowing alerts, and we carried out focused responsive inspections where there had been clear risks to the public.

We continued to analyse and respond to information from people who use services and their families, supported by our national campaign to increase the level of information we gather about the quality of care through our Give Feedback on Care. We also worked collaboratively with system partners to support informed decision making and respond to emerging issues at local, regional and national levels.

To support our monitoring of services we rapidly developed a number of new data collection and digital monitoring tools – the Emergency Support Framework (ESF) – which supported inspectors to understand where people may be at the greatest risk of unsafe care. The ESF supported structured and consistent conversations between inspectors and providers and enabled them to explore the stresses and challenged for care providers and for the wider care system.

The coronavirus pandemic has resulted in fundamental changes to the way that care is delivered, and we will need to be flexible and responsive in the way we regulate so we don’t stifle this innovation. The ESF is one example of how we have designed, tested and iterated new ways of working in a very short space of time. As we continue to assess the impact of the pandemic and take stock, we are in a good place to respond and adapt to a changing health and social care environment. We are taking our learning and building this into our transformation programme and our future strategy development.

We have made good progress in our ambition to make CQC intelligence-driven and we have shared our work on new ways of working with our partners and the wider system, playing our part in whole-system regulation.

We have invested in our people so that we are more connected as an organisation and better able to collaborate across teams. Our people have told us that this has made a positive difference in their jobs. It is part of our vision of an inclusive organisation that values difference – we want to be renowned as a great place to work.

In the coming months we will be having a conversation with the public, providers and stakeholders about our next strategy and how we can achieve our ambition to be a world class regulator, able to drive improvements in how people experience health and care, for a safer future.

Peter Wyman CBE DL
Chair

Ian Trenholm
Chief Executive

Performance summary

In 2019/20 we continued to realise our ambition for a more targeted, responsive and collaborative approach to regulation, so more people get high-quality care. We focused on our four strategic priorities which were set at the beginning of the year, concentrating on a programme of business and cultural change and improvement to deliver our strategy.

2019/20 was the first year of our strategic change programme that will enable us to meet the ambition of current and future strategy, by evolving our operating model to ensure we remain a fit for purpose regulator in a changing world of health and social care provision.

We have been focused on modernising our technological capabilities to make it easier for people to do their jobs, for example rolling out Office 365 across the organisation, ensuring we have equipment that enables mobile working for our workforce and preparing for migrating our IT managed service in the first quarter of 2020/21.

Alongside this we have reviewed our digital capabilities, internal processes and operating model, which enables us to respond more flexibly when we identify changes that will impact the quality of our work. As part of this work we have made substantial progress on transforming registration, which will see community-based adult social care providers invited to use our new registration digital service.

In the last month of the year as part of our response to COVID-19 we temporarily and rapidly change our approach to regulation, as well as how we physically worked as an organisation. The process of change in March was achievable due to our investment in year on digital tools and our enhanced culture for quality improvement and change.

Whilst the EU Exit has a relatively low impact directly on the operation of CQC, during the year we ensured that our planning was robust and that we had followed Government guidance. This also included regular conversations with the Department of Health and Social Care to ensure appropriate system wide preparations are in place.

Priority One: Encourage improvement, innovation and sustainability in care

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 made good progress towards this priority and have continued to encourage services rated inadequate or requires improvement to improve. We continued to publish reports targeted towards sharing best practice and improvement of services. Through academic research we now know different types of impact that our regulation can have on providers, extending beyond inspection and rating.

Throughout the year we have engaged our key stakeholders through external coproduction which helps to understand the effect strategies, policies, tool and methodologies will have and how they will work in practice. The goal of our external coproduction is to ensure the changes we make as an organisation are based on the needs of providers, the public and other key stakeholders.

We have started to make progress in encouraging innovation across the sectors and will continue this into 2020/21. We have published a joint set of principles, with NHS England and NHS Improvement, on how to enable successful innovation in health and social care providers. We have published the results of our first two ‘sandboxing’ projects. A sandbox provides a space for CQC to work collaboratively with a small number of providers and innovators over a limited period of time to set out what good looks like for a particular area of care, and to provide clarity on CQC’s regulatory activity. Our projects in year have been on the use of digital triage tools in healthcare services and the use of machine learning applications in diagnostic services.

Key areas of performance from Priority One in 2019/20:

- Of the providers that told us their services had improved in the last 12 months, 81% said CQC helped them to improve, we continue to monitor the impact and effectiveness of our approach.
- On re-inspection a total of 2,332 services improved their ratings from inadequate or requires improvement. 79% of the services that we re-inspected, and were previously rated inadequate, improved, compared with 74% in 2018/19. We continue to have regular conversations with key stakeholders, which includes inspection outcomes, risks identified and ongoing monitoring.
- In our 2019 stakeholder survey, our stakeholders told us that we work with them effectively and that our information is useful in supporting improvements to services.
- Public organisations tell us they value working in partnership with us and that it supports their efforts to bring about improvements to care services.
- We have continued to work with NHS England and NHS Improvement to assess NHS trusts' use of resources (such as finances, people, estates, facilities and procurement). We carried out 119 inspections in NHS trusts focused on ensuring sustainable performance through leadership, management and culture at a trust-wide level.

Priority Two: Deliver an intelligence driven approach to regulation

Our ambition is to use our 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.

Our business plan focused on transforming our registration and enabling ourselves to become intelligence driven. We have made progress in both areas, and they will continue to progress in 2020/21. We are on track to launch our first registration transformation beta (pre-release given to a group of users to try under real conditions) in Spring 2020, which will see community-based adult social care providers invited to use our new registration digital service. The team will also analyse real-time feedback from users on how the service is working, which will be used to make quick changes to the new service.

We set out to develop our culture and invest in processes and technology to deliver a step change in how we use information and how providers, public and partners experience sharing of information with CQC. We have made substantial changes to our core data systems and underpinning technology – improving how we collect, manage, use and share data from the public, providers and CQC colleagues to support consistent decision making. We have reached some important milestones including: iHub (Intelligence Hub which is a data warehouse designed to enable effective use of internal and external data) going live in December 2019; CQC Insight products being available for all sectors; and OBIEE (our application for gathering, storing and providing access to data) upgrade being complete in February 2020.

In our review of restraint, seclusion and segregation for people with a mental health problem, a learning disability or autism, we stressed the urgent need to fix a failed system of care and to strengthen the safeguards that protect the rights of people held in segregation. The treatment of people at Whorlton Hall in County Durham reinforced how difficult it can be to uncover abusive practices in such institutions. An independent review into our regulation of Whorlton Hall found that, while we followed our procedures, there were a number of reasons why we didn’t detect abusive behaviour of patients. The review made a number of recommendations to strengthen our inspection and regulatory approach of similar services, which we welcomed.

We are incorporating the recommendations into our new strategy, to ensure we improve how we regulate mental health, learning disability and/or autism services to get it right for people who use these services. Some of the recommendations relate to work that is already in progress but there is more to be done. We are committed to working closely with people who use services, families and professionals to develop our approach in a way that more effectively safeguards their human rights.

Key areas of performance from Priority Two in 2019/20:

- In our public awareness survey, of those who were aware of CQC reports, 57% held a positive view of CQC, compared to 55% in 2018.
- We introduced a new service, called Give Feedback on Care, making it easier for people to tell us about their experiences of health and social care. We made it more intuitive to use and to improve the quality of information we collect.
- We carried out more than 16,000 inspections across all sectors. This includes our public commitment to re-inspect services based on their inspection rating, as well as inspection of newly registered services and those that we inspected due to intelligence we receive.
- We inspected just under one in 10 (9.6%) of dental locations – a total of 1,210, of which 1,028 counted towards our programme. This was against a target of 10% (1,075).

- Our registration performance against agreed timescales was below our KPI target for all application types. The registration operational programme was placed in recovery in November 2019 while work was focused on clearing a backlog of historic applications. Initial progress on registration recovery was made by the year end and will continue into 2020/21. In addition, new performance indicators for registration are included within our 2020/21 business plan to ensure it remains a key focus.
- We made 1,052 visits to keep the operation of the Mental Health Act (MHA) under review. The frequency of MHA visits is depending upon the patient group, however regional teams can make an assessment to visit outside of frequency.
- We use safeguarding alerts to quickly inform local authorities of the most urgent and serious information of concern that we receive. In 2019/20, 96% of alerts were referred within one day, just ahead of our target of 95%.
- It was identified during the year that our process for recording our action for safeguarding concerns requiring mandatory action needed improvements. Improvements were implemented in August 2019 and our performance improved continuously ending the year at 92% against a target of 95%.

- When we took urgent enforcement, 75% were served within three days against our KPI target of 70%.
- 67% of Experts by Experience who responded to our inspection team survey in 2019 thought that the views of people who use services and the public are given sufficient weight in CQC judgements and ratings. This has deteriorated slightly from 73% in 2018. During the year we have worked with inspection staff to develop new guidance on the use of views obtained by experts by experience and ensuring user voice is captured in report writing.

Priority Three: Promote a single shared view of quality

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 understand the quality of care they receive.

We set out to deliver our role in whole system regulation, putting a greater emphasis on partnership working and system-wide quality in our regulation activity. We have made considerable progress against this priority and we are pleased to see the vast majority of health and care providers use CQC's five key questions in carrying out their own governance, assurance and communication. We need to ensure that the work continues with other system partners to reduce the demands of regulation on providers. The proportion of providers saying that completing CQC's provider information return is demanding remained broadly the same: 56% in 2020 compared with 57% in 2019.

Key areas of performance from Priority Three in 2019/20:

- 91% of providers said that they use our five key questions when conducting quality control and assurance, compared with 90% in 2019.
- 81% of people in our 2019 public awareness survey told us they trust that CQC is on the side of people who use services. This is an increase from 74% in the previous year.
- Public awareness of CQC has remained broadly the same compared with 2019: spontaneous awareness reducing from 25% to 23%, and total awareness reducing from 62% to 59%.
- To help build trust and understanding among people who use services, we have carried out public campaigns during 2019/20 and we are monitoring how our new online service developments, such as Give Feedback on Care, help to build further awareness.

Priority Four: Improve our efficiency and effectiveness

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

We have made progress under some areas of this priority, including our transformation programme, delivering within budget and implementation of new digital technology. However, we have more to do, especially in improving the experience of our people.

Our approach:

To support our strategy, we have begun work to design a new operating model that will build on the successes of our current model, keeping what works and including learning from our work during the COVID-19 response. Underpinning this is our organisational culture and our people. We have already seen impressive new ways of working at pace to design, test and iterate in response to COVID-19, and working with stakeholders to look at health and care from regional and national standpoints. We want to embrace and develop this collaborative approach to problem solving and evaluating risk.

Much of our focus in 2019/20 has been on building an overarching transformation programme that will take us towards our ambition of being a leading 21st century regulator. The programme and strategy are organised in three key areas that intersect and gradually build to our future CQC.

Our people:

In 2020 our people survey results showed that colleagues continue to feel positively about our work, teams and managers, and a large proportion continue to consider the work of CQC as vital for people who use services: 88% said that CQC makes a positive difference to people's lives.

There has been a significant improvement in colleagues' experience of equipment and technology (from 42% to 57%). People also feel there has been an improvement in the ability to speak up and believe that the behaviours of leaders support our values. In our people survey 2019, the question 'I think it is safe to challenge the way things are done in CQC' increased by 6% and 'I believe the values and behaviours of leaders are consistent with the values of CQC' increased by 4% from 2018.

However, some overall perceptions of working for CQC have declined, and this has resulted in our 'Say, Stay, Strive' employee engagement index score decreasing by five percentage points, to 66%. Experience of change and communications continued to score very low, despite our efforts to target action in these areas. Perceptions of executive and senior leadership have seen significant decreases.

Our people survey reflected fewer people feeling engaged or involved in change and a downward trend on views of leadership. In contrast, our response to COVID-19 was positively received.

A cultural Inquiry launched in March 2020 and took place during Q1 of 2020/21. The process of talking about culture together and developing a shared understanding of how we see it currently, will shape the way everyone does things. All colleagues are invited to take part in online workshops. The workshops were aimed to build a collective view of culture by reflecting on assumptions, recognising shared beliefs and creating an open space for change.

Our estate:

Our estates strategy aims to provide a working environment that best supports our people to perform at their best, aligns with our regulatory approach, meets our cost constraints, and supports Office of Government Property guidance.

Our current estate comprises seven buildings in Birmingham, Bristol, Leeds, London, Manchester, Newcastle and Nottingham. We also have access to three satellite 'drop-in' offices. More than 65% of our people are home-based workers, and those who are office-based are encouraged to adopt smarter working principles.

We have planned a range of efficiency savings and during 2019/20 we have:

- Contributed to the project to move our London office to a much smaller and more cost-effective building in Stratford (East London) from late 2020.
- Closed our Preston office and consolidated it with the Manchester office.
- Continued to hold wellbeing events to support colleagues to connect better within offices and to create welcoming office environments for visiting home workers.
- Actively sought public sector bodies to share under-utilised space.

2019/20 reporting data:

			Miles	Km
Gas	kwh		207,933	
Water	m3		592	
Travel	Staff cars		3,661,046	5,891,882
	Car Hire		128,880	207,412
	Rail		2,296,272	3,695,492
	Flights		44,496	71,609
No. of Flights			496	
Waste	Tonnes Recycling		12	
	Tonnes Landfill		11	
Paper	A4 reams		8,895	
	A3 reams		175	
	A5 reams		0	

Our sustainability:

Our aim is to reduce the impact of our business on the environment. Efficient use of our IT systems and accommodation is an important strand of this work. We have established an Environmental Sustainability Steering Group, are reviewing our sustainability development management plan, and have an ongoing dialogue with our suppliers of goods and services to make sure that they have sustainable working practices with supporting policies. We report our environmental performance on a quarterly basis to DHSC and are currently exploring how we can promote sustainability in our role as a regulator.

Key areas of performance from Priority Four in 2019/20:

- We delivered within budget, with a 3.7% underspend on revenue budget and 9.8% underspend against our capital budget. Our revenue budget position was driven by several contributing factors including inspector vacancies carried towards the end of the financial year, the resolution of a disputed prior year property charge, lower depreciation charges in year than planned and delivery of certain planned change programmes straddling financial years, which is also the driver for the capital underspend.

- We have strengthened the technology we have in place so that we have the baseline technical capabilities to evolve and build new, exciting digital systems in the future. This investment meant that we could relatively easily move to home working for our whole organisation, including our National Customer Services Centre, in response to the COVID-19 emergency. We were also able to use our technology platforms to offer direct support to the DHSC's COVID-19 testing service, accelerating its use in social care by a number of weeks.
- 90% of Adult Social Care and 93% of Primary Medical Service inspection reports were published on time, which meets and exceeds our 90% KPI respectively. We have further to go to meet our targets overall, with just 54% of Hospital reports being published on time. Quality Improvement projects are ongoing to concentrate on this area of performance.
- In 2020, Stonewall announced that CQC has moved up 68 places in the annual index of workplace equality – from 204th to 136th out of the 504 organisations that applied.
- 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. We published our first WDES report in 2019/20.

- We now have six equality and diversity networks for colleagues, that are an inspirational driver for our diversity and inclusion work across the organisation.
- 55% of colleagues were positive that they could make improvements happen in their area of work (up 1% on 2018). We have begun our 'Silver' Quality Improvement Champions in-person training, with the aim of reaching 600 people by the end of 2020/21, although COVID-19 is expected to impact on this figure.
- We continued to support the Cabinet Office's four principles of HQ, Home, Host and Hub and we worked closely with DHSC to make sure that we align our efforts wherever possible, particularly to the Government Hub Strategy which encourages a smarter, leaner, more fit-for-purpose estate, with a focus on efficiency and people.
- In 2019/20 we have withdrawn use of single plastics, reduced the volume of paper we use and through digital transformation promoted e-working and facilitated less travel.

How we used our money

We are primarily funded through fees charged to registered providers, with DHSC providing grant-in-aid for expenditure for which we are unable to charge fees. In 2019/20 our fees made up 88% of our income, with 11% from grant-in-aid (GIA), and the remaining 1% coming from other external sources.

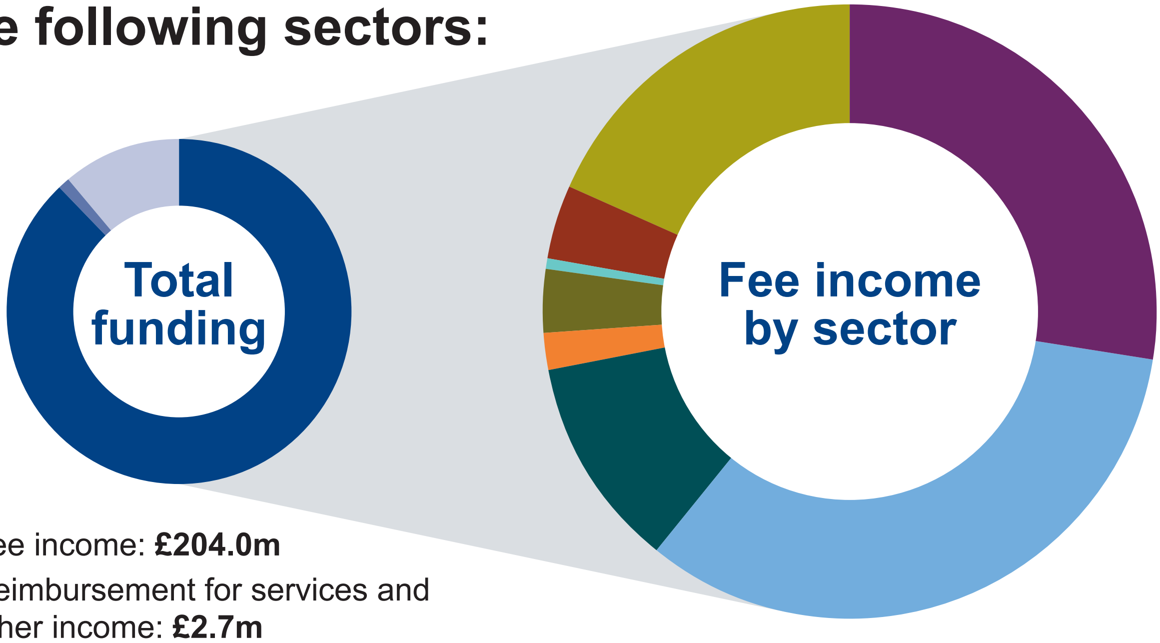
2019/20 was the first year that we were at ‘full chargeable cost recovery’, a journey that began in 2015/16. Before this point our regulatory work was partially funded by DHSC GIA, whereas in 2019/20 all expenditure for regulatory work was recovered through provider fees.

Following a period of incremental changes, in 2019 we decided to provide stability on the fees we charge and keep the existing fee scheme in place for 2020/21.

The end of the financial year started to see the impact of COVID-19 on providers. While our fees have remained applicable, we have aimed to ensure that we provide support for those providers who are experiencing financial difficulties. Furthermore, we’re ensuring that providers who are making temporary registration changes in response to COVID-19 do not see an increased fee as a result.

What we received

Our income is broken down into the following sectors:



- Fee income: **£204.0m**
- Reimbursement for services and other income: **£2.7m**
- Revenue grant-in-aid from the Department of Health and Social Care (DHSC): **£25.5m**

- NHS trusts: **£56.5m**
- Adult social care – residential: **£67.7m**
- Adult social care – community: **£22.9m**
- Independent health care – hospitals: **£3.8m**
- Independent health care – community: **£6.9m**
- Independent health care – single speciality: **£0.9m**
- Dentists: **£8.0m**
- NHS GP practices: **£37.3m**

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

In 2019/20 our revenue expenditure (excluding non-cash items – see note 2.2 to the financial statements) was £221.6 million, with further capital investment of £13.5 million.

Our expenditure enabled us to carry out our regulatory duties and implement the first phase of a multi-year transformative change programme of investments, the benefits of which will ensure that our regulation is smarter, reducing the burden on providers and driving out a more economical use of our operating budget.

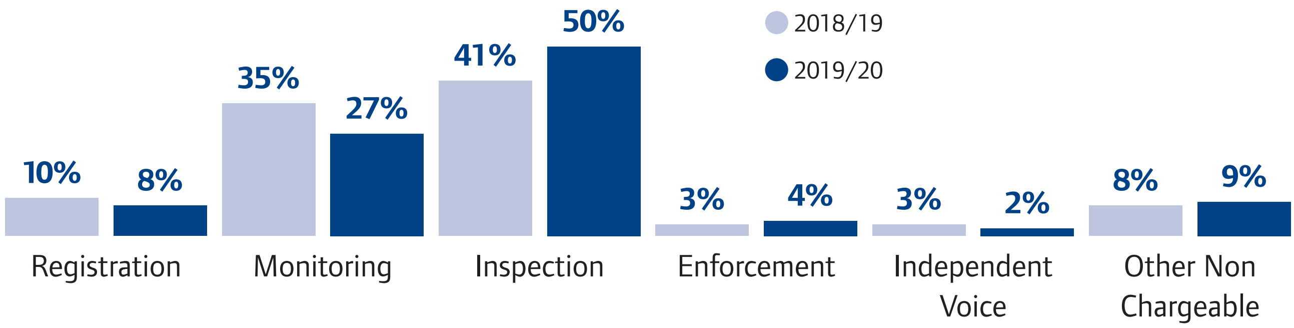
Our focus in year has been on improving our IT to make it easier for people to do their jobs. This includes requirements such as improved connectivity, rollout of smartphones for our mobile workforce, the implementation of Office 365 and a major programme of work to transition to a new IT managed service solution.

We have also begun work to consider future ways of regulating and working that will enable us to deliver our strategy as effectively and efficiently as possible.

Our revenue expenditure in 2019/20 (excluding non-cash items) reduced by £6.1 million compared with 2018/19. The main drivers for this were savings achieved through our improved connectivity such as travel and subsistence (£2.4m) and meeting room hire (£0.4m) as well as further reductions on our estate costs from 2018/19 (£1.4m) and the release of prior year accruals for disputed rental costs (£1.6m).

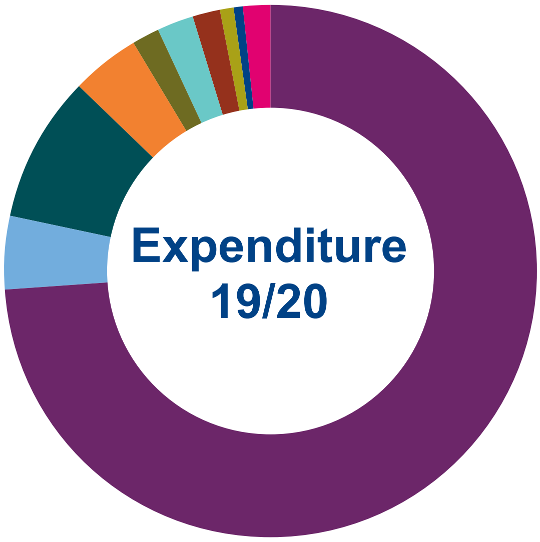
Our capital expenditure in 2019/20 increased by £3.2 million compared with 2018/19 as our transformation programme increased in pace.

Our expenditure related to the following areas of our operating model:



Our expenditure was incurred on the following areas:

- Permanent Staff: **£164.0m**
- Other Staff: **£10.2m**
- Establishment: **£19.3m**
- Travel and subsistence: **£9.3m**
- Rentals under operating leases: **£3.5m**
- Premises and Business Rates: **£5.4m**
- Experts by Experience: **£3.7m**
- Consultancy/Legal Fees: **£1.4m**
- Training and development: **£1.4m**
- Other Costs: **£3.4m**



Ian Trenholm
Chief Executive,
Care Quality Commission
26 January 2021

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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 a number of roles that are set out in legislation and in our framework agreement with DHSC. These are reflected in CQC’s 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, our Chief Executive (who is also the Accounting Officer), our three Chief Inspectors, and our Chief Operating Officer. One of our non-executive directors (Sir John Oldham) acts as the Senior Independent Director.

Membership of the Board changed during the year; the membership and attendance at meetings is detailed in figure 1.

Terms of appointment for non-executive directors Professor Louis Appleby and Professor Paul Corrigan came to an end on 30 June 2019. DHSC plans to recruit to the non-executive vacancies on the Board during 2020.

In terms of executive membership of the Board, Deborah Westhead, then a Deputy Chief Inspector in the Adult Social Care directorate, was appointed as Interim Chief Inspector of Adult Social Care in January 2019 Kate Terroni was subsequently appointed and took up the permanent role on 1 May 2019.

Mark Sutton took up the role of Chief Digital Officer in April 2019. Mark is a member of the Executive Team and attends Board meetings.

Dr Malte Gerhold stepped down from his role as Executive Director of Strategy and Intelligence on 8 March 2020, and this role was disestablished. The leadership of the Strategy and Intelligence directorate was restructured with a new Engagement, Policy and Strategy directorate being led by Ian Trenholm, Chief Executive, and the Intelligence team forming part of the new Digital and Intelligence directorate led by Mark Sutton, Chief Digital Officer.

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

Performance

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.

The Board meets both in public and private session throughout the year. Public sessions of the Board are recorded and are available to view on CQC's website following each meeting. 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 plan. The Board has the opportunity to scrutinise and discuss the data during these meetings. Overall papers and data reviewed by the board are of a high standard and well received, with positive improvements made to regular items such as performance reporting.

The Board has continued its commitment to achieving outstanding levels of governance as CQC would expect of providers when assessing whether they are well-led. It has done this by providing oversight and challenge on key issues, including:

- Ongoing oversight of our financial and business planning including the development of our priorities for 2020/21.
- Comment and advice on the development of CQC's new strategy.
- Comment and advice on the development and delivery of the programme of work within the Change portfolio. This has encompassed a wide range of activity, including digital development; the Registration Transformation programme; Quality Improvement work; and the communication narrative around Change.
- Consideration and approval of the business case to implement the foundations required for a new Digital Operating Model for CQC.
- In light of scrutiny by the Audit and Corporate Governance Committee (ACGC), agreement to recommend the 2018/19 Annual Report and Accounts to the Chief Executive to sign as the Accounting Officer; and approval of strategic and high-level operational risks, rating and mitigations for 2019/20.

- Deliberation and agreement of proposals to keep our current fees scheme unchanged, and of those contracts over the threshold requiring Board approval.
- Consideration and comment on CQC's People Plan, results of People Pulse Surveys and on our annual People Survey.
- Deliberation of the themes and priorities of CQC's first internal strategy addressing equality, diversity and inclusion.
- Advice and comment on key messages for the 2018/19 State of Care report, and on priorities for the Independent Voice programme.
- Following the Panorama programme on Whorlton Hall, scrutiny and comment on CQC action taken in relation to the issues raised, including receipt of two independent reviews (one authored by David Noble QSO and one by Prof Glynis Murphy) and monitoring action in response to the recommendations made.
- Reflection of the work and activity of Healthwatch England and the National Guardian's Office.
- Scrutiny and oversight of how CQC discharges its Market Oversight responsibility and consideration of specific cases as they arose.
- Consideration and advice on proposed statements setting out CQC's position on 3 key recommendations in the independent review of the

Mental Health Act, and approval of CQC's annual report (2018/19) monitoring the use of the Mental Health Act (published February 2020).

- Both the Audit and Corporate Governance Committee (ACGC) and the Regulatory Governance Committee (RGC) produce an annual report of their activity, which is presented to the public session of the Board in its June meeting each year. It is also made available through CQC's website with the other public Board papers.

A culture of diversity and inclusion

The Board heard updates from each of the equality networks and their priorities and in February 2020 the Board reviewed and endorsed the organisational strategy for diversity and inclusion, 'Our inclusive future 2020–2023'.

A member of one of CQC's equality networks continues to be invited to the monthly Board meetings on a rotational basis and to sit on every senior-level recruitment panel to provide support and challenge around diversity and inclusion issues.

Freedom to Speak Up

The Board received an annual progress update from CQC's Freedom to Speak Up Guardian in the public Board meeting in October 2019. In addition, in April 2019 Prof Megan Reitz delivered a Board seminar entitled 'Speaking truth to power'.

A Freedom to Speak Up Guardian has been in place at CQC since 2017. On 1 April 2020 three colleagues were appointed to take over this role and work as a team to continue to raise the profile of speaking up in CQC. The Guardians are supported by a Speak Up Reference Group and colleagues who are Speak Up Ambassadors. A number of whom are also trained as Mental Health First Aiders.

Speak Up Month, which coincides with Black History Month, continues to include a range of activities for Board members and colleagues across the organisation to join, including a joint event with the National Guardian's Office.

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 – 3 January 2022	10/10			1/1	
Ian Trenholm (Chief Executive)	Executive Director	Chief Executive	From 30 July 2018	10/10				
Prof. Louis Appleby CBE	Non-Executive Director	Chair of RGC	1 July 2013 – 30 June 2019	3/3	1/1	1/1		
Prof. Edward Baker	Executive Director	Chief Inspector of Hospitals	From 31 July 2017	10/10				
Dr Rosie Benneyworth	Executive Director	Chief Inspector of Primary Medical Services and Integrated Care	From 4 March 2019	10/10				
Prof. Paul Corrigan CBE	Non-Executive Director		1 July 2013 – 30 June 2019	3/3		1/1	1/1	
Sir Robert Francis QC	Non-Executive Director	Chair of Healthwatch England from 2018	1 July 2014 – 30 June 2020	9/10			1/1	
Dr Malte Gerhold	Executive Director	Executive Director of Strategy and Intelligence	From 11 July 2016 – 8 March 2020	8/9				
Jora Gill	Non-Executive Director		1 November 2016 – 31 October 2022	7/10	1/4		1/1	7/10
Sir John Oldham OBE	Non-Executive Director		1 January 2018 – 31 July 2020	9/10	4/4		1/1	10/10
Paul Rew	Non-Executive Director	Chair of ACGC	1 July 2014 – June 2020	9/10	4/4	3/6	1/1	8/10
Mark Saxton	Non-Executive Director		1 March 2018 – 31 July 2020	10/10	3/4		1/1	10/10
Liz Sayce OBE	Non-Executive Director		1 January 2018 – 31 July 2020	10/10		6/6	1/1	
Kirsty Shaw	Executive Director	Chief Operating Officer	From 1 October 2018	10/10				
Kate Terroni	Executive Director	Chief Inspector of Adult Social Care	From 1 May 2019	9/9				
Deborah Westhead	Executive Director	Interim Chief Inspector of Adult Social Care	From 3 December 2018 – 10 May 2019	1/1				
Linda Farrant	Independent member of ACGC		27 July 2015 – 26 July 2019		2/2			
Jeremy Boss	Independent member of ACGC		1 January 2020 - 31 December 2023		1/1			
David Corner	Independent member of ACGC		1 January 2020 - 31 December 2022		1/1			

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

Note: The People and Values Committee did not meet during the year – its business was considered as part of full Board meetings or Remuneration Committee meetings. Having not met for several years, the PVC terms of reference were reviewed - once duplication with the Remuneration Committee was removed, the remaining elements, including oversight of CQC's values, is to be considered in full Board meetings from April 2020. On approval of these changes in March 2020, PVC was disbanded.

*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 ten Board meetings that Ian Trenholm could have attended, and he attended all ten (represented as 10 of 10). Greyed cells indicate that the person is not a member of that committee.

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 the Care Quality Commission (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

CQC has 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

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 the Audit and Corporate Governance Committee (ACGC) in providing Board level assurance of the Transformation program being implemented across CQC.

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

People and Values Committee
Oversees succession planning, staff development and talent management,and the understanding and application of CQC's values. From April 2020 the function of this committee will form part of the remit of remuneration committee with oversight of CQC's values being part of the remit of the full Board.

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

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 (restructured to Digital and Intelligence from March 2020)

Regulatory Customer and Corporate Operations

Strategy and Intelligence (restructured to Engagement Policy and Strategy from March 2020)

Committees of the Executive Team

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

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.

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

Management assurance

CQC has a management assurance framework that has been designed to seek assurance from all parts of the organisation that internal controls are working effectively and to identify areas of concern. With standards arranged into eight management assurance areas, the framework helps CQC to answer key performance questions:

1. Are we delivering our commitments?
2. Are we efficient?
3. Are we consistent?
4. Are we effective?
5. Do we learn and improve?

Key performance questions	Management assurance areas	Business plan objectives
Are we delivering our commitments?	1. planning	We develop, consult on and publish CQC's strategy for 2021+
Are we efficient?	2. financial management, systems and controls	We are a financially sound organisation and resource our work effectively
Are we consistent?	3. performance and risk management	We deliver an effective and efficient Registration service We embed work to improve our consistency of regulation We provide timely information that is useful for the public and providers We use enforcement when we need to keep people safe
Are we effective?	4. whole organisation approach	We develop our regulation and our organisation through a programme of change and quality improvement
	5. people management and development	We make CQC a great place to work
	6. information and evidence management	We use intelligence to regulate registered services We have effective digital services day to day
	7. governance and decision making	We develop our regulation and our organisation through a programme of change and quality improvement
Do we learn and improve?	8. continuous improvement	We embed work to improve our consistency of regulation

It also underpins our journey to mature and improve our regulatory model and how we manage ourselves as set out in the objectives in our business plan. This table illustrates how the key performance questions, management assurance areas and business plan objectives align:

Each of our directorates provide a self-assessment (including a rating) against a clear set of expectations of performance in these eight core management disciplines. The assessments are peer reviewed by another directorate, then put through a collective challenge by the Executive Team, before being presented to the Audit and Corporate Governance Committee (ACGC).

Our management assurance processes have been embedded over the last five years and have led to improvements in how we manage ourselves. Over time there has been a demand to update and improve the definitions of our management assurance standards, and to consider better ways of improving consistency and fairness in judgements.

During 2019/20, we held cross CQC meetings to discuss and review ‘Whole organisation approach’ and ‘Continuous Improvement’. We also introduced some additions to the standards to reflect aspects of our ‘Well-being’ strategy. Our approach of cross-directorate meetings has provided a collective view of required improvements that can then feed back into Directorates’ assessments and ratings.

In 2019/20 we also started a process of looking at future changes to our Management Assurance process to identify how we can make the process more efficient and strengthen the assurance provided with assessments that are evidence-based and consistent.

During 2019/20, Health Group Internal Audit Service reviewed a selection of the directorate assessments, attended inter-Directorate peer reviews and cross-CQC review meetings. Findings were reported to the ACGC. Recommendations included improvements to enhance the adequacy and effectiveness of the framework of governance, risk management and control including making more evidence examples available, streamlining the peer review process and ensuring action plans are mandatory in areas that are deemed as requires improvement.

The main findings from our assessments in 2019/20, together with some of the improvement actions we have underway, are summarised below.

In 2019/20, 14[1] Directorates carried out assessments, and out of a total of 112 ratings (14 Directorates x 8 assessment areas):

1 Of the 14 directorates that carried out assessments in 2019/20, 5 of them were created since the 2018/19 assessments and just 9 directorates existed in the same form in both years. For these directorates the comparisons are as follows. Out of a total of 72 ratings (9 directorates and 8 assessment areas):

- 2019/20: None (0%) were outstanding; 52 (72%) were good and 20 (28%) were requires improvement.
- 2018/19: 2 (3%) were outstanding; 54 (75%) were good and 16 (22%) were requires improvement.

- None (0%) were rated as ‘Outstanding’, 77 (69%) were rated as ‘Good’, and 35 (31%) were ‘Requires Improvement’.
- Financial management, systems, and control; Governance and decision-making; were the areas rated most highly.
- We need to do more work on whole organisation approach; continuous improvement; people management and development; and performance and risk management which were our least highly scored areas.

The following sections provide detail under each of the eight areas of management responsibility:

1. Planning

We have increased the opportunities for engagement with our senior leaders in formulating the detailed corporate business plan for 2020/21, whereas in previous years they contributed to Priority and Objective setting. We have also ensured good communications between Strategic Planning and Business planning teams.

In our Change programme activity, we have a portfolio build process that ensures we align delivery priorities to available capacity (money and people). The process was incorporated into our business planning timetable for 2020/21, and on an ongoing basis we review monthly through a Resources Committee to ensure aspects remain aligned. We also conduct quarterly deep dives on the portfolio to determine if any adjustments need to be made to reflect emerging requirements or shifts in capacity.

We have a resource strategy in place to obtain the resources we need for delivery and we actively monitor this on a weekly basis. We need to undertake some work to optimise the process to improve the expediency and quality of resources coming through from our contingent labour facility.

2. Financial management, systems and control

Budget Management, Investment Decisions and Financial Control

Directorates continue to monitor their budgets closely with appropriate action taken to address variance and mitigate financial risk. In addition to a monthly financial review, the Executive team carried out a deep-dive into the financial position at the mid-point in 2019/20.

Appropriate financial systems are in place, with a clear understanding of roles and responsibilities, with controls in place to ensure adherence to policies. Value for money is at the forefront of our decision making and is evident in our budgetary position and reduced spending on areas such as travel and subsistence and estates costs.

Contract management

CQC has continued to roll out the government standard framework for contract management and the accompanying toolkit.

Delivery of associated contract management training to key stakeholders has commenced across CQC, and all new ‘gold’ contracts are now utilising the full set of tools and templates. The process is being gradually cascaded and adopted across lower risk ‘silver’ and ‘bronze’ contracts.

Alongside this, several members of the Commercial Team have undertaken formal contract management training (IACCM) and obtained a professional contract management qualification. More members will be working towards this accreditation in 2020/21.

3. Performance and risk management

Performance

We have further strengthened the quality of performance information and our focus on performance reporting in directorates to help us deliver our targets. During the year we introduced Power BI for our performance and risk reporting, which has given managers more accessible ways of using performance information.

We have been able to use performance to identify improvement areas and track the progress following implementation. As set out in the Performance report, our KPIs showed some performance improvements, for example, performance of safeguarding concerns identified a change in process was required to ensure they were addressed in a timely way. Improvements were implemented in August 2019 and could be tracked to show consistent improvement from the remaining six months of the year.

We received the final audit report into Inspection quality and consistency assurance from our internal auditors in June 2020. It is clear from this audit, which had a limited rating, that we need to accelerate the work we have had underway for some time to improve our inspection consistency. In particular we need to define a corporate quality management framework for CQC as a whole covering our Quality control (QC) and Quality assurance (QA) activities, and increase learning and development opportunities for our people in our QC and QA processes. We are discussing all the report's recommendations with our Board and monitoring of their implementation during 2020-21 will take place through the ACGC.

Risk management

Our risk management framework provides a strategic and operational risk register to be considered by the Board at quarterly intervals, and the Executive Team more frequently, including a twice-yearly review of our strategic and high-level risks.

The Board and the Executive Team have agreed our risk register for 2020/21 and the key risks for CQC have been reported to our Board meetings in our quarterly Performance reports, most recently in November 2020 (https://www.cqc.org.uk/about-us/board-meetings/care-quality-commission-board-meeting-18-november-2020). They cover external risks including being an effective regulator; the pace of change in health and social care; and COVID-19.

An internal audit of risk culture within CQC took place in Q4. This focused on corporate risks that relate to CQC's own organisation and effectiveness. We are using the recommendations of this audit to improve our peoples' knowledge and confidence regarding risk processes, including awareness of risk escalation procedures. In particular we will focus on awareness and risk escalation at team levels, with new training and engagement with managers throughout CQC being planned for 2020-21.

In the area of regulatory risk, we have identified several required improvements. These include how consistently we monitor and respond to the risk that services are not safe for the people who use them, underpinned by the reviews we commissioned following Whorlton Hall. Work is underway in line with an objective in our 2020/21 business plan to build a stronger regulatory risk framework that will enable us to ensure consistency and improve our approach.

4. Whole organisation approach

For whole organisation approach there has been a small amount of improvement in the last year but not significantly. There are pockets of good practice, but these are outweighed by a need for a more mature approach and better sharing of good examples.

There is a split between project and cross cutting pieces of work – which we are getting better at – and business as usual where we have a greater amount of work to do. While we have improved since last year, we have higher expectations and we understand the challenges more.

We have made improvements around a collaborative approach to business planning, our project resourcing models and governance, and collaboration on Independent voice activity.

We have, however, more to do in respect of understanding available resources in directorates and articulating benefits to encourage people to get involved. We have more to do on ensuring that our modelling is creating true flexibility on the deployment of resources and we also need to take forward the learning from the David Noble report and ensure we drive forward consistency in our systems and processes.

5. People management and development

Overall, our people survey results tell a similar story to 2018/19, but with some significant increases alongside a downward trend in several areas.

The results show that we continue to feel positively about our work, teams and managers. A large proportion of us continue to consider the work of CQC as vital for people who use services.

There has been a significant improvement in the experience of equipment and technology (up 16% to 57%) – following feedback in the 2018 survey we created much more robust change programmes and have delivered an upgraded network, replaced all mobile phones and implemented Office 365. Work has begun in earnest to replace other systems, such as Digital Publisher and CRM.

People also feel there has been an improvement in the ability to speak up and believe that the behaviours of local leaders support our values, as well as more positive responses to access to learning and development.

Some overall perceptions of working for CQC have declined, and this has resulted in our 'Say, Stay, Strive' employee engagement index score decreasing by five percentage points, to 66%.

Experience of how we lead change and communicate continue to score very low, despite our efforts to target action in these areas. Perceptions of executive and senior leadership have seen significant decreases, particularly in relation to the visibility of senior leaders and their connection to our values.

Listening to the feedback received was evident by the Executive Teams response to COVID-19, which through the technology of Teams live events has allowed the CEO to address the whole organisation and have a Q&A with all colleagues and leaders quickly and frequently on all topics; including change. Staff sentiment has recognised the improved visibility of leadership even though we're all working from home; and we are using pulse surveys to get more frequent feedback. From June 2020 we'll be launching an internal campaign around our change agenda that seeks to increase visibility and opportunities to engage with our change programme.

Directorates report that they have put additional effort into the areas where staff have greatest concerns – workload and wellbeing in particular. As a result, Directorates are focusing on greater engagement with people from senior and other managers; on development and training; well-being initiatives at Directorate and team levels, including focusing on connectivity for home workers and using data to monitor workload and sickness so issues can be addressed. Directorates will monitor future survey results with the aim of seeing an improvement in these and other areas.

6. Information and evidence management

We are in the process of a very significant digital transformation. This means that colleagues in all directorates are experiencing change in the way that they use, store and manage information and evidence.

These changes will allow CQC to make information management improvements and will allow greater oversight and assurance in this area. This work has started and will continue over the next year with all directorates.

12 out of 14 Directorates were rated as good in relation to this area of the Management Assurance standards, with two being requires improvement. We have not identified that this represents a significant variation between the standard of information and evidence management across directorates, but this reflects different operational demands and priorities that impact on information and evidence management.

As an example of the areas for improvement, one of those Directorates highlighted the intention to do more work to support staff to collect data that is most closely focused on the needs of making judgements about regulatory risk, and therefore minimise the collection of extraneous data. The other Directorate highlighted that the data storage solutions for some data they use needed improvement and while workarounds were being used, a Quality Improvement project had been established to resolve this. Learning from these improvements can be shared with all directorates as part of the ongoing work to further strengthen our information and evidence management.

7. Governance and decision making

We continued to work with DHSC's sponsor team to maintain arrangements for regular performance reporting and review. Assurances around the efficient and effective operation of Healthwatch England were sought through CQC's governance frameworks. These comprise regular reporting to CQC's Board and CQC's ACGC, and regular accountability meetings between the Accounting Officer and the Chair and Chief Executive of Healthwatch England.

We have a scheme of delegation to ensure that all significant decisions are made by those who are authorised to make them. We have no information or evidence to suggest that during the year CQC has assumed duties beyond its statutory powers, or that it has improperly delegated any duties. We updated the scheme twice in the year.

During 2019 we embedded our governance model which was reviewed in 2018/19 to provide a more appropriate balance between governance and delivery. In particular the changes to our governance for our change portfolio – the creation of the Strategic Change Committee – have helped deliver an organised and funded change portfolio that will help us to deliver change effectively – and we have addressed progress with our change programme in the Performance report.

8. Continuous improvement

We set out Quality Improvement (QI) as a key priority in our business plan for 2019-20 and we have made progress in several areas. There is a will and a desire in this area coupled with systems and people's skills being aligned but still more to do.

We have established effective governance structures for managing QI, with Directorate Improvement Groups identifying and coordinating improvement activity within the Directorates, supported by an Improvement Board that provides organisation wide coordination. The development of the QI capability is overseen by a Steering Group and Operational Delivery Group who have responsibility for ensuring QI becomes part of our day-to-day way of working.

We also have established a central QI resource who are trained and experienced, and there are eight directorate QI Gold Experts. This combined with the established governance enables identification and tracking of QI initiatives for all projects.

Training in QI will be available to all colleagues over the next 2 years. To date we have trained 15 Gold level experts, have commenced with Silver Champion level training for 600 colleagues and for all colleagues rolled out our Bronze Foundation level during May 2020. Coaching has also commenced for our Senior

Leadership Group and further training is being developed for our Leadership group.

Our approach to QI is still bedding in and maturing and the focus now in addition to continuing the rollout of training is on areas such as benefits articulation and improving the process for gathering improvement ideas.

Other assurance areas

Information security and governance

Information governance and cyber security are important areas of focus within CQC. As in previous years there has been ongoing improvement work throughout 2019/20 which has been driven by the Information Governance Working Group. That work has been reported to and overseen by the Information Governance Group, chaired by the CQC SIRO. A summary of the work of the group is reported to the Executive Team. Regular updates are provided to the Board at their monthly meetings to cover any significant developments or incidents affecting security and governance within CQC. The board also held a cyber and information security seminar in October 2019 to provide an update and assurance in this area for CQC.

A major programme of migration is taking place in CQC to move systems and data to cloud based infrastructure from the traditional on-premises based systems. Information Security and Governance is an integral part of the programme to ensure that all elements are compliant with both CQC internal and external requirements and good practice.

During 2019/20, work has continued to be undertaken to ensure that CQC remains compliant with the General Data Protection Regulation (GDPR) and the Data Protection Act 2018. Work is ongoing to maintain and strengthen compliance with data protection legislation. Data Protection Impact Assessments are being conducted for all major changes and as part of the systems migration from an on premises to cloud based infrastructure.

Security incident analysis and response has continued throughout 2019/20 and is reported to CQC's SIRO and the Audit and Corporate Governance Committee. The number of incidents reported and investigated during the year was consistent with that of previous years and were low-level incidents where no harm or distress was caused. There was only one incident that was reported to the Information Commissioner's Office; this was reported as a precaution in case it developed at a later stage, but no further follow up by the ICO or CQC was necessary.

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

CQC's Information Governance risk register is regularly reviewed at the meetings of the Information

Governance Group, which continues to monitor the risks and our actions to manage them. We completed the baseline return for the Data Security and Protection Toolkit (DSPT), coordinated by NHS Digital. We have also submitted our full annual return for the DSPT with a fully compliant assessment.

Anti-corruption and anti-fraud matters

The Director of Governance and Legal Services leads CQC's counter fraud function. The number of allegations of fraud received during 2019/20 has continued to be very low, with 9 cases reported and investigated. Those cases contained allegations of corruption or conflict of interest but, following thorough investigation, none have been found to be substantiated. Twice yearly summary reports are presented to the CQC Audit and Corporate Governance Committee for their information and comment. Discussions have taken place with the DHSC counter-fraud team to ensure that CQC processes are aligned with those of the department and other ALBs. That discussion also resulted in CQC receiving regular fraud bulletins and updates.

Conclusion

A management assurance assessment process remains an essential method for gaining assurance and facilitating improvement in the eight areas of management responsibility. The process enables us to set consistent standards we expect in our management and governance and monitor how well these are met across the organisation. Viewed alongside evidence from our KPIs and other measures, and an internal audit programme, we have a good picture of what we are doing well and where we need to improve.

As our summary above sets out, our financial management, systems, and control; Governance and decision-making; and Planning are areas where we can be assured progress has been particularly good. In other areas we can be assured that we know what we are doing well and have identified the things we need to improve, particularly in the areas of Whole organisation Approach, Continuous improvement, Performance and Risk Management and People Management and Development. Within the performance area, improvements to our Quality Controls and Quality Assurance are a clear priority.

We will look to strengthen Management Assurance in the coming year – to build an even stronger evidence base; consistent judgements and as much as possible make the process easy to use, and accessible to our people.

Head of Internal Audit Opinion

We have completed 17 reviews during 2019/20 (2018/19 18). Of the reviews for which formal ratings were issued, 0 (0%) were rated Substantial, 13 (93%) were rated Moderate and 1 (7%) rated Limited [prior year 1 (8%) Substantial, 10 (84%) Moderate and 1 (8%) Limited.

My overall opinion, consistent with that given in 2018/19, is that I can give to the Accounting Officer of the Care Quality Commission for the reporting year 2019/20 MODERATE assurance that there are adequate and effective systems of governance, risk management and control. This opinion should be read in the context of the background and further details given in this report.

We would like to take this opportunity to thank all of those who have assisted us during the course of this year's internal audit programme. CQC continues to take a positive approach to the value of internal audit and to implementation of agreed actions where required in response to recommendations.

My opinion is based on the following information:

- Outcomes of the engagements on the 2019/20 internal audit plan;
- Findings of our review of CQC's response to Covid-19; and
- Cumulative knowledge gained from attendance at management committees including the Strategic Change Committee and Audit and Corporate Governance Committee; access to risk registers and key documentation; and discussions with management.

Scope of report

This report covers the period 1 April 2019 to 31 March 2020.

Purpose of the annual opinion

The Public Sector Internal Audit Standards (PSIAS) require me, as Group Chief Internal Auditor, to deliver an annual internal audit opinion and report. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

My opinion is a key element of the assurance framework and can be used to inform the organisation's Governance Statement.

My opinion is not absolute and is a reflection of the evidence available.

My opinion does not detract from the Accounting Officer's personal responsibility for risk management, governance and control processes.

Compliance with standards

The Government Internal Audit Agency (GIAA) has conducted its work throughout 2019/20 in compliance with PSIAS. A copy of PSIAS is available on request.

Quality assurance and improvement

GIAA was subject to an External Quality Assessment in 2015/16, which confirmed that it 'generally conforms' to the requirements of the PSIAS. This was supplemented with a short assessment by the National Audit Office in 2016/17. The next External Quality Assessment will take place in autumn 2020.

Every year, we undertake regular internal quality review exercises. Broadly, each exercise has been satisfied with the quality of our findings and reports, and recognised improvements in how we document and evidence our work.

We continue to strive for improvement and to ensure we apply best practice consistently across our work.

Impact of COVID-19 on this Annual Report

2020 has seen the UK impacted by the worldwide COVID-19 pandemic, which resulted in a Government lockdown from 23 March. Our work for 2019/20 was planned and delivered before the pandemic and before the impact of COVID-19 was known.

Like other organisations, CQC has needed to respond to the changing situation, taking some urgent and agile decisions to mitigate the impact on the organisation and its staff, and to play its part in the wider NHS and national response. In particular, the decision was taken to suspend normal inspection activity.

Our review of governance, risk and controls was not undertaken in anticipation of the pandemic and the response that would be required of CQC. However, in May 2020 we have performed a high-level review of the response to the crisis, and further work is ongoing to consider how risks facing the organisation have changed and how recovery into future (new or changed) ways of working is being planned and delivered.

Findings from review of CQC's COVID-19 response

CQC was able to draw on its pre-existing Business Continuity arrangements, led through a gold / silver / bronze structure, to respond to the crisis. While these arrangements had been established and tested previously, that was not in anticipation of a crisis on this scale. Some adjustment was required to embed more senior leadership and capacity into managing the response. Going forwards, it will be important to embed the lessons learned, which management is taking steps to do, ensuring continuity and crisis plans cover all potential types of incident and that exercising fully involves all relevant staff in all their possible roles. The detailed findings from our review are currently being collated and will be reported to ACGC in due course.

Management has established a formal programme for recovery of regulation activity, with separate business recovery for matters such as working from home and return to offices. Fairly early on in the response it was identified that there needed to be scenario planning to inform the response, and we believe continued use of scenarios to inform recovery is likely to be helpful. In addition, the crisis has shown the need for organisations to revisit their risk management to ensure all potential risks have been identified and sufficient attention given to those of very remote likelihood but possible extreme impact.

Themes of work

Governance

Work in 2019/20 covered a number of areas of governance.

Early in the year management took steps to improve processes for obtaining external approvals, e.g. DHSC approval to incur expenditure. We found communication with DHSC had improved following the introduction of fortnightly meetings and approval times had reduced because the sponsor team was informed early and consulted during drafting. Recommendations included that a forward plan be maintained to document external approvals required and that guidance notes on the process be prepared.

A review of Quality Improvement concluded that good progress had been made on governance, the QI function and working practices but after some delays to roll-out, reporting on the benefits derived from projects will only be available from July once benefit KPIs have been established.

The Management Assurance-self-assessment process continued to promote an organisational focus on governance, risk and controls. We noted that the cross-CQC panels on Whole Organisation Approach and Continuous Improvement appeared to work well to create engagement.

Risk management

CQC continues to have focus on the management of risk, particularly the more significant risks via Audit and Corporate Governance Committee (ACGC) and Board.

At the request of ACGC we held a series of workshops with samples of staff to assess the culture for raising risks. Strengths identified included that: 88% of staff had an awareness of risk management; 78% were aware of the escalation process; and 49% agreed that CQC actively seeks out information on risk events and ensures key lessons are learnt. Areas for improvement included: raising awareness of the risk management framework and escalation process, including through training; encouraging consistent reporting/escalation of risks; and considering corporate briefings on strategic risk and lessons learnt.

We also reviewed CQC’s framework for management of regulatory risk. This identified a need to improve record keeping within CRM to evidence closure of risks. Other recommendations included to develop an overarching framework for oversight and reporting of regulatory risk, to sit above the existing sector-based frameworks.

Control

We have issued 17 (2018/19:18) reports since our last Annual Report, all of which addressed key aspects of the systems of internal control. A number of these are reported on separately under Governance, Risk Management or Projects and Programmes.

We performed three reviews of key financial control processes in 2020/21 covering the Payroll, Payments and Fees forecasting / accounting systems. There were no high priority actions arising from any of these reviews and no exceptions identified from our transactions testing. Some improvements were required to enhance the adequacy and effectiveness of governance, risk management and control in each of these areas, with more scope to continue developing the fees forecasting and accounting processes, with recommendations including:

- enhance the accuracy of data feeding the fees setting model, including through improved use of time recording and aligning the cost model to fee categories; and
- improve the accuracy of apportionment assumptions for GIA costs and continue to focus on the risk of cross subsidy of GIA funded activity from fee income.

We also reviewed the Inspection Model and assurance mechanisms for Quality and Consistency of Inspection Reports.

In relation to the Inspection Model our work confirmed opportunities forming part of management's pre-existing plans in relation to:

- continuing to work with Inspectors to make use of intelligence products as easy as possible;
- the benefits of a structured technological solution to interfacing with providers; and
- further opportunities in relation to efficiency of report writing.

We found that pending completion of work in progress on the improvement project, CQC has limited assurance that quality assurance and quality control processes achieve consistency across inspection activity. We recommended a corporate quality management framework be introduced, quality control tools be applied consistently across inspection reporting, learning and development for staff be broadened and that more steps should be taken to formalise the improvement project.

In other reviews in 2019/20 we considered the management of activity in Intelligence and how resources were prioritised to products and development initiatives. We also provided some independent views to management's scheduling project team.

Programmes and projects

The major programme of change at CQC has continued throughout 2019/20, comprised of a number of key projects. There has been significant work to improve the IT infrastructure: CQC moved to Office 365 and the Digital Foundations Programme (DFP) is nearing implementation of an entirely new IT infrastructure. At the time of this report, a new five-year strategy is being developed and the “Transforming Our Organisation” project to develop a new Target Operating Model (TOM) is now underway.

We performed an assessment of CQC’s programme governance. This broadly confirmed management’s self-assessment that areas of the framework were either “developed but not yet consistent” or “established but yet to be embedded”. Key areas for development were benefits management and lifecycle assurance.

A high-level security review of the Office 365 architecture, the configuration of security tools and the integration with the on-premise environment was also performed. Findings were broadly as we would have expected for the stage of the migration: a number of available features and configurations had yet to be fully implemented that would provide considerable security benefits, particularly for Identity and Access Management.

A key area of our work in 2019/20 was the DFP. We undertook both an initial Gateway Zero review and a

“Readiness for Implementation” review. We found that compared to the “Amber/Red” delivery confidence in April 2019 improved governance and core programme management processes by October 2019 had significantly improved ability to deliver the intended outcomes. However, there remained risks and opportunities to achieving the demanding timeline for changeover in April 2020.

The Readiness review in March 2020 revealed further significant progress, with onboarding of key suppliers to drive the definition and implementation of the intended solution including the technical future system architecture and the organisational structures and processes for the new IT services. However, projected timelines for delivery and transition of services and applications remained demanding even though the key dates had moved to June 2020. Overall, our review re-confirmed that management are aware of the key risks and issues, but there remains risk to being able to achieve the revised timescales.

Further work on projects, including an updated programme governance assessment, post-implementation review of DFP and assurance work on the TOO project will feature in our 2020/21 plan.

Jane Forbes
Head of Internal Audit

Accounting Officer's Conclusion

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

Our transformation programme encompasses a number of initiatives across registration, our regulatory model, and digital strategy. Significant progress has been made during 2019/20 on delivery of this programme.

In previous years, technology was identified as an area where improvement was needed, and significant improvements have been made on this during 2019/20, led by the Chief Digital Officer, who took up post in April 2019. The majority of technology services are now consumed from the cloud, which offers cost and resilience benefits but has been accompanied by new technology partners and a different cyber risk landscape – both of which will be monitored closely during 2020/21.

Improvements in productivity as a result of this multi-year transformation programme are beginning to be seen and will continue in 2020/21 and beyond. A new sub-committee of ACGC was established and this continues to provide additional scrutiny to this work.

The year has not been without challenges, including a staff survey with some disappointing results. Significant action has been taken in response and a 'pulse' survey in May 2020 demonstrated significant improvement. At the end of 2019/20 the Covid-19 pandemic impacted on our regulation of health and adult social care services. We expect disruption will continue well into 2021.

The Head of Internal Audit has provided an annual opinion providing moderate 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 2019/20. Work will continue in 2020/21 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 Executive Team. 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 Department of Health and Social Care (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, non-executive Board and independent members are reimbursed for the cost of travelling to Board meetings and to other events at which they represent CQC.

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

	Date appointed	Salary (bands of £5,000) £000	Benefits in kind (taxable)[4] to nearest £100) £	2019/20 Total (bands of £5,000) £000	Salary (bands of £5,000) £000	Benefits in kind (taxable)[4] to nearest £100) £	Restated 2018/19 Total[5] (bands of £5,000) £000
Peter Wyman CBE DL (Chair)	4 Jan 2016	60–65	6,400	65–70	60–65	4,700	65–70
Sir Robert Francis QC	1 Jul 2014	30–35	700	30–35	20–25[2]	300	20–25
Paul Rew	1 Jul 2014	10–15	200	10–15	10–15	–	10–15
Jora Gill	1 Nov 2016	5–10	500	5–10	5–10	1,600	5–10
Sir John Oldham OBE	1 Jan 2018	5–10	800	5–10	5–10	900	5–10
Liz Sayce OBE	1 Jan 2018	5–10	300	5–10	5–10	1,000	5–10
Mark Saxton	1 Mar 2018	5–10	1,700	5–10	5–10	2,500	10–15
Prof. Louis Appleby CBE	1 Jul 2013	0–5[1]	300	0–5	5–10	1,900	5–10
Prof. Paul Corrigan CBE	1 Jul 2013	0–5[1]	–	0–5	5–10	–	5–10
Jane Mordue	19 Dec 2015	–	–	–	15–20[3]	700	15–20

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

[2] Sir Robert Francis was appointed as Chair of Healthwatch England on 1 October 2018, full-year equivalent salary £30-35k. Before this appointment he was a non-executive member of the Board, full-year equivalent salary £10-15k.

[3] Jane Mordue resigned on 30 September 2018. Full-year equivalent salary would be £30-35k.

[4] Benefits in kind (taxable) relate to the expenses incurred by members in travelling to CQC events at which they represent CQC.

[5] The prior year comparator includes restated benefits in kind.

Payments to independent members (subject to audit)

Fees and expenses were paid to independent members of the ACGC on a per meeting basis. During 2019/20 Linda Farrant, who's term of appointment ended in July 2019, was paid £4k (2018/19: £5k). Payments were also made to Jeremy Boss, £2k, and David Corner, £2k, who were both appointed in January 2020.

Remuneration of the Chief Executive

The Chief Executive's remuneration is agreed by the Board via the Remuneration Committee with reference to DHSC's guidance on pay for its arm's length bodies.

Remuneration of the Executive Team

The Executive Team are employed on CQC's terms and conditions under permanent employment contracts.

The remuneration of the Chief Executive and the Executive Team members was set by the Remuneration Committee and is reviewed annually within the scope of the national pay and grading scale applicable to arm's length bodies.

For the Chief Executive and Executive Team, 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). The Executive Team has three months' notice of termination in their contracts. Termination payments are only made in appropriate circumstances and may arise when the employee is not required to work their period of notice. 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 the People report (page 92).

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 Executive Team, or former members, during 2019/20.

The monetary value of benefits in kind covers any payments or other benefits provided by CQC which are treated by HM Revenue and Customs (HMRC) as a taxable emolument. 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 Executive Team. The benefit in kind arising from these arrangements are included in the table below, but it should be noted that the costs of the scheme are paid for by the employee.

Remuneration of the Executive Team (subject to audit)

	2019/20				2018/19			
	Salary (bands of £5,000) £000	Benefits in kind (taxable) to nearest £100 £	All pension related benefits (bands of £2,500)[1] £000	Total (bands of £5,000) £000	Salary (bands of £5,000) £000	Benefits in kind (taxable) to nearest £100 £	All pension related benefits (bands of £2,500)[1] £000	Total (bands of £5,000) £000
Ian Trenholm **Chief Executive**	195–200	10,700	12.5–15	**220–225**	130–135[6]	1,500	67.5–70	**200–205**
Prof. Edward Baker **Chief Inspector of Hospitals**	180–185	–	–[12]	**180–185**	180–185	–	-[12]	**180–185**
Kirsty Shaw **Chief Operating Officer**	140–145	10,100	25–27.5	**175–180**	140–145	7,300	32.5–35	**180–185**
Dr Rosie Benneyworth **Chief Inspector of Primary Medical Services and Integrated Care**	160–165	–	95–97.5	**255–260**	10–15[7]	–	0–2.5	**10–15**
Mark Sutton **Chief Digital Officer**	140–145[2]	–	30–32.5	**170–175**	–	–	–	**–**
Kate Terroni **Chief Inspector of Adult Social Care**	145–150[3]	–	32.5–35	**180–185**	–	–	–	**–**
Dr Malte Gerhold **Director of Strategy and Intelligence**	130–135[4]	–	20–22.5	**150–155**	105–110	–	12.5–15	**120–125**
Deborah Westhead **Chief Inspector of Adult Social Care**	10–15[5]	–	5–7.5	**20–25**	40–45[5]	–	17.5–20	**60–65**
Sir David Behan CBE **Chief Executive**	–	–	–	**–**	55–60[8]	–	-[11]	**55–60**
Prof. Steve Field CBE **Chief Inspector of General Practice**	–	–	–	**–**	175–180[9]	–	-[12]	**175–180**
Andrea Sutcliffe CBE **Chief Inspector of Adult Social Care**	–	–	–	**–**	115–120[10]	–	0–2.5	**115–120**

[1] 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.

[2] Mark Sutton was appointed on 1 April 2019.

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

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

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

[6] Ian Trenholm was appointed on 30 July 2018, full-year equivalent salary £195-200k.

[7] Dr. Rosie Benneyworth was appointed on 4 March 2019, full-year equivalent salary £160-165k.

[8] Sir David Behan CBE left CQC on 11 July 2018, full-year equivalent salary £185-190k.

[9] Prof. Steve Field CBE left CQC on 31 March 2019, full-year equivalent salary £175-180k.

[10] Andrea Sutcliffe CBE left CQC on 13 January 2019, full-year equivalent salary £145-150k.

[11] Sir David Behan CBE chose not to be covered by the NHS Pension Scheme during the reporting year.

[12] Pension-related benefits for Prof. Steve Field CBE and Prof. Edward Baker are £nil as all were in receipt of benefits.

Fair Pay (subject to audit)

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

The annualised banded remuneration of the highest paid director in CQC during 2019/20 was £205-210k (2018/19: £195-200k). This was 5.2 times (2018/19: 5.1) the median remuneration of CQC's employees, which was £39,810 (2018/19: £39,029).

In 2019/20 three employees (2018/19: two employees) received annualised remuneration in excess of the highest paid director. The calculation is based on the full-time equivalent employees of the reporting entity at the reporting period end date on an annualised basis. Remuneration ranged from £15-20k to £205-210k (2018/19: £15-20k to £195-200k).

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.

Payments made for loss of office

There were no payments made to any member of the Executive Team, or former members, for loss of office during 2019/20 (2018/19: £nil).

Amounts payable to third parties for services as a senior executive

No amounts were paid to third parties for services as a senior executive during 2019/20 (2018/19: £nil).

Pension benefits

Pension benefits of non-executive Board members

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

Pension benefits of the Chief Executive and Executive Team

Pension benefits were provided through the NHS Pension Scheme or local government pension scheme (LGPS) for members of the Executive Team who chose to contribute. Pension benefits at 31 March 2020 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 Executive Team (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 2020 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 2020 (bands of £5,000) £000	Cash equivalent transfer value at 1 April 2019 £000	Cash equivalent transfer value at 31 March 2020 £000	Real increase in cash equivalent transfer value £000	Employers contribution to stakeholder pensions £000
Ian Trenholm[1] **Chief Executive**	0–2.5	–	95–100	–	1,339	1,426	28	–
Prof. Edward Baker **Chief Inspector of Hospitals**	–[4]	–[4]	–[4]	–[4]	–[4]	–[4]	–[4]	–[4]
Kirsty Shaw **Chief Operating Officer**	0–2.5	–	5–10	–	33	60	8	–
Dr Rosie Benneyworth **Chief Inspector of Primary Medical Services and Integrated Care**	5–7.5	5–7.5	15–20	30–35	195	284	60	–
Kate Terroni[1] **Chief Inspector of Adult Social Care**	2.5–5	–	0–5	–	–	26	4	–
Mark Sutton[2] **Chief Digital Officer**	2.5–5	–	0–5	–	–	32	12	–
Deborah Westhead[3] **Chief Inspector of Adult Social Care**	0–2.5	–	55–60	115–120	1,005	1,083	4	–
Dr Malte Gerhold **Director of Strategy and Intelligence**	0–2.5	–	15–20	–	142	171	6	–

[1] Kate Terroni was appointed on 1 May 2019.

[2] Mark Sutton was appointed on 1 April 2019.

[3] Deborah Westhead was an interim appointment from 3 December 2018 until 10 May 2019.

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

[5] Cash equivalent transfer values restated in accordance with disclosures provided by the NHS Pension Scheme.

Cash equivalent transfer values

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

Automatic enrolment

The Pensions Act 2008 introduced measures aimed at encouraging greater private saving by making changes to workplace pensions. From 1 August 2013, all CQC employees entitled to be enrolled into a workplace pension were automatically enrolled, or from their start date if later than this date. All employees enrolled into a workplace pension retain the option to opt out at any time.

Automatic enrolment applies to all employees defined as a worker under the new legislation. This applies to all employees under a normal 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. The new rules do not apply to honorary appointments, such as the Chair and Board members, agency workers, Experts by Experience or employees seconded in from other organisations.

CQC operates the NHS Pension Scheme for automatic enrolment, as this is the principal pension scheme for employees recruited directly by CQC. Those not eligible to join the NHS Pension Scheme are enrolled with the National Employment Savings Trust.

NHS Pension Scheme

The principal pension scheme for employees recruited directly by CQC is the 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 2020, is based on valuation data as 31 March 2019, updated to 31 March 2020 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 20.68%, and the Scheme Regulations were amended accordingly.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

In 2019/20, CQC's employer contribution for employees in the NHS Pension Scheme was £20,274k (2018/19: £13,954k) at a rate of 20.68% (2018/19: 14.38%). This rate includes a charge to cover the cost of scheme administration and equates to 0.08% of each active member's 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 (2018/19: £62k).

Local government pension schemes

The LGPS changed from a final salary to career average basis from 1 April 2014 and is open primarily to employees of local government, but also to those who work in other organisations associated with local government. It is also a funded scheme with its pension funds being managed and invested locally within the framework of regulations provided by government.

Due to legacy arrangements, CQC initially inherited 17 local government schemes. Membership in the Derbyshire pension fund ceased on 31 March 2014 and during 2019/20 membership in the Surrey pension fund also ceased on 30 September 2019. A cessation charge totalling £661k was payable by CQC, which was equal to the actuary assessed pension deficit at 30 September 2019.

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 2019/20, based on a percentage of payroll costs only, were £2,869k (2018/19: £3,212k), at rates ranging between 0% and 41.6% (2018/19: 0% and 41.6%). Employer contributions relating to the largest scheme, Teesside Pension Fund, were £2,519k (2018/19: £2,788k) at a rate of 17.9% (2018/19: 17.9%).

During 2019/20, an indexed cash sum was levied in addition to a percentage of payroll costs in an effort to reduce the pension fund deficits. In total, £1,936k (2018/19: £1,801k) was paid to 12 of the 15 remaining pension funds[2] with amounts ranging from £28k to £515k. No additional sums were paid to Teesside as it currently has sufficient employee members to enable the deficit to be recovered solely by a percentage of payroll, as well as having members who are of an age that allows the deficit to be recovered over a longer period of time

Contribution rates for 2020/21 range between 0% and 49.2% (17.9% for Teesside Pension Fund), with annual cash sums ranging from £7k to £515k (£nil for Teesside).

National Employment Savings Trust

The National Employment Savings Trust is a qualifying pension scheme established by law to support the introduction of automatic enrolment from 1 August 2013.

Employer contributions based on a percentage of payroll costs total £71k for 2019/20 (2018/19: £44k) at a rate of 3% (2018/19: 2%).

2 No pension deficit lump sum payments were made to Surrey pension fund during 2019/20 (2018/19: £nil).

People report

The information presented in notes 1 and 10 are subject to audit.

1. Employee costs and numbers

1.1 Employee costs

	Permanently employed £000	Others £000	2019/20 total £000	Represented 2018/19 total £000
Wages and salaries	126,728	10,559	**137,287**	139,505
Social security costs	13,853	466	**14,319**	14,507
NHS pension costs	20,098	176	**20,274**	13,954
LGPS pension costs	5,466	–	**5,466**	5,014
Other pension costs	47	24	**71**	44
Apprenticeship levy	662	–	**662**	671
Termination benefits	220	–	**220**	750
Sub–total	**167,074**	**11,225**	**178,299**	**174,445**
Less capitalised staff costs	(1,085)	(963)	**(2,048)**	(37)
Less recoveries in respect of outward secondments	(1,889)	–	**(1,889)**	(1,034)
Increase in provision for pension fund deficits	771	–	**771**	621
Total net cost	**164,871**	**10,262**	**175,133**	**173,995**

Other employee costs consist of:

	2019/20 total £000	Represented 2018/19 total £000
Bank inspectors and specialist advisors	4,425	7,218
Second Opinion Appointed Doctors	3,603	3,377
Inward secondments from other organisations	729	1,071
Commissioners	46	47
Agency	1,459	379
Total	**10,262**	**12,092**

1.2 Average number of employees

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

	2019/20 number	2018/19 number
Directly employed	3,111	3,025
Other	13	15
Employees engaged on capital projects	–	–
Total	**3,124**	3,040

‘Other’ does not include bank inspectors, specialist advisors or Second Opinion Appointed Doctors who are paid per session.

The actual number of directly employed whole-time equivalents as at 31 March 2020 was 3,102 (31 March 2019: 3,210).

2. Employee composition

The table below shows the gender breakdown of CQC.

	Board members and Executive Directors	Directors	Other employees	31 March 2020 total employees	Board members and Executive Directors	Directors	Other employees	31 March 2019 total employees
Male	9	7	961	977	12	9	985	1,006
Female	4	19	2,234	2,257	4	18	2,313	2,335

3. 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 2020 the gender split in CQC was 69.5% female employees to 30.5% male employees and this was closely replicated across the quartile data. The data shows that there is no gender pay gap at CQC as employees are paid within salary bands and the mean and median hourly rate of pay are virtually the same across all quartiles. This remains similar to 31 March 2019.

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			-0.08%
Median pay gap – ordinary pay			-0.99%
Mean pay gap – bonus pay in the 12 months to 31 March 2020			n/a
Median pay gap – bonus pay in the 12 months to 31 March 2020			n/a
The proportion of male and female employees paid a bonus in the 12 months to 31 March 2020		Male	n/a
		Female	n/a
Proportion of male and female employees in each quartile:			
	Quartile	**Female**	**Male**
	First (lower) quartile	64.1%	35.9%
	Second quartile	72.1%	27.9%
	Third quartile	76.2%	23.8%
	Fourth (upper) quartile	65.9%	34.1%

4. Sickness absence data

During 2019/20, the average number of long-term days of sickness per absent employee was 17 (2018/19: 11 days) and the average number of short-term days of sickness was 4 (2018/19: 6 days).

5. Trade union facility time

5.1 Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
42	41.5

5.2 Percentage of time spent on facility time

Percentage of time	Number of employees
0%	–
1–50%	42
51–99%	–
100%	–

5.3 Percentage of pay bill spent on facility time

Total cost of facility time	£52,000
Total pay bill	£173,701,000
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.03%

5.4 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	26.76%

6. People policies and engagement

CQC's 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 CQC's 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. We make sure that they are inclusive for people with different protected equality characteristics. In our reviews we always consult with representatives from the People directorate, the unions, the staff forum and the equality and diversity networks. During the year we agreed an allocation of protected time for the Chair and Vice Chair of each equality network to spend on network activities.

All CQC 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 which rechecks our adherence to the Equality Act 2010. 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.

7. Health and safety

We have continued to invest significantly in health and safety during the year to make sure that our approach meets legislative requirements and supports colleagues to stay safe at work.

Our main focus has been consolidating personal safety standards to ensure that lone workers are properly protected while carrying out their duties. Building on our zero-tolerance approach to violence and verbal abuse towards our staff, we have developed a Personal Safety Register where all reports of violence and verbal abuse are logged, and red warning flags placed against those who abuse our staff to warn other colleagues.

We continue to provide Health and Safety Awareness training for all colleagues as well as online workstation safety and assessment and safe driving training. We also invested in Personal Safety in High Risk Settings training for all Inspection colleagues.

CQC's Health, Safety and Wellbeing Committee met four times during the year and approved several health and safety codes of practice, reviewed progress of the flu vaccination programme, and considered reports on internal assurance audits.

The Committee approved training for 30 Mental Health First Aiders to support new guidance developed to manage emotional experiences at work and to support the management of work-related stress.

The committee also monitored reports of accidents and incidents to employees which, during 2019/2020, comprised 81 minor accidents and incidents, such as slips trip falls and minor road traffic accidents, and five reportable incidents (under the Reporting of Injuries, Diseases and Dangerous Occurrences (RIDDOR) Regulations). This was an increase compared with 2018/19 following a concerted effort to raise awareness and encourage the reporting of all accidents, incidents and near misses.

At the end of this reporting period 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. Almost 1,000 office-based staff were assisted to work at home and were provided with furniture and peripheral IT equipment to do this safely. An Inspection risk assessment was developed to support the Emergency Support Framework to ensure that, if Inspectors did need to cross the threshold of a provider's premises, they were fully assessed and safe. Alongside this Personal Protective Equipment was sourced and supplied in line with current infection control and protection procedures and training and guidance documents were developed to support and promote this. Work is currently ongoing to develop safe working procedures with a view to going back to CQC offices when the timing is considered right, ensuring that our offices are set up and equipped to promote safe working in line with Government guidelines.

8. Expenditure on consultancy

CQC spent a total of £66k on consultancy services during 2019/20 (2018/19: £293k) to support our change and transformation programme.

9. Off-payroll engagements

For all off-payroll engagements at 31 March 2020, for more than £245 per day and that last longer than six months:

	Number
Number of existing engagements as of 31 March 2020	4
Of which:	
Number that have existed for less than one year at the time of reporting	1
Number that have existed for between one and two years at the time of reporting	3
Number that have existed for between two and three years at the time of reporting	–
Number that have existed for between three and four years at the time of reporting	–
Number that have existed for four or more years at the time of reporting	–

All existing arrangements as at 31 March 2020 have received approval from DHSC.

Assurance that the right amount of income tax and national insurance is being paid has been received from the individual engaged off-payroll at 31 March 2020.

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that lasted for longer than six months:

	Number
Number of new engagements, or those that reach six months in duration between 1 April 2019 and 31 March 2020	–
Of which:	
Number assessed as caught by IR35	–
Number assessed as not caught by IR35	–
Number engaged directly (via a Personal Service Company contracted to the entity) and who are on the entity's payroll	–
Number of engagements reassessed for consistency or assurance purposes during the year	–
Number of engagements that saw a change to IR35 status following the consistency review	–

	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.	17

10. Exit packages

					2019/20			2018/19
	Number of compulsory redund-ancies	Cost of compulsory redund-ancies	Number of other departures agreed	Cost of other departures agreed	Total number of exit packages	Total cost of exit packages	Total number of exit packages	Total cost of exit packages
Exit package cost band	**Number**	**£s**	**Number**	**£**	**Number**	**£**	**Number**	**£**
Less than £10,000	3	4,070	–	–	**3**	**4,070**	12	52,041
£10,000 to £25,000	2	32,358	2	31,500	**4**	**63,858**	8	128,851
£25,001 to £50,000	2	67,841	–	–	**2**	**67,841**	5	192,876
£50,001 to £100,000	3	167,623	–	–	**3**	**167,623**	3	246,543
£100,001 to £150,000	–	–	–	–	**–**	**–**	–	–
£150,001 to £200,000	–	–	–	–	**–**	**–**	1	186,298
More than £200,000	–	–	–	–	**–**	**–**	–	–
Total	**10**	**271,892**	**2**	**31,500**	**12**	**303,392**	**29**	**806,609**

Redundancy and other departure costs have been paid in accordance with CQC’s terms and conditions following approval 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.

	2019/20			2018/19
	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.

The Remuneration report discloses that no exit payments were payable to individuals named in that report.

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

	2019/20	2018/19
Total number of losses	675	984
Total value of losses (£000)	1,152	1,923

CQC incurred one loss that exceeded £300k during the year (2018/19: one case totalling £881k). This case relates to liabilities arising from a HMRC compliance check covering a period of four years and includes the social security costs relating to the benefits arising through the use of hire cars (£351k).

1.2 Special payments

	2019/20	2018/19
Total number of special payments	5	2
Total value of special payments (£000)	32	33

1.3 Gifts

During 2019/20 CQC made no gifts (2018/19: none).

2. Remote contingent liabilities

There were no remote contingent liabilities as at 31 March 2020 (31 March 2019: 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 fees scheme, effective from 1 April 2019, reflected the final year of our four-year trajectory to full chargeable cost recovery for community social care providers and ensured that the cost of regulation and fees recovered were properly aligned for dental and residential social care providers. 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	Surplus £000
Regulatory fees for chargeable activities	(204,022)	199,125[3]	(4,897)

There will always be variation when aligning costs for chargeable activity to our fee income on an annual basis, in 2019-20 this represents a 2.4% surplus. Full cost is lower than anticipated, which is driven by planned expenditure on our change programme moving into 2020/21.

4. Better payment practice code

In accordance with the governments prompt payment policy CQC aims to pay 90% of undisputed and valid invoices within 5 working days and 100% of all undisputed and valid invoices within 30 days.

	Target	2019/20	2018/19
Number of invoices paid within five working days	90.0%	77.1%	86.6%
Value of invoices paid within five working days	90.0%	72.7%	95.4%
Number of invoices paid within 30 days	100.0%	98.1%	99.4%
Value of invoices paid within 30 days	100.0%	99.3%	99.8%

We are currently undertaking a QI Gold ‘Purchase to Pay’ project, which focuses on improving performance against these targets.

Ian Trenholm
Chief Executive, Care Quality Commission
26 January 2021

3 Full chargeable cost of £199,125k excludes non-cash items totalling £3,065k from the total expenditure relating to chargeable activities presented in note 2.3 in the notes to the Financial Statements. This consists of the provision for pension fund deficits £771k, net interest on pension scheme assets and liabilities £1,403k, expected credit loss £801k, provision expenses (£1k), finance expenses £14k and apprenticeship training grant expense £77k all of which are covered by non-cash budgets.

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

Opinion on financial statements

I certify that I have audited the financial statements of the Care Quality Commission for the year ended 31 March 2020 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. 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 2020 and of net expenditure for the year then ended; and

- the financial statements 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 of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) 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 2016. I∞am independent of the Care Quality Commission in accordance with the ethical requirements that are relevant to my audit and 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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Care Quality Commission's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Care Quality Commission have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Care Quality Commission's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Care Quality Commission's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- conclude on the appropriateness of the Care Quality Commission's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Care Quality Commission's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures

in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Care Quality Commission to cease to continue as a going concern.

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.

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.

Other Information

The Board and the Accounting Officer are responsible for the 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 report thereon. My opinion on the financial statements does not cover the other information and 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, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the 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;
- 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 any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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
- 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.

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
SWIW 9SP

4 February 2021

3

Financial statements

The financial statements are prepared in accordance with the Financial Reporting Manual 2019/20, published by HM Treasury, and comprise:

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2020

	Note	2019/20 £000	2018/19 £000
Revenue from contracts with customers	3.1	(206,612)	(205,695)
Other operating income	3.2	(77)	(110)
Total operating income		**(206,689)**	**(205,805)**
Staff costs	4.1	175,133	173,995
Purchase of goods and services	4.2	39,160	47,156
Depreciation, amortisation and impairment charges	4.2	7,005	7,834
Provision expense	4.2	(1)	(3)
Other operating expenditure	4.2	10,282	9,901
Total operating expenditure		**231,579**	**238,883**
Net operating expenditure		**24,890**	**33,078**
Finance expense		14	(49)
Net expenditure for the year		**24,904**	**33,029**
Other comprehensive net expenditure			
Items that will not be reclassified to net operating costs:			
– Net gain on revaluation of intangible assets	6.1	(218)	(47)
– Net gain on revaluation of property, plant and equipment	7.1	(71)	(4)
– Impairments charged to revaluation reserve:			
Intangible assets	6.1	3	11
Property, plant and equipment	7.1	1	4
– Actuarial loss/(gain) in pension schemes	5.4	21,774	(11,279)
– Re-measurement of net defined pension asset for changes in asset ceiling	5.4	3,301	–
Comprehensive net expenditure for the year[1]		**49,694**	**21,714**

[1] During the year CQC received grant-in-aid totalling £36,378k (2018/19: £39,450k) from the Department of Health and Social Care (DHSC). This is not included in the Statement of Comprehensive Net Expenditure but credited to the general reserve in the Statement of Financial Position. This funding 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 21, on pages 119 to 182, form part of these financial statements.

FINANCIAL STATEMENTS

Statement of Financial Position

as at 31 March 2020

	Note	31 March 2020 £000	31 March 2019 £000
Non-current assets			
Intangible assets	6	18,794	11,311
Property, plant and equipment	7	5,106	5,775
LGPS pension assets	5.1	751	3,242
Total non-current assets		**24,651**	**20,328**
Current assets			
Trade and other receivables	9	11,496	13,328
Other current assets	9	848	627
Cash and cash equivalents	10	46,619	34,770
Total current assets		**58,963**	**48,725**
Total assets		**83,614**	**69,053**
Current liabilities			
Trade and other payables	11	(31,196)	(26,923)
Other pension liabilities	11	(16)	(21)
Provisions	12.1	(971)	(730)
Fee income in advance	11	(19,797)	(20,619)
Total current liabilities		**(51,980)**	**(48,293)**
Total assets less current liabilities		**31,634**	**20,760**
Non-current liabilities			
Provisions	12.1	(1,367)	(1,913)
Other pension liabilities	11	(47)	(69)
Total non-current liabilities excluding pension Deficit		**(1,414)**	**(1,982)**
Assets less liabilities excluding pension deficit provision		**30,220**	**18,778**
LGPS pension deficit	5.1	(90,254)	(65,496)
Assets less liabilities		**(60,034)**	**(46,718)**
Taxpayers' equity			
General reserve	14	(86,290)	(69,425)
Revaluation reserve	14	364	257
Retained earnings	14	25,892	22,450
Total taxpayers' equity		**(60,034)**	**(46,718)**

Notes 1 to 21, on pages 119 to 182, form part of these financial statements.

Ian Trenholm

Ian Trenholm
Chief Executive

26 January 2021

Statement of Cash Flows

for the year ended 31 March 2020

	Note	2019/20 £000	2018/19 £000
Cash flows from operating activities:			
Net expenditure for the year		(24,904)	(33,029)
Adjustment for non-cash transactions	13.1	9,192	10,122
Decrease/(increase) in trade receivables and other current assets	9	1,611	(5,753)
Increase in trade and other payables	13.2	3,497	2,421
Decrease in pension liabilities	11	(27)	(78)
Decrease in fee income in advance	11	(822)	(3,693)
Use of provisions	12	(318)	(77)
Non-cash adjustment relating to application of IFRS 9		–	(433)
Net cash outflow from operating activities		**(11,771)**	**(30,520)**
Cash flows from investing activities:			
Purchase of intangible assets	13.3	(11,704)	(6,559)
Purchase of property, plant and equipment	13.4	(1,054)	(4,626)
Proceeds from disposal of property, plant and equipment	13.5	–	66
Net cash outflow from investing activities		**(12,758)**	**(11,119)**
Cash flows from financing activities:			
Grant-in-aid from DHSC: cash drawn down in year		36,378	39,450
Net financing		**36,378**	**39,450**
Net increase/(decrease) in cash and cash equivalents in the year		**11,849**	**(2,189)**
Cash and cash equivalents at 1 April		34,770	36,959
Cash and cash equivalents at end of period	**10**	**46,619**	**34,770**

Notes 1 to 21, on pages 119 to 182, form part of these financial statements

FINANCIAL STATEMENTS

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2020

	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
Balance at 31 March 2018		**(80,007)**	**486**	**15,500**	**(64,021)**
Impact of the adoption of IFRS 9		(433)	–	–	**(433)**
Balance at 1 April 2018		**(80,440)**	**486**	**15,500**	**(64,454)**
Changes in taxpayers' equity for 2018/19					
Grant-in-aid from DHSC: cash drawn down[1]		39,450	–	–	**39,450**
Net expenditure for the year		(33,029)	–	–	**(33,029)**
Revaluation gains:					
– intangible assets	6.1	–	47	–	**47**
– property, plant and equipment	7.1	–	4	–	**4**
Impairments and reversals:					
– intangible assets	6.1	–	(11)	–	**(11)**
– property, plant and equipment	7.1	–	(4)	–	**(4)**
Transfer between reserves:					
– Disposals and realised depreciation:					
– intangible assets	6.1	241	(241)	–	**–**
– property, plant and equipment	7.1	24	(24)	–	**–**
– Retained fee income	14	(6,950)	–	6,950	**–**
Actuarial gain in pension schemes	5.4	11,279	–	–	**11,279**
Balance at 31 March 2019		**(69,425)**	**257**	**22,450**	**(46,718)**
Changes in taxpayers' equity for 2019/20					
Grant-in-aid from DHSC: cash drawn down[1]		36,378	–	–	**36,378**
Net expenditure for the year		(24,904)	–	–	**(24,904)**
Revaluation gains:					
– intangible assets	6.1	–	218	–	**218**
– property, plant and equipment	7.1	–	71	–	**71**
Impairment 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	25	(25)	–	**–**
– Retained fee income	14	(6,100)	–	6,100	**–**
– 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		**(86,290)**	**364**	**25,892**	**(60,034)**

[1] During 2019/20 grant-in-aid totalling £36,378k (£39,450k in 2018/19) was drawn down from DHSC of which:
- £25,502k (£25,530k 2018/19) funded non-chargeable activities
- £nil (£2,700k in 2018/19) funded chargeable activities, and
- £10,876k (£11,220k in 2018/19) funded capital expenditure.

Notes 1 to 21, on pages 119 to 182, 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) 2019/20, issued by HM Treasury, and the Department of Health and Social Care (DHSC) Group Accounting Manual (GAM) 2019/20. 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.

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

1.1 Going concern

CQC's annual report and accounts have been prepared on a going concern basis. The main source of CQC's funding is fees charged to registered providers. This risk is managed through regular cash flow reporting and the monitoring of outstanding debts, 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.

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. Towards the end of 2019/20 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 15 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 1.13, 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 1.18 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 1.11 and 1.12, 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

In the application of IFRS 15 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 for CQC is the 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 fees scheme for 2019/20, published with the consent of the Secretary of State for Health, and 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. 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 15 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 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.

1.10 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.

1.11 Intangible assets

1.11.1 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.

1.11.2 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 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.

1.12 Property, plant and equipment

1.12.1 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.

1.12.2 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 1.11.2.

1.13 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.

1.14 Leases

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

1.15 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 0.50% (2018/19: 0.29%) 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 0.51% (2018/19: 0.76%) for expected cash flows up to and including five years
- a medium-term rate of 0.55% (2018/19: 1.14%) for expected cash flows over five years up to and including 10 years
- a long-term rate of 1.99% (2018/19: 1.99%) for expected cash flows over 10 years.

All percentages are in real terms.

1.16 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.

1.17 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.

1.18 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.

1.18.1 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.

1.18.2 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 arm's length bodies 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.

1.19 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 0.50% (2018/19: 0.29%). This is the rate for market yields on AA corporate bonds as published by HM Treasury.

1.20 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 2019/20.

- IFRS 16 *Leases*: application as interpreted and adapted by the FReM is to be effective from 1 April 2022. This represents a further two-year deferral. CQC currently has commitments under operating leases of approx. £8.5m, 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.
- 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 the adoption to have a material impact on the Financial Statements.

2. Analysis of net expenditure by activities

2.1 Operating segments

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

CQC reports performance 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	Other £000	2019/20 Total £000	2018/19 Total £000
Pay costs	42,561	37,410	22,051	72,340	**174,362**	172,623
Non-pay costs	2,091	4,494	1,947	38,706	**47,238**	55,074
Total	**44,652**	**41,904**	**23,998**	**111,046**	**221,600**	**227,697**

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 Executive Team.

	2019/20 £000	2018/19 £000
Pay costs	174,362	172,623
Non-pay costs	47,238	55,074
Total expenditure	**221,600**	**227,697**
Items not included within operating segments:		
Staff costs		
Increase in provision for pension fund deficits	771	621
Depreciation, amortisation and impairment charges	7,005	7,834
Provisions	(1)	(3)
Other operating expenditure		
Net interest expense on pension scheme assets and liabilities	1,403	1,780
Expected credit loss	801	954
Total operating expenditure	**231,579**	**238,883**

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.

	2019/20			2018/19		
	Chargeable activities £000	Non-chargeable activities £000	Total £000	Chargeable activities £000	Non-chargeable activities £000	Total £000
Funding						
Revenue from contracts with customers	(204,022)	(2,590)	**(206,612)**	(204,284)	(1,411)	**(205,695)**
Grant-in-aid (cash)	–	(25,502)	**(25,502)**	(2,700)	(25,530)	**(28,230)**
Other operating income	(77)	–	**(77)**	(100)	(10)	**(110)**
Subtotal: funding	**(204,099)**	**(28,092)**	**(232,191)**	**(207,084)**	**(26,951)**	**(234,035)**
Operating expenditure						
Staff costs	152,231	22,902	**175,133**	152,800	21,195	**173,995**
Purchase of goods and services	35,060	4,100	**39,160**	41,600	5,556	**47,156**
Depreciation, amortisation and impairment charges	6,100	905	**7,005**	6,950	884	**7,834**
Provision expenses	(1)	–	**(1)**	(3)	–	**(3)**
Other operating expenditure	8,786	1,496	**10,282**	7,830	2,071	**9,901**
Subtotal: operating expenditure	**202,176**	**29,403**	**231,579**	**209,177**	**29,706**	**238,883**
Finance expenses	14	–	**14**	(49)	–	**(49)**
Total expenditure	**202,190**	**29,403**	**231,593**	**209,128**	**29,706**	**238,834**
Net excess of (income)/ expenditure[1]	**(1,909)**	**1,311**	**(598)**	**2,044**	**2,755**	**4,799**

[1] In agreeing annual budgets, DHSC allows CQC to incur certain non-cash expenses. In 2019/20 these items amounted to £3,893k (2018/19: £4,187k) and if excluded from expenditure above this would present an adjusted net surplus of £4,491k comprising of a chargeable surplus of £4,897k and a non-chargeable deficit of £406k (2018/19: adjusted net deficit totalling £612k comprising a chargeable surplus of £1,259k and a non-chargeable deficit of £1,871k).

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3. Income

3.1 Revenue from contracts with customers

	2019/20 £000	2018/19 £000
Income from fees:		
NHS trusts	(56,491)	(56,037)
Adult social care – residential	(67,660)	(70,441)
Adult social care – community	(22,956)	(20,917)
Independent healthcare – hospitals	(3,779)	(4,313)
Independent healthcare – community	(6,914)	(6,126)
Independent healthcare – single specialty	(868)	(1,009)
Dentists	(7,995)	(7,370)
NHS GP practices	(37,359)	(38,071)
Subtotal: income from fees	**(204,022)**	**(204,284)**
Income from other activities	(2,590)	(1,411)
Total revenue from contracts with customers	**(206,612)**	**(205,695)**

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 Improvement and NHS England, and the provision of inspection services to the Office for Standards in Education, Children's Services and Skills (Ofsted) and Defence Medical Services.

Income of £20,619k has been fully recognised in 2019/20 which was included in contract liabilities at 31 March 2020 (31 March 2019: £24,312k).

3.2 Other operating income

	2019/20 £000	2018/19 £000
Profit on disposal of property, plant and equipment	–	(61)
Apprenticeship training grant (non-cash)	(77)	(49)
Total other operating income	**(77)**	**(110)**

4. Operating expenditure

4.1 Staff costs

	2019/20 £000	Re-presented 2018/19 £000
Wages and salaries	137,287	139,505
Social security costs	14,319	14,507
NHS pension costs	20,274	13,954
LGPS pension costs	5,466	5,014
Other pension costs	71	44
Apprenticeship levy	662	671
Termination benefits	220	750
Less capitalised staff costs	(2,048)	(37)
Less recoveries in respect of outward secondments	(1,889)	(1,034)
Increase in provision for pension fund deficits	771	621
Total staff costs	**175,133**	**173,995**

4.2 Other operating expenditure

	2019/20 £000	Re-presented 2018/19 £000
Purchase of goods and services		
Establishment	19,268	20,179
Travel and subsistence	9,259	11,618
Rentals under operating leases	3,538	5,562
Premises	3,527	4,982
Training and development	1,384	1,368
Professional fees	1,264	973
Supplies and services	610	1,953
External audit fee (statutory work)	165	145
Insurance	79	83
Consultancy	66	293
Subtotal: purchases of goods and services	**39,160**	**47,156**
Depreciation, amortisation and impairment charges		
Amortisation of intangible assets	4,466	5,191
Depreciation of property, plant and equipment	1,742	1,660
Impairment of intangible assets	747	911
Impairment of property, plant and equipment	50	72
Subtotal: depreciation, amortisation and impairment charges	**7,005**	**7,834**
Provision expense	**(1)**	**(3)**
Other operating expenditure		
Experts by Experience	3,663	3,980
Losses and special payments: other	2,308	1,002
Business rates paid to local authorities	1,887	1,959
Net interest expense on pension scheme assets and liabilities	1,403	1,780
Expected credit loss	787	867
Apprenticeship training grant (non-cash)	77	49
Losses and special payments: irrecoverable debts	14	87
Other	143	177
Subtotal: other operating expenditure	**10,282**	**9,901**
Total other operating expenditure	**56,446**	**64,888**

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.

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 15 local pension funds that are part of LGPS. On 30 September 2019 membership in the Surrey pension ceased and as a result a charge of £661k, equal to the actuarial assed pension deficit at that date, was payable.

Valuations of CQC's assets and liabilities in each LGPS as at 31 March 2020 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 £0.8m (31 March 2019: £3.2m) and net pension deficits of £90.3m (31 March 2019: £65.5m) relating to CQC's membership in the LGPS.

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

The actuarial assessment of each obligation was carried out at 31 March 2020 by:

Pension fund	Actuary
Avon	Mercers Ltd.
Cambridgeshire	Hymans Robertson LLP
Cheshire	Hymans Robertson LLP
Cumbria	Mercers Ltd.
Dorset	Barnett Waddingham
East Sussex	Hymans Robertson LLP
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 2020 £000	Re-measurement for changes in asset ceiling 31 March 2020 £000	Liabilities 31 March 20120 £000	Surplus/ (deficit) 31 March 2020 £000	Re-presented surplus/ (deficit) 31 March 2019 £000
Funds with a net deficit					
Avon	5,174	–	(7,235)	**(2,061)**	(2,039)
Dorset	2,414	–	(3,704)	**(1,290)**	(1,245)
Essex	5,967	–	(6,057)	**(90)**	(23)
Hampshire	5,140	–	(7,199)	**(2,059)**	(2,060)
Merseyside	7,197	–	(7,986)	**(789)**	(1,231)
Shropshire	2,612	–	(3,788)	**(1,176)**	(902)
Suffolk	3,673	–	(4,164)	**(491)**	(1,106)
Teesside	277,159	–	(358,644)	**(81,485)**	(56,056)
West Yorkshire	11,483	–	(12,296)	**(813)**	(722)
Subtotal: funds with a net deficit	**320,819**	**–**	**(411,073)**	**(90,254)**	**(65,384)**[4]
Funds with a net surplus					
Cambridgeshire	3,631	(521)	(3,110)	**–**	330
Cheshire	4,142	(206)	(3,936)	**–**	(112)
Cumbria	4,253	(35)	(3,878)	**340**	448
East Sussex	6,473	(889)	(5,584)	**–**	677
Greater Manchester	17,521	(721)	(16,800)	**–**	13
Surrey	–	–	–	**–**	299
West Sussex	4,588	(929)	(3,248)	**411**	1,475
Subtotal: funds with a net surplus	**40,608**	**(3,301)**	**(36,556)**	**751**	**3,130**[4]
Total	**361,427**	**(3,301)**	**(447,629)**	**(89,503)**	**(62,254)**

[4] At 31 March 2020 Cheshire had a net surplus of £206k but was recognised with a net deficit of £112k at 31 March 2019. For comparative purposes, Cheshire has been included within the subtotal of funds with a net surplus. The Statement of Financial Position as at 31 March 2019 recognises pension funds with a net surplus of £3,242k and pension funds with a net deficit of £65,496k.

All assets are held at bid value.

The impact of an asset ceiling on the recognition of assets is directed by paragraph 64 of IAS19. An asset ceiling is the limit above which further increases in net pension assets cease to be recognised for accounting purposes. At 31 March 2020, asset ceilings totalling £3,301k were applied to the six funds presented as those with a net surplus (31 March 2019: nil) to ensure that any surplus presented is limited to the amount that CQC would expect to receive as a refund.

Five employees (2018/19: 7) retired early on ill-health grounds during the year. No additional pension costs (2018/19: £nil) were levied on CQC as a result.

5.2 Actuarial assumptions

5.2.1 Financial assumptions

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

	Teesside Pension Fund % per annum		Other pension funds % per annum	
Key assumptions used:	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Discount rate	2.3	2.4	2.3 – 2.4	2.4 – 2.7
Expected rate of salary increases	3.0	3.2	2.0 – 3.6	2.8 – 4.0
Future pension increases	2.0	2.2	1.9 – 2.2	2.2 – 2.5
CPI inflation	2.0	2.2	1.9 – 2.1	2.2 – 2.5

5.2.2 Mortality assumptions

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

	Teesside Pension Fund		Other pension funds	
Key assumptions used:	**2019/20**	**2018/19**	**2019/2**	**2018/19**
Retiring today:				
Males	21.8	22.2	20.5 – 23.3	21.3 – 23.7
Females	23.5	24.1	23.1 – 25.5	23.6 – 26.4
Retiring in 20 years:				
Males	23.2	23.9	21.9 – 24.7	22.9 – 26.3
Females	25.3	25.9	25.0 - 27.3	25.4 – 29.0

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:

	2019/20 £000	2018/19 £000
Service costs:		
– Current service cost	5,531	5,572
– Past service cost	745	239
– Administration expenses	80	73
Sub-total: service cost	**6,356**	**5,884**
Scheme cessation cost	661	–
Net interest expense	1,403	1,780
Amount recognised in net expenditure	**8,420**	**7,664**

Of the expense for the year, the service costs totalling £6.4m (2018/19: £5.9m) and scheme cessation cost of £0.6m (2018/19: nil) have been included in the Statement of Comprehensive Net Expenditure as staff expenditure. Within note 4.1. £6.2m (2018/19: £5.3m) of this is included within other pension costs and the remaining £0.8m (2018/19: £0.6m) is included as an increase in provision for pension fund deficits. The net interest expense of £1.4m (2018/19: £1.8m) 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:

	2019/20 £000	2018/19 £000
The return on plan assets (excluding amounts included in net interest expense)	50,287	(20,042)
Other re-measurement losses on plan assets	(17)	–
Actuarial gains arising from changes in demographic assumptions	(14,135)	(14,576)
Actuarial (gains)/losses arising from changes in financial assumptions	(9,556)	22,605
Actuarial (gains)/losses arising from experience adjustments	(5,740)	734
Actuarial losses arising from change to cessation assumptions	935	–
Subtotal: actuarial loss/(gain) in pension schemes	**21,774**	**(11,279)**
Re-measurement of net defined pension asset for changes in asset ceiling	3,301	–
Re-measurement of the net defined benefit obligations	**25,075**	**(11,279)**

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The cumulative re-measurements recognised in reserves since the date of transition to IFRS on 1 April 2008 to 31 March 2020 is £94m (31 March 2019: £69m).

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 2020 £000	31 March 2019 £000
Present value of funded benefit obligations	(447,596)	(479,377)
Fair value of scheme assets	361,427	417,255
Deficit in scheme	**(86,169)**	**(62,122)**
Present value of unfunded benefit obligations	(33)	(132)
Re-measurement of net defined benefit pension asset for changes in asset ceiling	(3,301)	–
Net deficit recognised in the Statement of Financial Position	**(89,503)**	**(62,254)**

5.6 Reconciliation of fair value of scheme liabilities

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

	2019/20 £000	2018/19 £000
At 1 April	**(479,509)**	**(465,892)**
Current service cost	(5,519)	(5,572)
Administration expenses	(73)	(65)
Interest cost	(11,214)	(11,948)
Contributions from scheme members	(1,181)	(1,313)
Past service costs	(757)	(239)
Re-measurement gains/(losses):		
– Actuarial gains arising from changes in demographic assumptions	14,135	14,576
– Actuarial gains/(losses) arising from changes in financial assumptions	8,621	(22,605)
– Actuarial (losses)/gains arising from experience adjustments	5,740	(734)
Benefits paid	15,432	14,283
Scheme cessation	6,696	–
At 31 March	**(447,629)**	**(479,509)**

5.7 Reconciliation of fair value of employer assets

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

	2019/20 £000	2018/19 £000
At 1 April	**417,255**	**394,760**
Interest income	9,811	10,168
Re-measurement gains:		
The return on plan assets (excluding amounts included in net interest expense)	(50,287)	20,042
Other	17	–
Employer contributions	5,585	5,263
Member contributions	1,181	1,313
Benefits paid	(15,432)	(14,283)
Administration expenses	(7)	(8)
Scheme cessation	(6,696)	–
At 31 March	**361,427**	**417,255**

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 2020 £000	Unquoted assets as at 31 March 2020 £000	Total assets as at 31 March 2020 £000	Total assets as at 31 March 2019 £000
Equities	231,926	9,291	241,217	281,249
Property	5,288	25,461	30,749	34,540
Government bonds	3,000	1,140	4,140	5,275
Other bonds	5,122	1,165	6,287	5,989
Cash	38,304	767	39,071	44,981
Other	20,060	19,903	39,962	45,221
Total	**303,700**	**57,727**	**361,427**	**417,255**

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. Investment returns over the year were volatile, particularly during March 2020, due to the COVID-19 pandemic and has resulted in an asset valuation loss across all funds of between 3% to 14% as shown in note 5.7 and 5.8.

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 2020 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	352,602	358,644	364,790	87,771	88,985	90,203
Movement	(6,042)	–	6,146	(1,214)	–	1,218
Adjustment to expected rate of salary increases	**+ 0.1%**	**Current**	**- 0.1%**	**+ 0.1%**	**Current**	**- 0.1%**
Present value of total obligation	359,229	358,644	358,064	89,035	88,985	88,936
Movement	585	–	(580)	50	–	(49)
Adjustment to future pension increases	**+ 0.1%**	**Current**	**- 0.1%**	**+ 0.1%**	**Current**	**- 0.1%**
Present value of total obligation	364,302	358,644	353,084	90,162	88,985	87,813
Movement	5,658	–	(5,560)	1,177	–	(1,172)
Adjustment to life expectancy	**- 1 year**	**Current**	**+ 1 year**	**- 1 year**	**Current**	**+ 1 year**
Present value of total obligation	370,408	358,644	347,000	92,172	88,985	85,823
Movement	11,764	–	(11,644)	3,187	–	(3,162)

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 2020/21 range between 0% and 49.2% (17.9% for Teesside Pension Fund) with annual cash sums ranging from £7k to £515k (£nil for Teesside Pension Fund). It is estimated that employer contributions for 2020/21 will total £4,363k (Teesside: £2,579k).

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 2020 was 7% (31 March 2019: 8%).

6. Intangible Assets

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 is £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 amounts to £2,048k.

All intangible assets are owned by CQC.

Re-presented 2018/19[5]	Information technology £000	Development expenditure £000	Software licences £000	Websites £000	Total £000
Cost or valuation					
At 1 April 2018	**37,418**	**1,431**	**3,923**	**7,696**	**50,468**
Additions	–	6,570	13	119	**6,702**
Reclassifications	4,954	(4,954)	–	–	–
Disposals	–	–	–	–	–
Impairments charged to revaluation reserve	(64)	–	–	–	(64)
(Impairments) and reversals charged to other operating expenditure	(1,138)	(491)	–	6	(1,623)
Indexation gains to revaluation reserve	195	–	22	38	255
At 31 March 2019	**41,365**	**2,556**	**3,958**	**7,859**	**55,738**
Amortisation					
At 1 April 2018	**30,305**	**–**	**3,174**	**6,314**	**39,793**
Charged in year	4,278	–	506	407	5,191
Disposals	–	–	–	–	–
Impairments charged to revaluation reserve	(53)	–	–	–	(53)
(Impairments) and reversals charged to other operating expenditure	(713)	–	–	1	(712)
Indexation gains to revaluation reserve	156	–	18	34	208
At 31 March 2019	**33,973**	**–**	**3,698**	**6,756**	**44,427**
Net book value at 1 April 2018	**7,113**	**1,431**	**749**	**1,382**	**10,675**
Net book value at 31 March 2019	**7,392**	**2,556**	**260**	**1,103**	**11,311**

The gross cost of intangible assets that were fully amortised but still in use at 31 March 2019 was £36,991k.

The value of staff costs capitalised within intangible asset additions during 2018/19 totalled £37k.

All intangible assets were owned by CQC at 31 March 2019.

6.1 Movement in revaluation reserve: intangible assets

	2019/20 £000	2018/19 £000
Balance at 1 April	**172**	**377**
Net gain on indexation of intangible assets	218	47
Impairments charged to reserve	(3)	(11)
Transfers between reserves for intangible assets	(153)	(241)
Balance at 31 March	**234**	**172**

[5] Balances at 1 April 2018 and 31 March 2019 have been re-presented to separately disclose the value of information technology developments which are under construction.

7. Property, plant and equipment

2019/20	Information technology £000	Furniture and fittings £000	Total £000
Cost or valuation			
At 1 April 2019	11,458	3,327	**14,785**
Additions	1,053	–	**1,053**
Disposals	(148)	–	**(148)**
Impairments transferred to other operating expenditure	(67)	(22)	**(89)**
Impairments transferred to revaluation reserve	–	(2)	**(2)**
Indexation gains to revaluation reserve	165	(66)	**99**
At 31 March 2020	**12,461**	**3,237**	**15,698**
Depreciation			
At 1 April 2019	6,526	2,484	**9,010**
Charged in year	1,323	419	**1,742**
Disposals	(148)	–	**(148)**
Impairments transferred to other operating expenditure	(19)	(20)	**(39)**
Impairments transferred to revaluation reserve	–	(1)	**(1)**
Indexation gains to revaluation reserve	99	(71)	**28**
At 31 March 2020	**7,781**	**2,811**	**10,592**
Net book value at 1 April 2019	**4,932**	**843**	**5,775**
Net book value at 31 March 2020	**4,680**	**426**	**5,106**
Asset financing			
Owned	**4,680**	**426**	**5,106**
At 31 March 2020	**4,680**	**426**	**5,106**

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2019/20	Information technology £000	Furniture and fittings £000	Total £000
Cost or valuation			
At 1 April 2018	9,477	2,897	**12,374**
Additions	3,153	457	**3,610**
Disposals	(1,147)	–	**(1,147)**
Impairments transferred to other operating expenditure	(57)	(15)	**(72)**
Impairments transferred to revaluation reserve	–	(12)	**(12)**
Indexation gains to revaluation reserve	32	–	**32**
At 31 March 2019	**11,458**	**3,327**	**14,785**
Depreciation			
At 1 April 2018	6,529	1,943	**8,472**
Charged in year	1,110	550	**1,660**
Disposals	(1,142)	–	**(1,142)**
(Impairments) and reversals transferred to other operating expenditure	1	(1)	**–**
Impairments transferred to revaluation reserve	–	(8)	**(8)**
Indexation gains to revaluation reserve	28	–	**28**
At 31 March 2019	**6,526**	**2,484**	**9,010**
Net book value at 1 April 2018	**2,948**	**954**	**3,902**
Net book value at 31 March 2019	**4,932**	**843**	**5,775**
Asset financing			
Owned	**4,932**	**843**	**5,775**
At 31 March 2019	**4,932**	**843**	**5,775**

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

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

	2019/20 £000	2018/19 £000
Balance at 1 April	**85**	**109**
Net gain on indexation	71	4
Impairments charged to reserves	(1)	(4)
Transfers between reserves	(25)	(24)
Balance at 31 March	**130**	**85**

8. Financial instruments

Liquidity risk

CQC's cash requirements are met through annual registration fees charged to providers and grant-in-aid from DHSC. The fees scheme published in April 2019 sets fees for all sectors at full chargeable cost recovery, which results in the fees paid by providers becoming the main source of funding for CQC.

CQC manage liquidity risk through regular cash flow forecasting to ensure that sufficient funds are available to cover working capital requirements. At 31 March 2020 the COVID-19 pandemic had no material impact on CQC's liquidity and this risk was mitigated as part of our decision making.

CQC have no borrowings, relying on the collection of fees and grant-in-aid from DHSC to cover cash requirements.

Credit risk

Credit risk arises from cash and cash equivalents and accounts receivable. Management monitors the

collection of fees closely and all undisputed debts that have reached 61 days past due, and where

internal recovery processes have been exhausted, are sent to an external debt collection company.

In response to the COVID-19 CQC have supported registered providers by offering revised payment schedules to those facing financial difficulties and put a hold on any accounts being sent to external debt collection. All outstanding fees remain due and the impact of the pandemic has been closely monitored by management.

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 is not exposed to currency or commodity risk. All material assets and liabilities are denominated in sterling. With the exception of 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 2020 £000	31 March 2019 £000
Trade and other receivables with DHSC group bodies	1,708	1,852
Trade and other receivables with other bodies	9,788	11,476
Cash at bank and in hand	46,619	34,770
Total	**58,115**	**48,098**

8.2 Financial liabilities

	31 March 2020 £000	Restated 31 March 2019 £000
Trade and other payables with DHSC group bodies	1,413	3,295
Trade and other payables with other bodies	22,777	18,887
Other financial liabilities	63	90
Total	**24,253**	**22,272**

9. Trade receivables and other current assets

	31 March 2020 £000	31 March 2019 £000
Trade and other receivables		
Contract receivables	12,566	14,311
Other receivables	2,612	1,913
Expected credit loss	(3,794)	(3,007)
Deposits and advances	112	111
Subtotal: Trade and other receivables	**11,496**	**13,328**
Other current assets		
Prepayments	848	627
Subtotal: Other current assets	**848**	**627**
Total	**12,344**	**13,955**

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

The expected credit loss relating to contract receivables totals £3,716k (31 March 2019: £2,951k) and other receivables totals £78k (31 March 2019: £56k).

Deposits and advances include advance salary payments and staff loans, these total £8k and £104k (31 March 2019: £10k and £101k). 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

	31 March 2020 £000	31 March 2019 £000
Balance at 1 April	**3,007**	**1,707**
Impact of the adoption of IFRS 9	–	433
Recognition of expected credit loss allowance	752	888
Changes to expected credit loss allowances	704	598
Provision utilised due to write-off	(6)	–
Provision reversed as unused (eg settlement of receivable)	(663)	(619)
Balance at 31 March	**3,794**	**3,007**

10. Cash and cash equivalents

	2019/20 £000	2018/19 £000
Balance at 1 April	**34,770**	**36,959**
Net change in cash and cash equivalent balances	11,849	(2,189)
Balance at 31 March	**46,619**	**34,770**
The following balances at 31 March were held at:		
Government banking service and cash in hand	**46,619**	34,770
Total balance at 31 March	**46,619**	**34,770**

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11. Trade payables and other current liabilities

	31 March 2020 £000	31 March 2019 £000
Amounts falling due within one year		
VAT	(474)	(370)
Other taxation and social security	(6,532)	(4,371)
Trade payables	(3,666)	(6,724)
Other payables	(4,072)	(3,606)
Accruals	(14,669)	(10,845)
Capital creditors – intangible assets	(1,598)	(821)
Capital creditors – property, plant and equipment	(185)	(186)
Total trade and other payables	**(31,196)**	**(26,923)**
Current pension liabilities	(16)	(21)
Fee income in advance	(19,797)	(20,619)
Total current trade payables and other current liabilities	**(51,009)**	**(47,563)**
Amounts falling after more than one year		
Pension liabilities	(47)	(69)
Total non-current trade payables and other non-current liabilities	**(47)**	**(69)**

Trade payables at 31 March 2020 were equivalent to 28 days (31 March 2019: 26 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 0.50% per annum (2018/19: 0.29%) in accordance with HM Treasury guidance.

12. Provisions for liabilities and charges

	2019/20			2018/19		
	Leased property dilapidations	Legal	Total	Leased property dilapidations	Legal	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April	**2,206**	**437**	**2,643**	**2,338**	**434**	**2,772**
Provided in year	–	407	**407**	–	437	**437**
Provisions not required written back	(78)	(334)	**(412)**	(24)	(357)	**(381)**
Provisions utilised in year	(215)	(103)	**(318)**	–	(77)	**(77)**
Change in discount rate	4	–	**4**	(59)	–	**(59)**
Unwinding of discount	14	–	**14**	(49)	–	**(49)**
Balance at 31 March	**1,931**	**407**	**2,338**	**2,206**	**437**	**2,643**

12.1 Analysis of expected timings of discounted cash flows

	2019/20			2018/19		
	Leased property dilapidations	Legal	Total	Leased property dilapidations	Legal	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	564	407	**971**	293	437	**730**
Later than one year and not later than five years	1,367	–	**1,367**	1,913	–	**1,913**
Later than five years	–	–	**-**	–	–	**–**
Balance at 31 March	**1,931**	**407**	**2,338**	**2,206**	**437**	**2,643**

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

Other provisions include legal costs relating to tribunals and judicial reviews estimated at £0.4m (31 March 2019: £0.4m).

No provisions were recognised in respect of employment termination costs (31 March 2019: £nil).

Provisions falling due up to five years have been discounted by a factor of 0.51% (2018/19: 0.76%) and provisions falling due between five and 10 years have been discounted by a factor of 0.55% (2018/19: 1.14%) in accordance with HM Treasury guidance.

13. Reconciliation of movements in the Statement of Cash Flows

13.1 Adjustment for non-cash transactions

	Note	2019/20 £000	2018/19 £000
Depreciation, amortisation and impairment charges	4.2	7,005	7,834
Increase in provision for pension fund deficit	4.1	771	621
Net interest expenses on pension scheme assets and liabilities	4.2	1,403	1,780
Gain on disposal of fixed assets	3.2	–	(61)
Provisions expense	4.2	(1)	(3)
Finance expense: Unwinding of discount on provisions	12	14	(49)
Total adjustment for non-cash transactions		**9,192**	**10,122**

13.2 Movement in trade and other payables

	Note	2019/20 £000	2018/19 £000
Increase in trade and other payables	11	4,273	1,548
Less increase in capital creditors – intangible assets	11	(777)	(143)
Less decrease in capital creditors – property, plant and equipment	11	1	1,016
Total movement in trade and other payables		**3,497**	**2,421**

13.3 Purchase of intangible assets

	Note	2019/20 £000	2018/19 £000
Additions	6	(12,481)	(6,702)
Increase in capital creditors – intangible assets	11	777	143
Total purchase of intangible assets		**(11,704)**	**(6,559)**

13.4 Purchase of property, plant and equipment

	Note	2019/20 £000	2018/19 £000
Additions	7	(1,053)	(3,610)
(Decrease)/increase in capital creditors – property, plant and equipment	11	(1)	(1,016)
Total purchase of property, plant and equipment		**(1,054)**	**(4,626)**

13.5 Proceeds from disposal of property, plant and equipment

	Note	2019/20 £000	2018/19 £000
Profit on disposal of property, plant and equipment	3.2	–	61
Information technology disposals: gross value	7	–	1,147
Less information technology disposals: accumulated depreciation	7	–	(1,142)
Total proceeds from disposal of property, plant and equipment		–	**66**

14. Movements on reserves

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on CQC's financial statements.

	General reserve £000	Revaluation reserve £000	Retained earnings reserve £000	Total £000
Balances at 31 March 2018	**(80,007)**	**486**	**15,500**	**(64,021)**
Decrease due to adoption of IFRS 9	(433)	–	–	(433)
Balances at 1 April 2018	**(80,440)**	**486**	**15,500**	**(64,454)**
Increase/(decrease) in the year	11,015	(229)	6,950	17,736
Balances at 1 April 2019	**(69,425)**	**257**	**22,450**	**(46,718)**
Increase/(decrease) in the year	(16,865)	107	3,442	(13,316)
Balances at 31 March 2020	**(86,290)**	**364**	**25,892**	**(60,034)**

General reserve

The general reserve reflects the total assets less liabilities of CQC which are not assigned to another special purpose reserve.

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 periodically to reflect the fair value of an asset owned by an organisation.

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. The reserve can only be used with the agreement of DHSC.

During 2019/20 the reserve has increased by £3,442k. This includes a transfer of £6,100k to reflect the depreciation, amortisation and impairments relating to assets that support CQC's chargeable activities. These costs are recovered through provider fees (see note 2.3) and £2,658k was utilised to fund capital expenditure.

15. Capital commitments

Contracted capital commitments at 31 March 2020, not otherwise included within these financial statements:

	31 March 2019 £000	31 March 2018 £000
Intangible assets	2,755	2,654
Property, plant and equipment	460	502
Total	**3,215**	**3,156**

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 2020 £000	31 March 2019 £000
Buildings		
Not later than one year	4,476	4,072
Later than one year and not later than five years	4,027	3,270
Later than five years	–	–
Total	**8,503**	**7,342**
Other		
Not later than one year	44	49
Later than one year and not later than five years	56	91
Later than five years	–	–
Total	**100**	**140**

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

There were no future minimum lease payments due under finance leases at the Statement of Financial Position date (31 March 2019: 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 2020 £000	31 March 2019 £000
Not later than one year	19,229	21,031
Later than one year and not later than five years	25,712	18,598
Later than five years	–	–
Total	**44,941**	**39,629**

18. Contingent liabilities

CQC has the following contingent liabilities:

	31 March 2020 £000	31 March 2019 £000
Backdated VAT charges	616	640
Employment tribunals and legal advice	367	339
Total	**983**	**979**

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 including NHS England, NHS foundation trusts, NHS trusts, NHS special health authorities and other non-departmental public bodies.

In addition, CQC had a significant number of transactions with other government departments and other central and local government bodies. Most of these transactions have been with the Government Property Agency in respect of rent for office space. CQC also had amounts owed to the NHS Pension Scheme and other government departments including HMRC.

During the year there were no material transactions with organisations in which members of the Board, key managers or other related parties hold an interest.

20. Events after the reporting period date

Events after the reporting period are considered up to the date on which the Financial Statements are authorised for issue.

Two key events, the COVID-19 pandemic and the transition period following the United Kingdom’s exit from the European Union, have been considered and neither would require an adjustment to the Financial Statements

21. Authorised date for issue

CQC’s Annual report and accounts are laid before Parliament. The Financial Statements were authorised for issue on 4 February 2021 by the Chief Executive as Accounting Officer.

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