Care Quality Commission

Annual report and accounts
2018/19

HC 2479

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Annual report and accounts 2018/19

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

Ordered by the House of Commons to be printed on 24 July 2019.

HC 2479

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

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

ISBN 978-1-5286-1521-1

ID CCS0619531556 07/19

Printed on paper containing 75% recycled fibre content minimum. Printed in the UK by APS Group on behalf of the Controller of Her Majesty's Stationery Office.

Contents

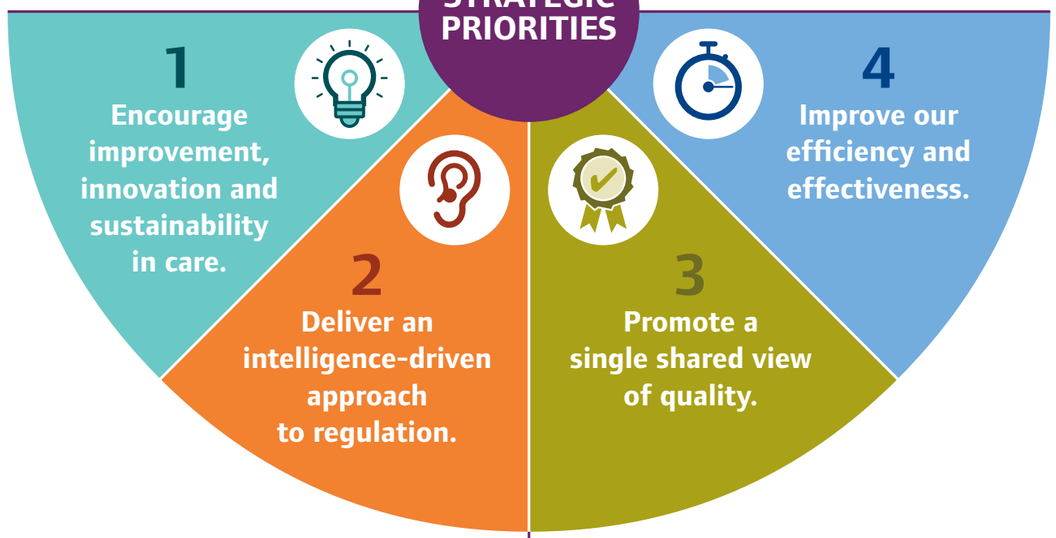
Who we are and what we do

Who we are: 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.

STRATEGIC PRIORITIES



OUR ROLE

Register	Monitor, inspect, rate	Enforce	Independent voice
We register health and adult social care providers.	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.	We use our legal powers to take action where we identify poor care.	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.

HOW WE ARE ORGANISED

We are organised under six directorates

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

OUR VALUES

Excellence · Caring · Integrity · Teamwork

WHO WE WORK WITH

We are independent, but 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 four sections:

Foreword

Peter Wyman CBE DL
Chair

Ian Trenholm
Chief Executive

In 2018/19 we made good progress and focused on what we need to do to complete the delivery of our strategy. In 2019/20 we will concentrate on improving our efficiency and effectiveness to make it easier for members of the public to use our information, for providers to work with us, and for our people to do their jobs.

Our progress

Using our baseline understanding of the quality of care, over the last year we continued to encourage improvement and to help inform choice for people. We know that many providers now use our five key questions in their governance, an important part of building a shared view of quality. We also built on our strong reputation for raising the issues that need to be tackled, such as through our *State of Care* report.

Our local system review programme has enabled an understanding of how different parts of the health and social care system need to work together better to improve the experience of care, especially for people who may struggle to have a voice and to secure their right to good care. Our stakeholders have told us that our reviews have helped them to understand how care is coordinated across their area.

Our intelligence-driven approach to monitoring care quality means that we have started to use our information and data to target inspections more effectively when quality changes, and to take decisive enforcement action to protect people.

We are publishing our inspection reports more quickly and this has improved substantially since 2017/18. We must continue to improve in this area, including developing new ways to make our information easier for members of the public to access.

As we continue to make these improvements, we know we need to keep our focus on protecting people who are most at risk of poor care. 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. Some of the hospitals we visited during the review have features of institutions that are at risk of developing a closed and even punitive culture. The treatment of people at Whorlton Hall in County Durham reinforced how difficult it can be to uncover abusive practices in such institutions. We are looking closely at what we could have done differently to detect this abuse and protect the people who were living at Whorlton Hall.

Realising our ambition

We have more to do to make sure we meet the ambition of our 2016 to 2021 strategy to have a more targeted, responsive and collaborative

approach to regulation, so more people get high-quality care.

Most importantly, we are accountable to people who use services and we act independently to make sure that people receive a good quality of care. We also have a clear obligation to providers that fund most of our work through their fees – in 2018/19 the fees raised largely covered our costs on the activities for which we charge providers. We want to make sure that we do all we can to protect people from poor care and encourage improvement, while offering value for money, and being an efficient and effective regulator.

In 2019/20 we will start to discuss, design and develop our regulatory approach, including how we monitor, inspect and rate. This will enable us to achieve our strategic ambition for a more targeted and responsive approach to regulation, make sure our regulatory approach is responsive to changes in the health and social care landscape, and support the development of our strategy for 2021 and beyond.

Achieving greater productivity is at the heart of our ambition and business plan. We know that our internal systems and processes, and our public and provider tools need to improve. To do this, we have started an important programme to improve our processes and technology, alongside investing in the skills of our people.

Our digital investment supports the redesign of a range of digital tools and products over the next few years. Most significantly for 2019/20 is our work to redesign our online registration service, starting with community adult social care providers. The new service will save time for providers and our people, and will increase our ability to register new and more complex types of provider.

Equally important is our work to develop our online service for people to share their experiences of care. The new service will make sure that people have a better experience when sharing with us and that we get clearer information from people with as many different experiences and backgrounds as we can, to inform where we need to inspect. We have made good progress and the new service will launch later in 2019/20.

We want our people to feel more connected and better able to collaborate across teams and manage their workload. We have invested in new mobile capability, enhanced wifi and broadband, and integrated office IT solutions that will support our people to do their jobs.

Our vision is for a fully inclusive organisation that values difference and is known as a great place to work. We are focused on improving recruitment, retention and progression for all prospective and current CQC colleagues, particularly for people from Black and Minority Ethnic backgrounds, as well as increasing learning and development opportunities.

As we increasingly look at health and social care delivery as part of a system, we need to be able to adapt our approach as new types of care provision emerge and new technology is used.

We will continue to build relationships with local partners, including with integrated care systems. Following a commitment from the Secretary of State for Health and Social Care, we aim to carry out more local system reviews that will help us to develop a more wide-reaching understanding of how a person's experience of care can be improved when services collaborate around their needs.

Our changes will not happen all at once – they will take place over several years and will be aligned to our financial plan. We will take an iterative approach, releasing improvements and testing new and redesigned services.

Peter Wyman CBE DL
Chair

Ian Trenholm
Chief Executive

Performance summary

Our ambition, as set out in our 2016 to 2021 strategy, is for a more targeted, responsive and collaborative approach to regulation, so more people get high-quality care. In 2018/19 we reached the mid-point of our strategy.

We worked during the year to improve areas of our performance, such as how quickly we publish inspection reports. We also made good progress towards meeting our four strategic priorities. However, we acknowledge that we have more work to do to complete the delivery of our strategy, and to change and improve how we measure our performance. We want to make sure that our performance is more closely linked to our impact on people who use services and to encouraging providers to improve.

To do this, we started a period of change and transformation led by our new Chief Executive. We embarked on an important programme to strengthen our digital capability and our organisational systems and processes to make it easier for us to do our jobs, easier for providers to work with us to do their jobs, and easier for the public to use what we know.

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. We have encouraged improvements at a provider level and at a system level. And we are increasingly using the full range of our enforcement powers to protect people.

We have more to do to drive forward our work in local areas to make sure we really understand how people experience care in different parts of the health and care system, and to consider how innovative new models of care and technology-enabled care can help.

- We have continued to share our learning on what drives improvement in providers through our *Driving improvement* series and our other themed publications, such as our report on oral health in care homes, *Smiling matters*.
- 74% of the services that we re-inspected, and were previously rated as inadequate, improved (compared with 72% in 2017/18).
- 71% of providers said that CQC encouraged them to improve.
- 84% of stakeholders told us that they have used CQC inspection reports and 85% have used ratings to encourage improvement.
- Public organisations say that they value our approach to working in partnership with them from the outset on projects such as thematic reviews and improvement reports.

Priority two: Deliver an intelligence-driven approach to regulation

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

We set out challenging plans for this priority at the start of 2018/19, to deliver enhanced insight and information and to improve our data collection service for providers and the public. We made some progress in these areas. For example we started improving how we collect information digitally on people's experiences of care, and we started to develop our new and more flexible registration service.

To fully realise our ambition to be intelligence-driven, we concluded during the year that we needed to invest in the people, skills and technology to further strengthen our digital capability. This has meant that we spent some time reshaping our plans, projects and timescales, which has required a substantial focus from colleagues right across CQC. We ended the year in a good position to drive forward the work we need to do in 2019/20.

- 24,742 people shared their experiences of care with us through our online form in 2018/19 (compared with 23,544 in 2017/18).
- 60% of members of the public who have chosen a care home for themselves or another person said that they were aware that concerns about care can be reported to CQC.
- 896 inspections were carried out as a direct result of information that we received, for example a safeguarding alert or information about a change of registered manager.
- We issued 564 registration 'notices of proposal' (most often proposals to refuse registration), compared with 445 in 2017/18. We refuse registration to providers where the quality of care is not good enough.

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 high-quality care.

We have made tangible progress under this priority. The majority of stakeholders who responded to our 2018 stakeholder survey agreed that they share a single view of quality with us. And most providers that responded to our 2019 provider survey agreed that CQC, commissioners and other regulators have a shared definition of what good quality care looks like in their service. This is positive, and we want to keep working to reduce the demands of regulation on providers, and to continue to promote the single shared view of what good looks like.

We need to continue raising awareness of our reports and ratings to make sure that members of the public understand the quality of health and care services, and can use our reports and ratings to help them choose between services if they want to.

- 90% of providers said that they use our five key questions when conducting quality control and assurance in their organisations.
- 70% of stakeholders agreed that they share a single view of quality with us.
- 93% of members of the public who have seen, read or used a CQC inspection report said it was easy to understand, and 75% have taken some form of action after reading a report.

Priority four: Improve our efficiency and effectiveness

Our ambition is to work more efficiently, achieving 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 substantial improvements in the time within which we publish inspection reports. However, we have more to do, and we missed some important performance commitments.

We managed within our resource budget for 2018/19 and delivered on our spending review commitments. Our operating expenditure (excluding non-cash items) was £227.7 million, and our capital investment was £10.3 million. This included investment in our digital systems to support our programme of change and transformation to meet the ambition of our strategy. It also included investment in our people, skills and capabilities to make sure we are in a strong position to be more efficient and effective in 2019/20.

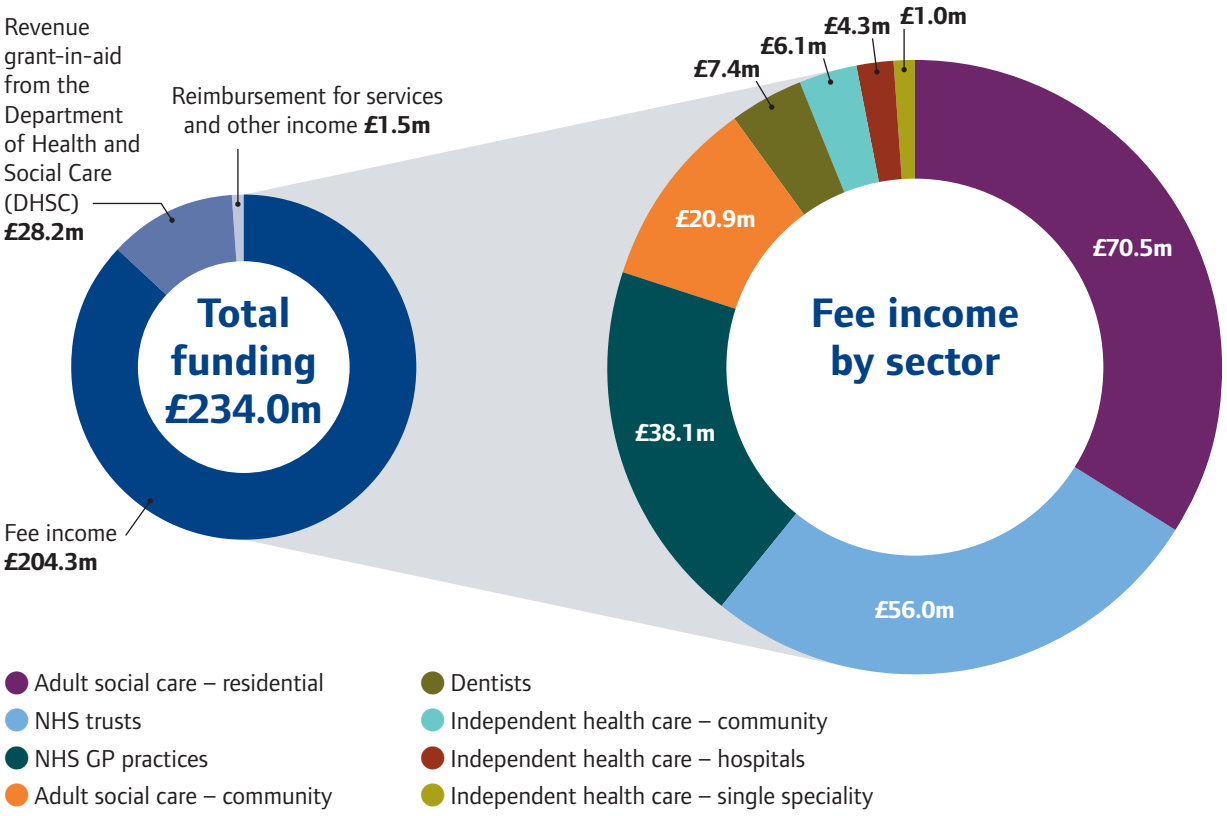
We continued our work to improve learning and development opportunities, and to build a working environment that is inclusive and supports everyone to be the best they can be.

- 86% of inspection reports published on time in 2018/19 (compared with 81% in 2017/18) – this is a substantial improvement and reflects a lot of concentrated work. We have further to go to meet our target.
- 40% of CQC employees said that they can access the right learning and development opportunities when they need to (compared with 38% in 2017/18). We are committed to continuously improving in this area and we have invested in further learning and development opportunities for 2019/20.
- 42% of CQC employees said that they do not have the equipment or technology to carry out their role (compared with 50% in 2017). We have a substantial programme in place to provide the right technology for our people.
- We made a £6 million contribution to the government's Business Impact Target.
- Our employee engagement score is 61%. This is in line with public sector benchmarks.

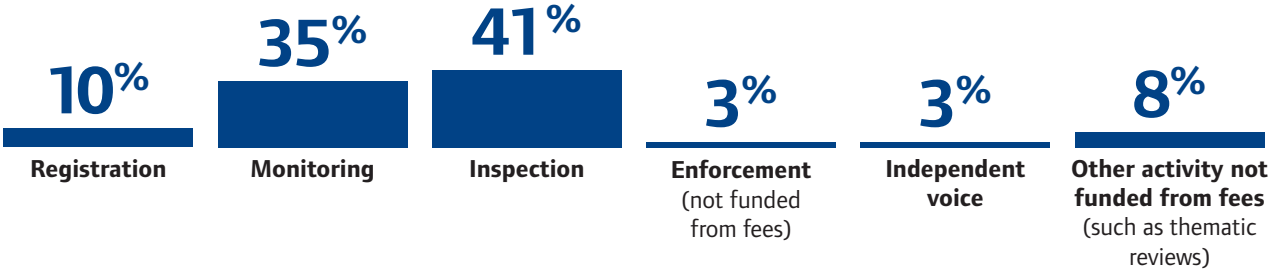
How we used our money

Our total funding and expenditure for 2018/19 is shown in figure 1. The cost of our work that is funded by fees continued to fall in line with the budget targets we agreed as part of the government spending review.

Figure 1: What we received and what we spent



Our operating expenditure (excluding non-cash items) of **£227.7 million** was allocated across the following activities:



We also spent £10.3 million on capital investment, funded by grant-in-aid from DHSC.

Our total expenditure is split by operating segment. Find out more about our financial performance in 'Priority 4' (page 39) and in the Statement of Comprehensive Net Expenditure (page 88).

Performance analysis

We monitor our progress against our strategic priorities and we track our quality, efficiency, effectiveness and impact as a regulator. We do this using a combination of key performance indicators (KPIs) for delivery and performance, and strategic measures to help us understand the effect we have on the quality of care for people.

We monitor our risks on a regular basis and consider the link between each risk, our KPIs, our strategic measures and our tolerance for uncertainty. We face a broad range of risks that reflect our responsibilities as a regulator and we carefully consider each risk when making decisions (Risk management, page 45).

We report the results of our performance to CQC's Board, the public, our health and social care system partners, our stakeholders, the Department of Health and Social Care (DHSC), and Parliament to whom we are accountable.

Our survey data

We administer a range of surveys to gather the views of stakeholders, providers, members of the public, and our own people. We include some of the survey results in this report to demonstrate how we are doing against our strategic measures.

Stakeholder survey 2018 (published October 2018)

The survey was sent to local and national health and social care partner organisations, including commissioners, patient groups and advocates, trade bodies, arms-length bodies and other regulators. The response rate was 339 (39%) and the results were weighted to represent the composition of the total population of stakeholders. This was our first stakeholder survey. Therefore there are no comparator results with 2017/18.

Provider survey 2019 (published February 2019)

The survey was sent to a representative sample of all providers registered with CQC. The response rate was 9,100 (29%) and results were weighted where appropriate to represent the composition of the total population of providers. Due to a change in the weighting approach in 2019, yearly comparisons are not possible for all questions.

Public awareness survey 2018 (published October 2018)

The survey comprised interviews with 1,004 members of the public.

CQC inspection team survey 2018 (published November 2018)

The survey was sent to all CQC inspection team members (including Experts by Experience and specialist advisors). The response rate was 2,244 (60%) and the results were weighted where appropriate to represent the composition of the total population of inspection team members.

CQC people survey 2018 (published November 2018)

The survey was sent to all CQC employees. The response rate was 2,608 (80%).

Priority one

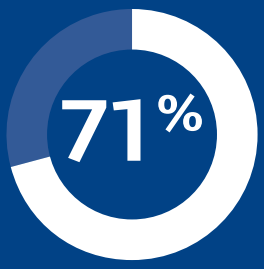
Encourage improvement, innovation and sustainability in care

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.

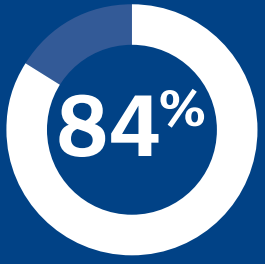
74% improvement

in services that we re-inspected,
and were previously rated as inadequate

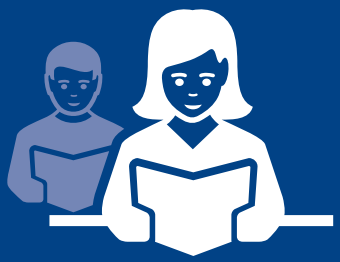
compared with 72% in 2017/18

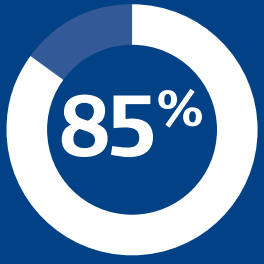


of providers said that
CQC ENCOURAGED THEM TO IMPROVE



of stakeholders said they
have used **CQC inspection reports**
to **encourage improvement**





of stakeholders said they
have used **ratings** to
encourage improvement

How are we doing?

We have made good progress towards this priority. We have encouraged improvements at a provider level and at a system level. And we are increasingly using the full range of our enforcement powers to protect people.

We have more to do to drive forward our work in local areas to make sure we really understand how people experience care in different parts of the health and care system, and to consider how innovative new models of care and technology-enabled care can help.

Performance

Encouraging improvement in providers

Providers have told us that we encourage them to improve. In our 2019 provider survey, 71% of providers felt that CQC had encouraged them to improve in the last 12 months. Our provider guidance, inspection reports and inspection visits were mentioned as the most important for supporting this improvement.

In our 2018 stakeholder survey, our stakeholders told us that the information we provide is useful for encouraging improvement, particularly CQC ratings and reports. Eighty-four per cent said they have used our inspection reports and 85% said they have used our ratings. As well as supporting service improvement, reports and ratings are commonly used to address organisational failure, commission services, or to support regulation, monitoring and oversight.

Public organisations tell us that they value our partnership working with them – including early involvement in our projects and plans, data sharing, working with them to understand people's experiences to inform thematic reviews and public support for their campaigns – and that it supports their initiatives to drive improvements to care services.

Our inspections show that services rated inadequate or requires improvement tend to improve on re-inspection, although we do see some services that remain the same or decline in their quality of care.

In 2018/19, 53% of services previously rated as requires improvement, improved on re-inspection, and 74% previously rated as inadequate improved. Of those previously rated as good, 23% declined to a rating of requires improvement or inadequate. This overall picture remains similar to 2017/18.

By sector, 52% of adult social care services rated as requires improvement on their previous inspection, improved to good. However, 21% previously rated as good and re-inspected deteriorated to requires improvement and 3% deteriorated to inadequate.

Most primary medical services rated as requires improvement on their previous inspection improved their rating to good (74%). However, 17% of those previously rated as good deteriorated to a lower rating.

Five acute NHS trusts rated as inadequate on their previous inspection, improved to requires improvement. However, 34 remained at requires improvement. For independent hospitals, seven previously rated as inadequate and re-inspected improved to either requires improvement or good.

We continued to encourage improvement through our range of inspections that look at health and social care in other settings or for specific groups. For example, our joint inspections with Ofsted of how health works

with education and social care to meet the needs of children and young people with a disability; our inspections of defence medical services; our inspections of healthcare services for looked after children; and our inspections of health care in criminal justice and immigration detention settings.

Providers also told us that they use our national reports; 66% of providers said they were aware of our *State of Care* report, and 31% of those providers who found it useful, took action after reading it. The typical actions taken after reading any of our national reports included revising internal policies and guidance, raising awareness of equality and diversity, and improving staff training. There is much more potential to promote these reports as a best practice resource, and to raise awareness of their effect on quality of care. We continued to publish reports specifically targeted towards sharing best practice and improving, for example:

- *Quality improvement in hospital trusts*
- *Radiology review*
- *Opening the door to change: NHS safety culture and the need for transformation*
- *Medicines in health and social care*
- *Driving improvement: Case studies from eight independent hospitals*
- *Smiling matters: Oral health in care homes*

In September 2018 we saw the conclusion of research commissioned by DHSC and carried out jointly by The King's Fund and the Alliance Manchester Business School, which explored the effect of CQC's approach to inspection and rating. The report identified examples of eight types of impact that CQC's regulation can have on providers, extending beyond inspection and rating. The report identified some areas for improvement in our approach, and acknowledged that these are being addressed through the implementation of our 2016 to 2021 strategy. The Alliance Manchester Business School has been commissioned to carry out further research on CQC's contribution to improving care quality, specifically considering how providers use our guidance and frameworks, and the relationships between CQC employees and providers to improve consistency in approach and maximise our effect on the quality of care.

Encouraging improvement at a system level

We are increasingly working with others in the health and care system to understand how to encourage and enable improvements at a local area level.

Our 23 local system reviews and our national report, *Beyond barriers*, gave us a clear understanding of how local services can work together to improve care. Three quarters of stakeholders who have used our local system review reports say that they are useful for coordinating care. We highlighted our findings again in our 2017/18 *State of Care* report to Parliament, emphasising the importance of system-level collaboration and person-centred care.

In March 2019 we published our second update to our *local authority area data profiles* . These profiles cover key data and information for each local authority area and allow system leaders to look at key quality indicators at a glance. The profiles will be updated on a regular basis.

We published our interim findings from our *review of restraint, prolonged seclusion and segregation* for people with a mental health problem, a learning disability or autism. We visited people who had been in contact with health, care and education services for many years and who had been failed by the system. In our interim report we called for urgent action to strengthen the safeguards that protect the safety, welfare and human rights of people held in segregation. Our final report and recommendations will publish in Spring 2020.

Encouraging innovation

CQC has been awarded a grant from the Department for Business Energy and Industrial Strategy's Regulators' Pioneer Fund to explore how we can work with providers to encourage good models of technological innovation. We have started to look at whether we develop a service that would allow providers or innovators to test out innovative products or services. We are also developing other changes to our regulatory approach to enable inspection teams to identify, assess and encourage good technological innovation.

We are working with DHSC and other regulators to set out a clear regulatory pathway across the lifecycle of artificial intelligence products that support innovation while keeping people safe.

We now rate all online primary care providers and we have published inspection prompts to look at apps for triaging patients.

Encouraging sustainability

In October 2017 we started working with NHS Improvement to assess NHS trusts' use of resources (such as finances, people, estates, facilities and procurement). Between January 2018 and March 2019, use of resources ratings for 65 trusts were published alongside their quality rating. It is too early to track improvement; however we are starting to hear feedback that some stakeholders are using the ratings and reports, and that some trusts find them helpful for identifying priorities for action.

We have embedded our regular inspections of leadership, management and culture at NHS trusts, a core part of ensuring sustainable performance and quality of care. In 2018/19 we carried out 139 inspections to look specifically at their performance under the well-led key question at trust-wide level.

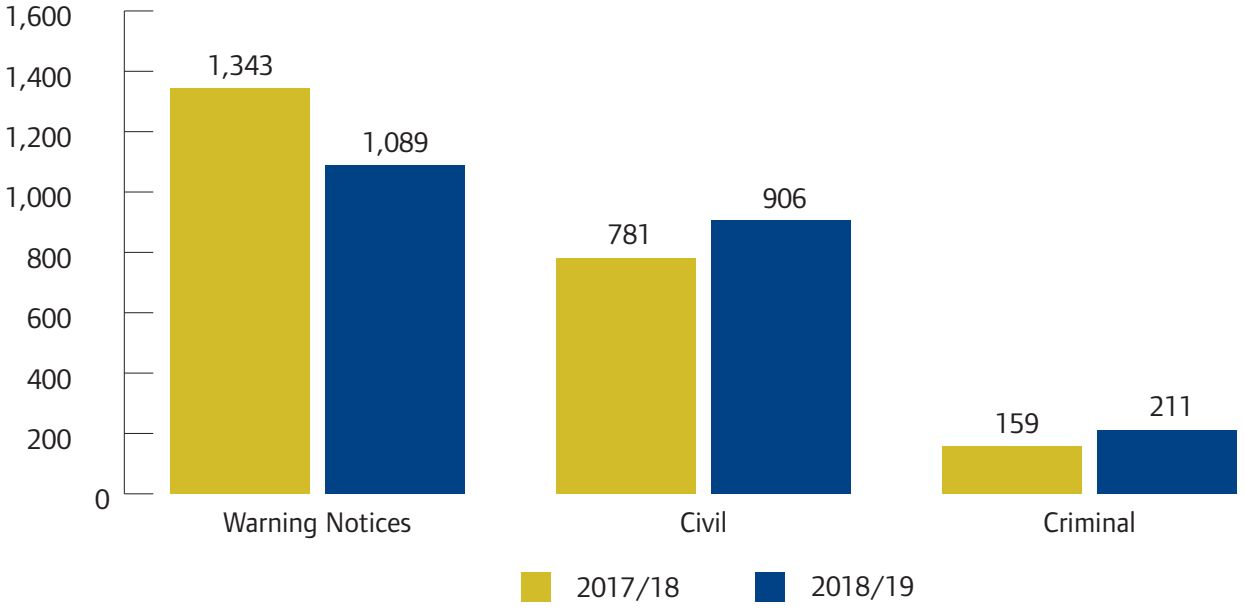
We monitor the financial sustainability of potentially hard-to-replace adult social care providers and notify local authorities (commonly referred to as a 'stage 6' notification) if there is likely to be any disruption to the continuity of care as a result of likely business failure. As at 31 March 2019 there were 58 providers in this market oversight scheme. We issued two notifications in 2018. These were the first notifications to be made since this responsibility came into force in 2015.

Using our enforcement powers

While the majority (74%) of people in our 2018 public awareness survey told us that they trust CQC is on the side of people who use services (strategic measure, Priority three), we have more to do to reassure the public about the work that we do, with 60% agreeing in the survey that CQC can effectively monitor, inspect and regulate the services that they use.

To take decisive action to protect people, we have continued to strengthen our approach to enforcement and increased the use of our civil and criminal powers. We issued 2,206 enforcement actions in 2018/19, compared with 2,283 in 2017/18 (figure 2). Of these, 1,213 (55%) are pending outcome which means they are underway but not yet published. The majority were civil actions or Warning Notices. We took more criminal actions than in 2017/18, a continuing trend over the last two years. Our case management tracking system is helping to strengthen our criminal action work.

Figure 2: Enforcement actions issued 2018/19 and 2017/18



Enforcement leading to positive change

We rated a care home as inadequate in October 2017 after finding the provider to be in breach of three different regulations, including for providing safe care and treatment.

Our inspection team had a number of serious concerns, including:

- incorrect storage and logging of controlled drugs
- inadequate fire safety checking and testing
- inadequate systems in place to manage the risk of falls from windows
- poor governance and oversight from the provider and the registered manager.

We were very concerned for the health and safety of the residents and issued Warning Notices. After finding these had not been addressed we imposed urgent conditions on the provider's registration.

After the inspection we supported the provider to improve and they showed how they would do this by developing an action plan. Prompted by the enforcement action, the situation at the home changed very quickly and they met the conditions of registration. We returned to the home to check on progress and rated it as requires improvement in May 2018. By April 2019 the home had turned around its approach to risk, health and safety and we were able to rate it as good.

Strategic measures

Strategic measure	Result
Encouraging improvement	
Providers tell us our relationships, guidance, registration, inspection, and reports help them to improve.	71% of providers in our 2019 provider survey agreed that CQC encouraged them to improve in the last 12 months. When asked what factors helped their service to improve, respondents could select from a range of options. The highlights were: ■ CQC's guidance (44% agreed it helped). ■ Taking action in anticipation of inspection (31% agreed it helped), and the inspection visit (42% agreed it helped). ■ Reports (40% agreed they helped) and ratings (35% agreed they helped). ■ Of those registered in the last year, 13% said taking action in preparation for registration helped and 22% said going through the registration process helped.
The number of services that are rated as inadequate or requires improvement that improve on re-inspection.	74% of services that we re-inspected, and were previously rated as inadequate, improved. This was 72% in 2017/18. 53% of services that we re-inspected, and were previously rated as requires improvement, improved. This was 51% in 2017/18.
Our partners tell us that we work with them effectively and that our information is useful in supporting improvements to services.	55% of stakeholder organisations in our 2018 stakeholder survey said that they have an effective working relationship with CQC, but there is much variation across stakeholder types, with trade associations and local authorities being more positive. 84% of stakeholders said that they have used CQC inspection reports and 85% have used ratings to encourage improvement.
Stakeholders tell us that they have a better understanding of how well care is coordinated across organisations because of CQC information.	67% of stakeholders said that CQC's inspection reports are useful for supporting organisations to coordinate care across organisational or service boundaries, and 75% said that local system review reports are useful for this.
We regularly assess and report on differences in quality for different population groups and geographical areas.	We started to publish regular updates to our local authority area data profiles that look at the care pathways for people aged 65 and over.

Strategic measure	Result
Encouraging sustainability	
NHS trusts tell us that the assessment of use of resources helps them improve.	Of the 22 NHS trusts that had undergone a use of resources assessment and responded to the provider survey, five said that it encouraged them to improve. Eight said that it helped them to identify priorities for action. Note: New measure so not comparable with 2017/18.
System partners use the assessment of NHS trusts' use of resources to provide trusts with the support that they need.	52% of stakeholders said that they have used a use of resources rating, and 49% that they have used a use of resources report.
Using our enforcement powers	
We use the full range of our enforcement powers to protect people and to hold those responsible to account. We use the appropriate enforcement tool to bring about improvement.	We issued 2,206 enforcement actions in 2018/19. These comprised: 1,089 Warning Notices, 906 civil actions and 211 criminal actions (which includes fixed penalty notices, prosecutions and simple cautions). Of these, 1,213 (55%) are pending outcome which means they are underway but not yet published. This compares with 2,283 total actions in 2017/18 (1,343 Warning Notices, 781 civil actions and 159 criminal actions).
The public tell us that they trust us to identify good and poor quality care and to take action to protect them.	72% of members of the public in our 2018 public awareness survey said that they feel reassured that the services they use are regulated by CQC. This was 75% in 2017/18. 60% of the public said that they are confident that CQC can effectively monitor, inspect and regulate services. This was 64% in 2017/18.
We effectively inform and work with local organisations when we close services and this leads to continuity in access for people.	72% of local stakeholders said that CQC informed them when we decided to close a service in their area, and 63% said that we worked with them to minimise any disruption to people who use services.

Encouraging improvement in local health and care systems

We carried out a series of reviews of local health and care systems to look at how older people experience care. Our reviews helped to encourage improvement in care. One example of this is the Stoke-on-Trent health and care system.

Our first review of Stoke took place in September 2018 and it was clear that some older people in Stoke were not experiencing good care. The organisations responsible for the services in the area were not working together towards a shared vision, and there was a lack of strategic planning and collaboration. Some people were not getting GP appointments in a timely way; and older people were waiting for too long in A&E before being admitted to a ward, and then experiencing delays as they waited to leave hospital.

In response to our findings, system leaders developed an action plan that required organisations, including Staffordshire Clinical Commissioning Group and the council, to come together urgently to improve services for older people. CQC emphasised the need to develop better ways of working together to reduce the need for acute hospital care.

We returned to Stoke in November 2018 and found that significant improvement had been made. Relationships and joint working towards shared goals had improved, and a collaborative approach was emerging across the system. Leaders had shown a real drive to effect change and support improvement. Frontline staff described the change in culture that enabled them to work better together.

There were tangible improvements in the quality of care. At the first review, 16% of nursing homes, 2% of residential care homes and 3% of domiciliary care agencies were rated as inadequate. By September 2018, there were no services rated as inadequate, and nursing homes rated as good had increased from 26% to 42%. There had also been significant improvement in the local hospitals that meant more people were seen in the right place at the right time and the number of people whose discharge from hospital was delayed had also reduced.

Read the *Stoke-on-Trent local system review* on our website.

Priority two

Deliver an intelligence-driven approach to regulation

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

shared their experiences of care with us through our online form in 2018/19 (compared with 23,544 in 2017/18)

60% of people who have chosen a care home for themselves or another said they were **aware that concerns about care can be reported to CQC**

as a result of information we received

564 registration 'notices of proposal' (most often proposals to refuse registration), compared with 445 in 2017/18

How are we doing?

We set out challenging plans for this priority at the start of 2018/19, to deliver enhanced insight and information and to improve our data collection service for providers and the public. We made some progress in these areas. For example we started improving how we collect information digitally on people's experiences of care, and started to develop our new and more flexible registration service.

To fully realise our ambition to be intelligence-driven, we concluded during the year that we needed to invest in the people, skills and technology to further strengthen our digital capability. This has meant that we spent some time reshaping our plans, projects and timescales, which has required a substantial focus from colleagues right across CQC. We ended the year in a good position to drive forward the work we need to do in 2019/20.

Figure 3: Ratings profile as at 31 March 2019

Performance

Targeted regulation

We have made good progress in developing new tools and systems to help us collect, analyse and share data and information from the public, providers, stakeholders and a range of other sources. This has been an important focus during the year and is fundamental to developing our approach to monitoring care and being intelligence-driven.

Our ratings profile at 31 March 2019 showed that most services that we have rated are providing high-quality care to people (figure 3). We saw slight improvement in the quality of care across all sectors and ratings compared with 2017/18. This robust baseline of data has given us a platform from which to be intelligence-driven.

Overall, across the year 896 inspections were carried out as a direct result of information that we received from, for example, a person using the service, a family member or a member of staff, or because of additional intelligence we heard about after inspecting. The information could be a safeguarding alert, information about a change of registered manager, or other concerns.

CQC Insight

We have now developed CQC Insight tools for all sectors. Each tool contains data and information from a range of sources and feeds to one integrated hub. From there, CQC colleagues can extract and use the information to assess levels of risk and changes to quality on a continuous basis. There is work underway to keep improving the effectiveness of our insight tools, for example adding additional indicators, improving navigation, enhancing contextual information, adding more qualitative information, and showing change over time.

Public awareness and sharing experiences of care

Overall public awareness of CQC remained stable during the year and compares similarly with 2017. The majority of members of the public agreed in our survey that they are aware that there is a regulator of health and social care and understand the standards of care they can expect. We have also seen a positive change in people recognising CQC's name without being prompted, rising from 18% in the 2017 survey to 25% in 2018.

Members of the public who have recently chosen a care home tend to be more aware than others that their experiences of care can be reported to CQC; 60% of public said they were aware they could do this, similar to 2017. This may be linked to our #CareAware campaign that was designed to increase understanding of the choices available to people when selecting a care service. For the wider population, 41% of people said they were aware they could share their experiences, which is slightly lower than 2017.

We continue to see year-on-year increases in the number of people who report experiences of care to us through our online 'Share your Experience' service. This information then informs our regulation of services. Information from individuals about their experiences of care also reaches CQC through other routes, including our national customer service centre (NCSC) and data gathered from comments left on third party websites.

We have a real opportunity to improve the experience of people who share information about their care with us through the promotion of our redesigned online Share your Experience service. In 2018/19 we invested significant work in the service to make it more intuitive to use and improve the quality of information it collects. The new online service will help people who use it to give us information that can be acted on, where appropriate, at the right level of detail. We will launch and promote the new

service later in 2019/20 after a period of further testing.

In addition to our 'Tell us about your care' partnerships with voluntary organisations, our local engagement and information sharing with organisations such as local Healthwatch, and our engagement with specific communities on topics as part of thematic reviews, we also speak to people who use services on or before our inspections to get a fuller understanding of how care is experienced by those using it and to inform our judgements and ratings. Our Experts by Experience (people with a lived experience of health and care services) are frequently part of our inspection teams and our 2018 inspection team survey results showed that inspectors find their contribution valuable (strategic measure, Priority four). The survey also showed that Experts by Experience feel positive about how we use the views of people who use services in our judgements and ratings.

Provider information tools

We want providers in all sectors to have simple and effective ways to share information with us to make it easier for them to do their jobs. We spent part of the year continuing to develop our adult social care provider information return which aimed to achieve this for that sector. However, we took an important decision during the year to pause this work and to rethink our approach. This is because we want to make sure that our digital tools work well as part of our entire programme of monitoring care, and more development and scoping work is needed for all sectors.

Responding to risk

Inspections and monitoring visits

We are now inspecting and rating providers at agreed frequencies based on their rating and the level of risk. In 2018/19 we carried out more than 17,000 inspections across all sectors – this included first inspections, re-inspections and focused inspections (where we return and look at one aspect of a service).

In the primary medical services sector we carried out 3,903 inspections and of these, 89% were within our agreed re-inspection timescales against a target of 90%.

Insight from Experts by Experience

One of the ways our inspectors gather evidence is to work with members of the public with a recent experience of care – known as Experts by Experience.

Experts by Experience talk to people during an inspection to gather their views. Their recent experiences of care enable them to gather unique insight into a service. They ask people about their experiences, both good and bad, and these comments are then fed back to the inspection team.

In May 2018 we inspected a nursing home that was rated as good. An Expert by Experience was part of the inspection team. She built trust and had a good rapport with people in the home, which allowed her to gather meaningful information.

While lunch was being served she saw five different staff members proactively helping people to enjoy their lunch. She fed this back to the inspection team and it was one of the pieces of evidence that supported the continued rating of the home as good.

In the adult social care sector we carried out 12,227 inspections and of these, 62% were within our agreed re-inspection timescales against a target of 90%. We prioritise returning to services with a lower rating, for example we were close to meeting our target of returning to 90% of inadequate locations within six months with 86% re-inspected. In quarter four, we made a substantial effort to drive up performance and by April 2019, inspection teams were meeting the timescale targets for locations rated as inadequate, requires improvement and good. Maintaining this improved performance in the Adult Social Care directorate is a priority for 2019/20 and works in tandem with improvements to our data collection and analysis systems.

In the hospitals sector we carried out 861 inspections overall – 222 of these were NHS inspections and 639 were independent health inspections.

As part of our inspections of NHS hospitals we inspected 1,088 NHS core services (these are services such as maternity care or urgent and emergency care). Of those that involved a re-inspection, 99% of core services were re-inspected within target timescales.

We met our commitment to inspect 10% of all active dental locations and carried out a total of 1,228 inspections.

We continued to keep the Mental Health Act (MHA) under review. The number of visits has increased since 2017/18, and we have spoken to more people than ever before. We also made sure that people detained under the MHA who lack the capacity to consent or who have refused treatment, have their treatments reviewed by an independent professional. Second Opinion Appointed Doctor (SOAD) visits performance remained stable, but we did not meet our target for visits within agreed timescales. We are increasing our capacity in 2019/20 to respond to the demand for SOAD visits.

Safeguarding

We quickly inform local authorities of the most urgent and serious information of concern that we receive (known as 'safeguarding alerts'). In 2018/19 our performance remained good at 94%, although not quite reaching our target of 95% of referrals within one day. We have strengthened our safeguarding alerts process and risk management system to make sure that our decision-making is informed effectively (Governance statement, page 61). We need to improve how quickly we take our mandatory actions for 'safeguarding concerns' (where we need to find out more information before we take a decision).

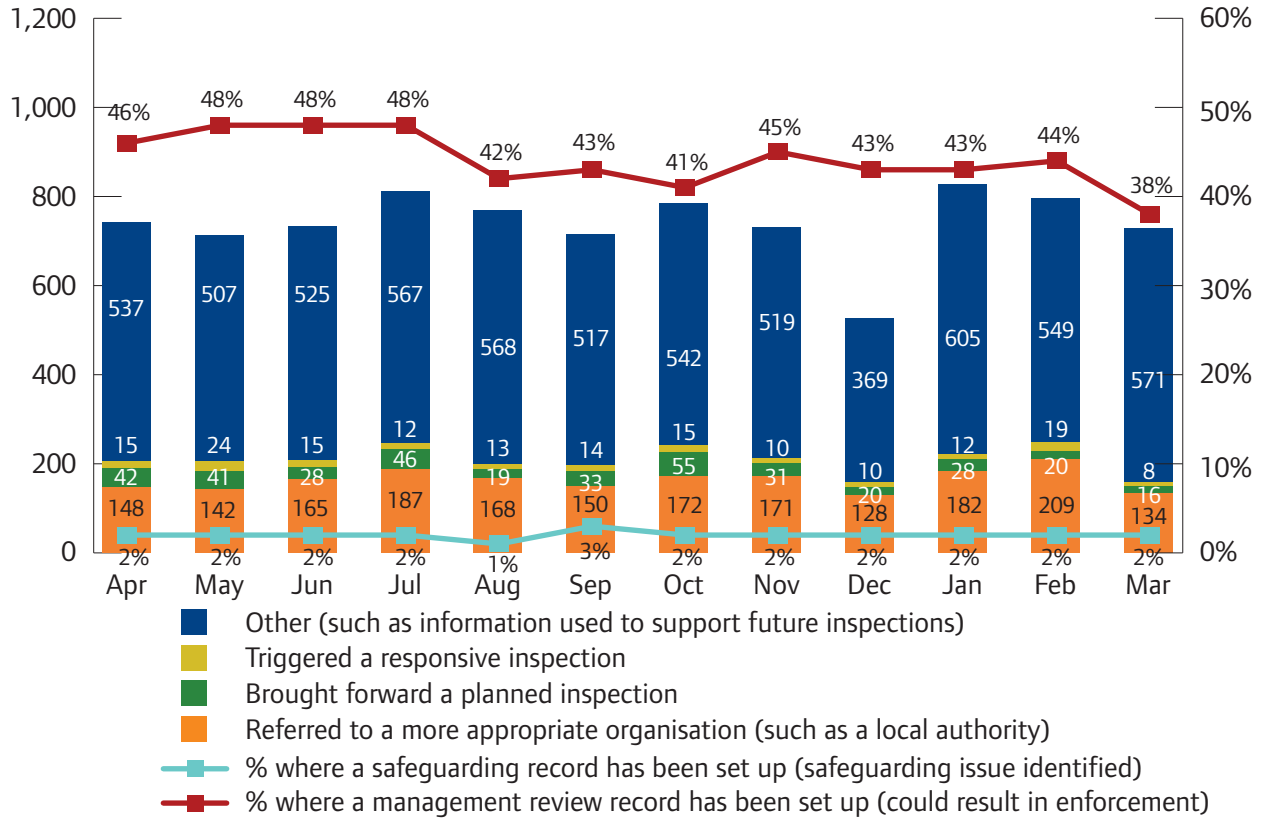
Whistleblowing enquiries

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

In 2018/19 we received 8,878 enquiries. This was an increase from 2017/18 when we received 8,449 enquiries. The majority of the enquiries (85%) were about adult social care services, 12% were about hospitals, and the remainder were about primary medical services.

When we receive an enquiry we consider the information carefully and prioritise which action to take according to the level of risk (figure 4). The most serious enquiries, for example where there is a risk of harm to an individual, will trigger a safeguarding process that may include a referral, such as to the local authority. Other actions include bringing forward inspections and conducting responsive inspections. There are some enquiries that remain completely

Figure 4: Whistleblowing volume and action taken



anonymous and in these instances we may not be able to progress an action due to lack of information.

Transforming registration

Registration needs to evolve to reflect changes in the health and social care sector, including new models of care and types of providers, such as online providers and integrated care. A priority for our intelligence-driven approach is to transform our registration service. We are reshaping the service to be more responsive, flexible, and useful for providers and CQC colleagues. Feedback from our 2018 inspection team survey has shown that the information provided at registration is useful, but that it needs to feed into the intelligence we already gather to provide more tailored support.

We continued our work to reshape the service during the year. This will continue to be a major focus in 2019/20 as we start developing and testing the service, starting with community adult social care providers and then expanding to include residential social care and dentists. The new service will be easier to use and save time for providers. It will provide useful and relevant information for CQC colleagues as they prepare for inspections.

Our registration performance against agreed timescales remains stable. However, we are not yet meeting the targets we have set ourselves and more improvement work is being undertaken to achieve this. Our performance should be considered in the context of increased demand, particularly around refusing registration to providers where the quality of care is not good enough. We issued 564 'notices of proposal' (which are most often our proposals to refuse registration), compared with 445 in 2017/18. In addition to our registration change programme, we will make continuous improvements to our existing registration processes during 2019/20 to make them easier for providers and colleagues.

Responding to concerns at a care home

In November 2018 we brought forward an inspection of a care home in response to concerns raised by healthcare professionals, the local authority safeguarding team, relatives and whistleblowers. The local authority placed an embargo on admissions to the home.

We found that the home was breaching the regulations and there were various examples of poor and unsafe care, such as:

- the registered manager failed to report a safeguarding concern to the local authority and to CQC
- the principles of the Mental Capacity Act were not being followed
- the systems for monitoring care quality and safety were not working effectively
- risk assessments did not always reflect people's care and support needs and advice from healthcare professionals was not always followed by staff
- a medicines audit indicated that there were no gaps in people's medicines administration records, but we found an instance where a person's medicine had not been signed by staff as given to them.

We rated the service as inadequate and it was placed in special measures.

During our inspection the provider's regional manager told us that the home would not be admitting any private placements for a minimum of two months and that they had introduced a team of senior managers to support and oversee the improvements that needed to be made.

We have developed our website to make it easier to see the regulatory history of a service when there has been a change in registration. It will now be possible to see old and new ratings side by side if a provider has to re-register because of, for example, a change in registered manager. This means providers will not lose any existing ratings for their locations, and it is clearer for members of the public.

In 2019/20 we will review our *Registering the right support* guidance for providers supporting people with a learning disability or autism. We want to ensure the guidelines are flexible to a range of different provider and location types.

Data science

We continued to explore the opportunities that data science, such as machine learning and automated analysis, can offer CQC to better understand changes to the quality of care and to support our regulation.

Strategic measures

Strategic measure	Result
Quality ratings	
The range of ratings across all our rating categories (outstanding, good, requires improvement and inadequate).	The ratings profiles continued to improve slightly from 2017/18. As at 31 March 2019, most providers across all sectors were rated as good. There remain a minority of providers rated as inadequate.
Public awareness and sharing experiences of care	
People are aware of CQC and our role.	71% of the public said that they are aware that there is a national body responsible for regulating health and care. This remains the same as 2017. 25% of the public were able to name CQC as the national body for regulating health and care. This has risen from 18% in 2017.
People tell us that they trust CQC is on the side of people who use services.	74% of the public said that they trust that CQC is on the side of people who use services. This compares with 77% in 2017. Of those who had seen a CQC report, this trust rose to 84% which is the same as 2017.
The public tell us that our online mechanisms for them to tell us about the care they receive are easy and straightforward.	41% of respondents to our 2018 public awareness survey were aware that concerns about care could be reported to CQC. This compares with 47% in 2017. Those who have chosen a care home for themselves or someone important to them are most likely to be aware (60% in 2018 and 2017).
We use information from the public to inform our judgements, ratings and the action we take.	We received 24,742 experiences of care from people through our Share your Experience service, compared with 23,544 in 2017/18. 73% of Experts by Experience who responded to our inspection team survey in 2018 thought that the views of people who use services and the public are given sufficient weight in CQC judgements and ratings. This was the same as 2017.
Transforming registration	
Inspectors tell us that they have the information they need from registration to adequately plan an inspection at a location that has newly registered or changed their registration.	17% of respondents to our 2018 inspection team survey said that they used registration information when planning. This compares with 38% in 2017. Of those who used the information, 68% found it useful compared with 55% in 2017.

Key performance indicators

KPI	Result	Met target
Inspecting and reviewing		
The frequency of our inspections is in line with ratings and new registration timescales.	We set ourselves commitments to re-inspect locations and to inspect newly registered locations within specified time periods. NHS hospital re-inspections were above their target, primary medical services re-inspections were close to the target, and some improvement is needed in adult social care re-inspections:	
	▼ There were 12,227 adult social care inspections, of which 62% were carried out within agreed timescales, against our target of 90%. Performance in 2017/18 was 81%.	Not met
	▼ There were 3,903 primary medical services inspections, of which 89% were carried out within agreed timescales, against our target of 90%. Performance in 2017/18 was 96%.	Not met
	Of the NHS hospital core services that needed a re-inspection, 99% were re-inspected within agreed timescales against our target of 90%.	Met
	Note: NHS hospitals core service re-inspections is a new KPI so not comparable with 2017/18.	
Dental inspections carried out.	▲ We carried out 1,228 dental inspections and met our target to inspect 10% of all active locations.	Met
MHA Reviewer visits planned and completed against a target of 90%.	There were 1,203 MHA monitoring visits. This increased from 1,133 visits in 2017/18. *During 2018/19 we started a transition from our MHA database to a new system which means we cannot report on performance in this report.	Not reportable*
Second Opinion Appointed Doctor (SOAD) visits carried out within target timescale.	◀▶ There were 3,615 SOAD visits, of which 88% were in agreed timescales against a target of 95%. Performance was 90% at the end of the year. This remains the same as 2017/18.	Not met
Protecting people		
Safeguarding alerts referred to a local authority within 0 to 1 days.	▼ Our performance was 94% of alerts against a target of 95%. Performance in 2017/18 was 96%.	Not met
Safeguarding alerts and concerns had one of four possible mandatory actions taken in 0 to 5 days.	▼ Our performance was 89% of alerts and concerns against a target of 95%. Performance in 2017/18 was 90%.	Not met

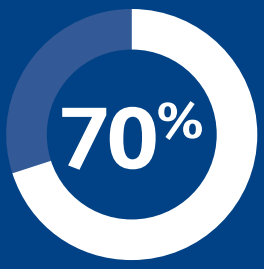
KPI	Result	Met target
Registration		
Registration processes completed within 50 days.	▼ 70% of new registration applications were completed within 50 days against a target of 80%. Performance in 2017/18 was 77%.	Not met
	▼ 86% of variations to registration completed within 50 days against a target of 90%. Performance in 2017/18 was 87%.	Not met
	▲ 93% of registration cancellations completed within 50 days against a target of 90%. Performance in 2017/18 was 91%.	Met

Priority three

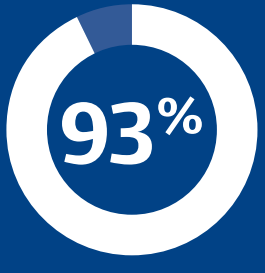
Promote a single shared view of quality

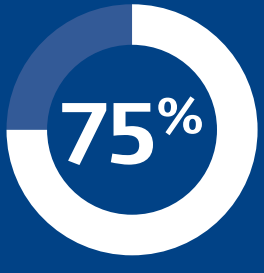
Our ambition is to work with others to agree a consistent approach to defining and measuring quality, collecting information from providers, and delivering a single vision of high-quality care.

90%
of providers said they use **our five key questions** when conducting quality control and assurance



of stakeholders agreed that they **share a single view of quality with CQC**





of members of the public who have seen, read or used a CQC inspection report said it was easy to understand, and

have taken some **form of action** after reading a report

How are we doing?

We have made tangible progress under this priority. The majority of stakeholders who responded to our 2018 stakeholder survey agreed that they share a single view of quality with us. And most providers that responded to our 2019 provider survey agreed that CQC, commissioners and other regulators have a shared definition of what good quality care looks like in their service. This is positive and we want to keep working to reduce the demands of regulation on providers, and to continue to promote the single shared view of what good looks like.

We need to continue raising awareness of our reports and ratings to make sure that members of the public understand the quality of health and care services, and can use our reports and ratings to help them choose between services if they want to.

Performance

Information for the public

Seventeen per cent of members of the public said that they have seen, read or used a CQC inspection report, and 44% said that they are aware of CQC's ratings. This use and understanding of reports and awareness of ratings has reduced slightly from 2017.

However, we know that when people see our information they are much more likely to have a positive experience: 93% of those who have read an inspection report said that they found it easy to understand, and 75% have taken some form of action. Also, those who have seen an inspection report tend to have higher levels of trust that we are on the side of people who use services – 84% who have read a report said that they trust us, compared with 74% who have not.

We have more to do to continue building trust and understanding and making sure that our reports and ratings are relevant to people's lives. Our public campaigns for 2019/20 and our planned online and digital service developments will help to build further awareness.

Developing a shared view of quality

The majority of providers agreed that CQC, commissioners and other regulators have a shared definition of what good quality care looks like in their service. The majority also agreed that our guidance and standards focus on what matters most to them. Many also said that they have adopted our framework for quality and have embedded our five key questions in their governance, particularly around conducting quality control, assurance and clinical governance.

Most stakeholders agreed that a shared view of quality exists between themselves and CQC. Around three-quarters said they are familiar with either the National Quality Board (NQB) or *Quality Matters* documents that define a shared view of quality. Most agreed that the national definition captures the most important dimensions of quality.

Twenty-four per cent of stakeholders agreed that this definition reduces duplicate information requests. More therefore needs to be done to fully embed the national definition of quality to make sure that it achieves its aim of reducing the demands of regulation on providers and better influencing commissioning decisions. We need to work ever more closely with system partners and commissioners to make sure that

we use the same categorisation and measure of what good looks like to make sure this is clear to providers, and to make it as easy as possible to gather the views of people who use services.

We will continue to work together with DHSC, NHS England and NHS Improvement, Skills for Care and other regulators to further align our view of quality and to make sure that the national definition remains relevant to changes in the external environment, such as service integration and the NHS Long Term Plan.

Strategic measures

Strategic measure	Result
Public expectations of care and of CQC	
The public are increasingly clear about what they can expect from care services through the information provided by CQC, providers and others.	60% of members of the public said in our 2018 public awareness survey they are aware of the standard of care they are entitled to receive from health and social care services. This compares with 61% in 2017.
People tell us that they trust CQC is on the side of people who use services.	74% of the public said that they trust that CQC is on the side of people who use services. This compares with 77% in 2017. Of those that had seen a CQC report, this trust rose to 84% which is the same as 2017.
The public uses our information, including our reports and ratings.	17% of the public said that they had seen, read or used one of our reports. This compares with 22% in 2017. 44% of the public said that they are aware of CQC's ratings compared with 50% in 2017. 75% of the public who have read our reports, and 49% of those who have seen CQC ratings, said that they take some form of action (such as deciding to continue using the service, or looking for more information) as a result.
The public say our information is useful and easy to use and understand.	93% of the public who have read a CQC report said it was easy to understand, compared with 94% in 2017. 84% of the public who had seen CQC ratings for a service said they are easy to understand, compared with 85% in 2017.
A shared view of quality: Providers	
Providers agree that CQC, commissioners and other regulators are working together to a single shared view of quality.	67% of providers in our 2019 provider survey said that CQC, commissioners and other regulators have a shared definition of what good quality care looks like in their service.
Providers feel that the reporting requirements to oversight bodies are reducing.	57% of providers said that completing CQC's provider information return is demanding, compared with 54% in 2018. 61% of providers agreed that CQC works well with other partners in the health and social care system to coordinate their work, compared with 55% in 2018.

Strategic measure	Result
Providers say that what we focus on is what matters most to them (including guidance and standards).	71% of providers agreed that CQC focuses on what matters most, compared with 67% in 2018. 79% of providers said that CQC's guidance and standards focus on what matters, compared with 76% in 2018.
Providers use CQC's approach in their governance and communication.	90% of providers said that they use our five key questions when conducting quality control and assurance, 86% when communicating their policies, and 86% when assessing clinical governance.
A shared view of quality: Our partners and stakeholders	
Our key strategic partners agree that we share a single view of quality.	70% of stakeholders in our 2018 stakeholder survey agreed that they share a view of quality with CQC. 74% of stakeholders said they were familiar with either the NQB or *Quality Matters* documents defining a shared view of quality. 86% of stakeholders agreed that the shared definition captures the most important dimensions of quality. 24% of stakeholders agreed that the definition reduces duplicate information requests.

Sharing information with our partners and stakeholders

We continued working with our partners and stakeholders to share information and to strengthen information-sharing agreements. This has helped us to have a better understanding of the information we collectively hold about providers, local systems, and people's experiences of care. For example, with NHS England and NHS Improvement, we considered four areas that will help us to collaborate better.

- How we engage with the new NHS seven regions structure
- Our ongoing commitment to use of resources reviews and our inspections of the well-led key question
- Opportunities to align and reduce the regulatory demands on providers
- Updates to working agreements in the context of large-scale organisational change.

We also agreed with the NQB (which is a partnership of NHS England and NHS Improvement, Public Health England, ourselves and others) to review and update the framework for our shared commitment by the end of 2019/20, to support local areas to deliver the NHS Long Term Plan.

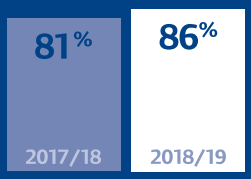
With NHS England and NHS Clinical Commissioners, we continued to work together through our joint framework and as part of the Regulation of General Practice Programme Board to reduce duplication of regulation in general practice.

We collaborated closely with Healthwatch England and improved our information-sharing mechanisms.

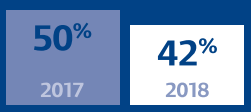
Priority four

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.



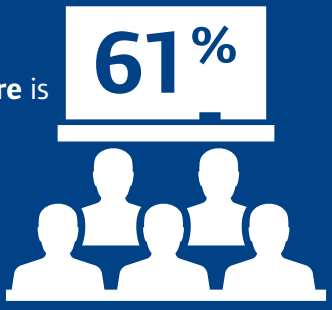
86%
of inspection reports published on time in 2018/19



42%
of CQC employees said that they do not have the equipment or technology to carry out their role

£6 million
contribution to the government's Business Impact Target

Our **employee engagement score** is 61%



How are we doing?

We have made progress under some areas of this priority, including substantial improvements in the time within which we publish inspection reports. However, we have more to do, and we missed some important performance commitments.

We managed within our resource budget for 2018/19 and delivered on our spending review commitments. Our operating expenditure (excluding non-cash items) was £227.7 million and our capital investment was £10.3 million. This included investment in our digital systems to support our programme of change and transformation to meet the ambition of our strategy. It also included investment in our people, skills and capabilities to make sure we are in a strong position to be more efficient and effective in 2019/20.

We continued our work to improve learning and development opportunities, and to build a working environment that is inclusive and supports everyone to be the best they can be.

Performance

Our people

Our 2018 people survey results showed that most employees (92%) believe that CQC makes a positive difference to people's lives. The majority also agreed that CQC colleagues display the values and behaviours of the organisation. In addition, most people said that they understand CQC's strategic direction, although this is lower than in 2017. We will focus in 2019/20 on improving strategic change communications for colleagues.

The survey showed that colleagues remain frustrated with CQC's digital tools and systems; 42% said that that they do not have the equipment and tools to carry out their roles. Improving the tools, systems and processes for colleagues has been an immediate priority for our digital investment. We have made progress to address this and will continue further improvements to our IT systems in 2019/20. We have:

- made good progress in improving broadband access for more than 700 home-based colleagues with poor connection speeds – this will complete in 2019/20.
- rolled out new smartphone devices and lightweight laptops for home-based colleagues and those that are regularly on the move
- started work to improve meeting room technology, upgrade office wifi and roll out Office 365 to enable more collaborative and effective working.

Learning and development survey scores improved from 2017, but there remains more to do to make sure that colleagues have access to the right training and feel able to develop and progress. We started the following initiatives in 2018/19 and we will continue these throughout 2019/20. We have:

- launched a major programme to develop capability to carried out quality improvement programmes
- worked with an external partner to develop and deliver a nationally recognised qualification programme for our inspectors to build expertise in regulation and enforcement
- delivered a nationally accredited coaching programme to develop a core group of internal coaches

- extended our new talent management programme to support colleagues at a range of levels to develop leadership capability
- continued to redesign our online learning and development system with a more accessible interface and easier route to find courses and learning opportunities.

Developing our future leaders

We further developed our talent management strategy and extended it to a wider range of levels across CQC. The strategy is designed to support colleagues who have the aspiration and potential to progress upwards in CQC. It also supports our succession planning, which mitigates the risk of us not being able to fill critical roles. The talent pipeline is supported by a suite of development opportunities, most notably our new Shaping our Future Leaders programme. It focuses on preparing colleagues who are ready to become leaders to make sure they understand the expectations of a managerial role and are supported to step into an opportunity when it arises. A cohort of 100 people started the programme in May 2019.

Equality, diversity and human rights

We have increased our focus on equality, diversity and human rights in CQC. We have set out a vision for inclusion for our people that will be embedded across the organisation during 2019/20. We continued our statutory duty to report on the protected equality characteristics of CQC employees (figure 5).

We have also reviewed our human rights approach. This sets out our overall strategy for equality and human rights in our regulatory work over the next four years. This is central to our purpose as we need to make sure that everyone receives good care that respects their human rights.

We organise our developmental work on equality under five equality objectives that have been in place from 2017 and have been updated for the 2019 to 2021 period. Seventy-five per cent of respondents to our 2019 provider survey agreed that CQC's work is effective in advancing equality in services.

1. Confident with difference: person-centred care and equality

We have continued our focus on ensuring that adult social care and mental health inpatient services meet the needs of lesbian, gay, bisexual and trans (LGBT) people through providing information and training for our inspection colleagues. We have also produced guidance on how we should consider religion, faith and belief on inspections. Our new guidance for providers on sexuality in adult social care services also covers issues for LGBT people.

2. Accessible information and communication

The NHS Accessible Information Standard (AIS) makes sure that disabled people receive information in a way that they can understand, when they are using publicly-funded health and social care services. We aim to look at how health and social care providers meet the AIS in all our inspections. We have completed the first year of our monitoring of the AIS and we will report on this in *State of Care* 2018/19. We are continuing work to make CQC more accessible for disabled people.

3. Equality and the well-led provider

We have continued to look at workforce equality in our inspections of hospitals, with a particular focus on the Workforce Race Equality Standard (WRES). We will report more fully on this in *State of Care* 2018/19.

4. Equal access to care and equity of outcomes in local areas

We have worked with Doctors of the World to better understand access to care issues for refugees, asylum seekers and undocumented migrants, and the impact of how NHS secondary care charging is being implemented. We have started to embed equality of access and outcomes into our work looking at the quality of care in local areas.

5. Continue to develop a diverse workforce with equal opportunities for everyone and a culture of inclusion

We published the results of a report we commissioned to look at two specific areas of our WRES data, most notably the decline in people from a Black and Minority Ethnic (BME) background who were shortlisted for a role but were not appointed. The report's author, a research fellow from Middlesex University with expertise in race inequality in the health sector, held a series of workshops with our people to explore the findings and recommendations. The outcome has been a CQC commitment to inclusion with strong support from our Board, alongside new inclusion KPIs for 2019/20 (Accountability report, page 53).

We are also 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 will publish our first WDES report later in 2019/20.

We continued the success of our equality and diversity networks for colleagues. We now have six networks that are an inspirational driver for our inclusion and diversity work across the organisation. A member of one of the networks now attends every Board meeting on a rotational basis and is part of every senior-level recruitment panel. The networks are the:

- Disability Equality Network
- Race Equality Network
- Lesbian, Gay, Bisexual and Transgender Plus (LGBT+) Network
- Carers' Equality Network
- Gender Equality Network (newly established in 2018)
- Equality and Human Rights Network, which is made up of more than 450 CQC colleagues and is proactive in many different ways in building equality and human rights into our regulatory work. The network meets regularly to learn and share challenges on equality and human rights.

Operational performance

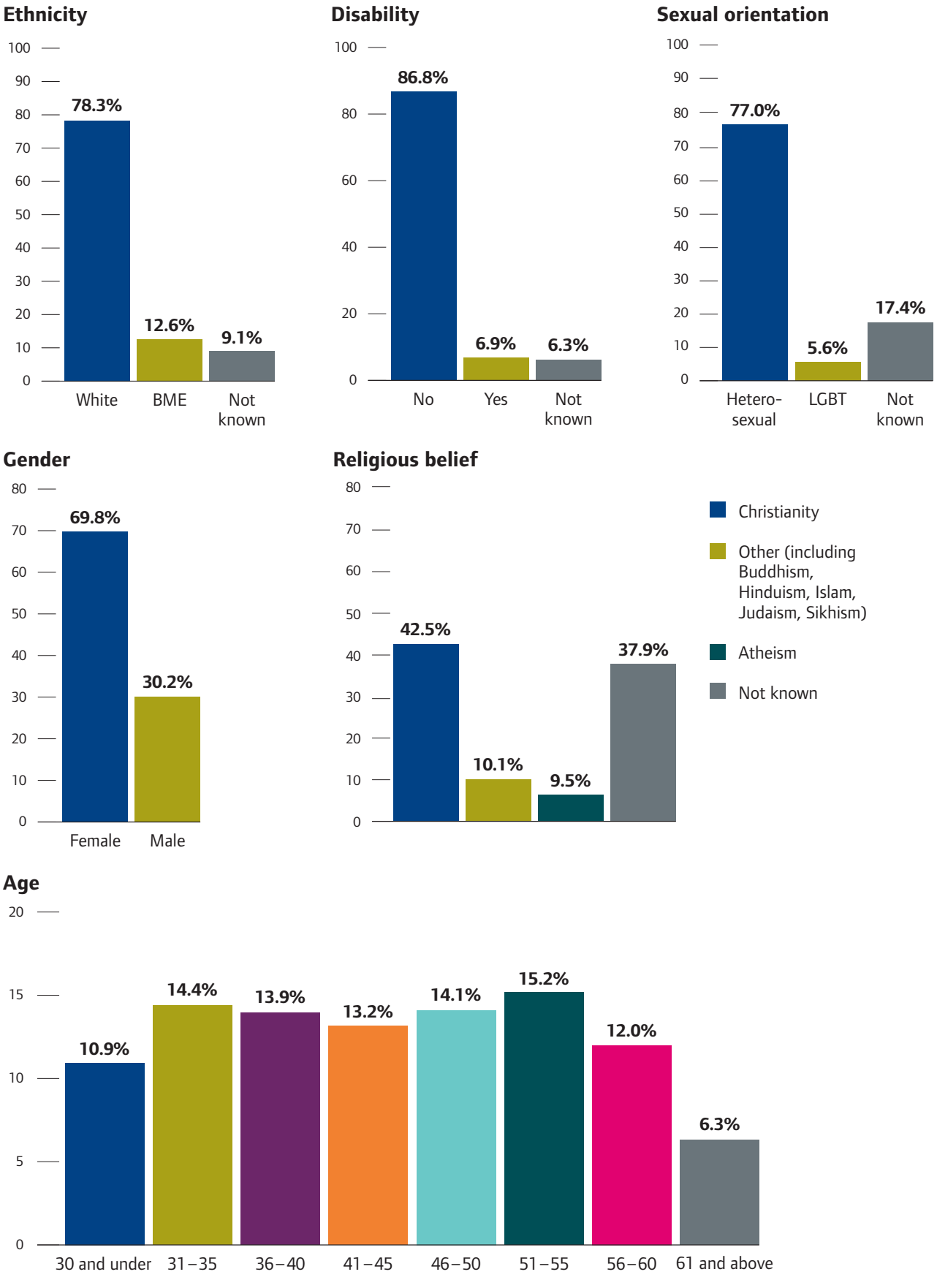
We made important advances in some of our key performance areas. Specifically, reducing the time we take to write inspection reports. Our performance in this area has improved substantially since 2017/18 with reports now publishing much more quickly after inspection. We were close to meeting our targets with 86% performance against a target of 90%. This compared with 81% in 2017/18.

We made significant improvements to our work planning system (Cygnum), including rolling out activity recording across all directorates. This will give us a broad set of data to better plan and learn from all aspects of our work. In our 2018 inspection team survey we saw some increase in inspection colleagues who agreed that Cygnum helps them to do their jobs.

Our customer service performance remained strong. All types of call responses exceeded performance targets. The technical changes we made to our customer service centre in 2016/17 (such as new phone equipment that allows real-time reporting and follow-up after calls) have now made an impact.

Figure 5: CQC employee equality profiles as at 31 March 2019

Our equality profiles remain very similar to the previous year across all characteristics.



Saving time in publishing inspection reports

Our inspection reports were taking too long to write and quality assure, and inspectors were finding the process was a pressure on their workloads. We wanted to publish our reports much more quickly to help inform people using services, and to encourage providers to improve.

Inspectors, policy experts and other colleagues came together to develop a more efficient process, using quality improvement methods to identify where the most useful changes could be made. Group discussions and regular testing of each new change were a feature of this work, and we involved members of the public and providers in the design and improvement. Examples of improvements include:

- a clearer writing template that includes short standard statements, where appropriate, to save time where information tends to be similar
- a shorter, clearer summary so that readers can get to the relevant information quickly, accompanied by a more detailed evidence table, some of which can be filled in before the inspection to save time during the visit
- a streamlined quality assurance process. There is now just one combined panel of experts who review reports. This is then followed up by retrospective reviews to ensure consistent judgements.

We have seen substantial improvements across all sectors in the time taken to publish reports: 92% of primary medical services reports, 86% of adult social care reports (improving to 90% in the final quarter of 2018/19) and 70% of hospitals reports (hospitals with three or more core services) published within timescale, compared with 85% for primary medical services, 84% for adult social care and 49% for hospitals in 2017/18.

We have also reduced the time spent on report writing which has helped us make savings. For example, more than a third (41%) of time has been saved in the Adult Social Care directorate, which amounts to around 100,000 hours annually.

Some of the changes did not go live until early 2019, and some are at earlier or later stages depending on the sector. We expect to see continued improvement in 2019/20. We anticipate that our investment in digital process changes will take the inspection report publishing process to the next stage, allowing for further efficiencies and quality improvements.

Financial efficiency and effectiveness

What we received

We received total funding of £234.0 million in 2018/19. We received it in the form of income from providers (£204.3 million), reimbursement for services and other operating income (£1.5 million), and funding from DHSC (£28.2 million) (figure 1, page 10). The funding from DHSC was for work for which we cannot charge fees, such as thematic reviews and local system reviews. This non-chargeable income has increased as we have been asked to carry out additional work outside of our core remit.

What we spent

We managed within our resource budget for 2018/19. Our operating expenditure (excluding non-cash items) increased from £218.4 million to £227.7 million in

2018/19.* This enabled us to fund operational activity while also making sure that we had a strong organisational focus on reshaping our plans, projects and timescales as part of our change and transformation programme. This investment, together with a five-year financial plan, will contribute towards meeting our strategic priorities and delivering long-term efficiencies. Our capital investment also increased from £7.7 million to £10.3 million for the same reasons as our expenditure. The split of costs is shown in figures 6 and 7.

Figure 6: Expenditure 2018/19

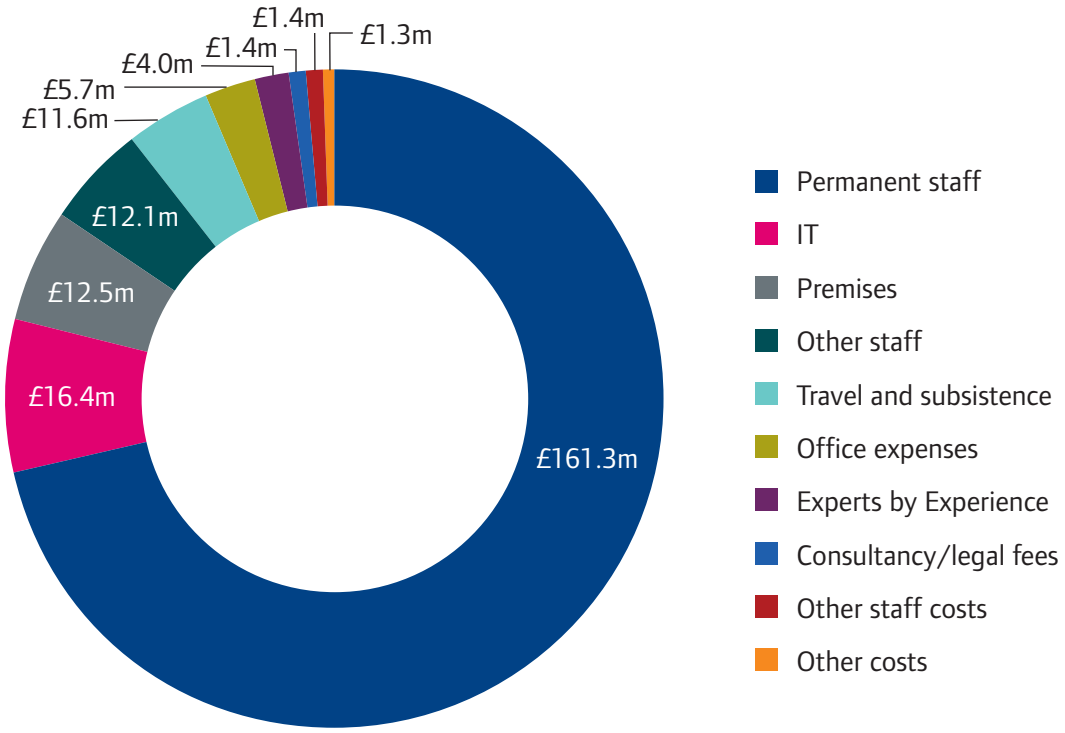
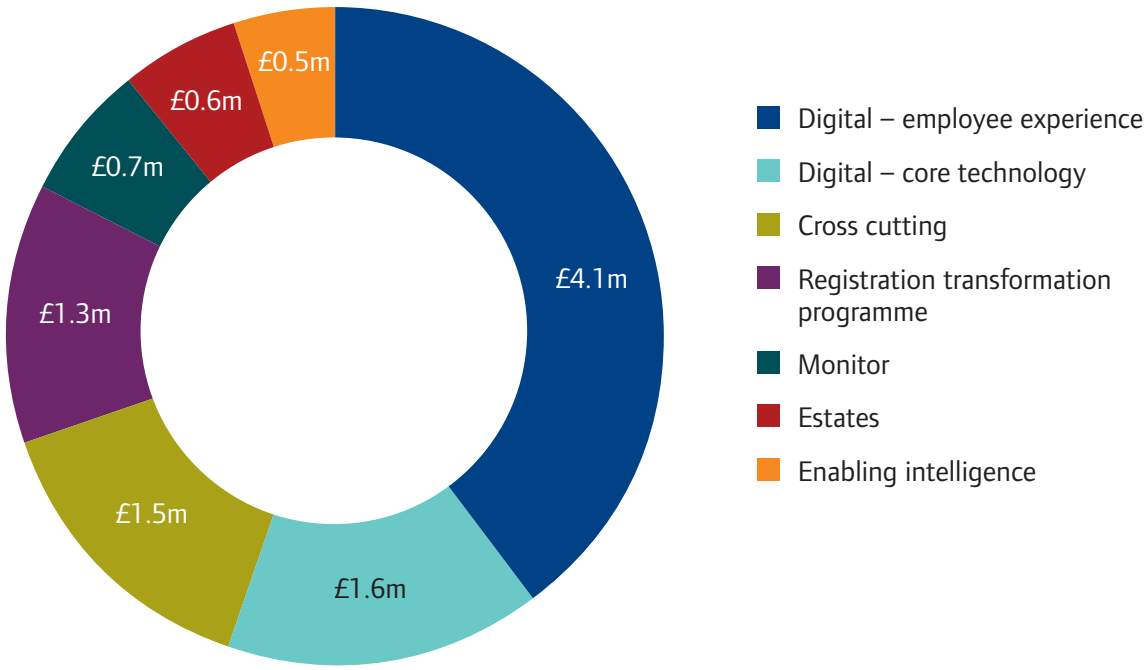


Figure 7: Capital investment 2018/19



* Note that these figures reflect the expenditure included in our operating segments and do not include the non-cash adjustments that appear in the financial statements, such as depreciation charges and long-term provisions. (See note 2 of the Financial statements for further details.)

Ensuring value for money

As we become a digitally-enabled, intelligence-driven organisation, we will increasingly use our information and data to more effectively target inspections where the risk to the quality of care is greatest, and to take decisive enforcement action to protect people. The balance of activities driving our costs changed during 2018/19 as we moved to more focused inspections in the Hospitals directorate and increased our monitoring of data and information (figure 8). Our:

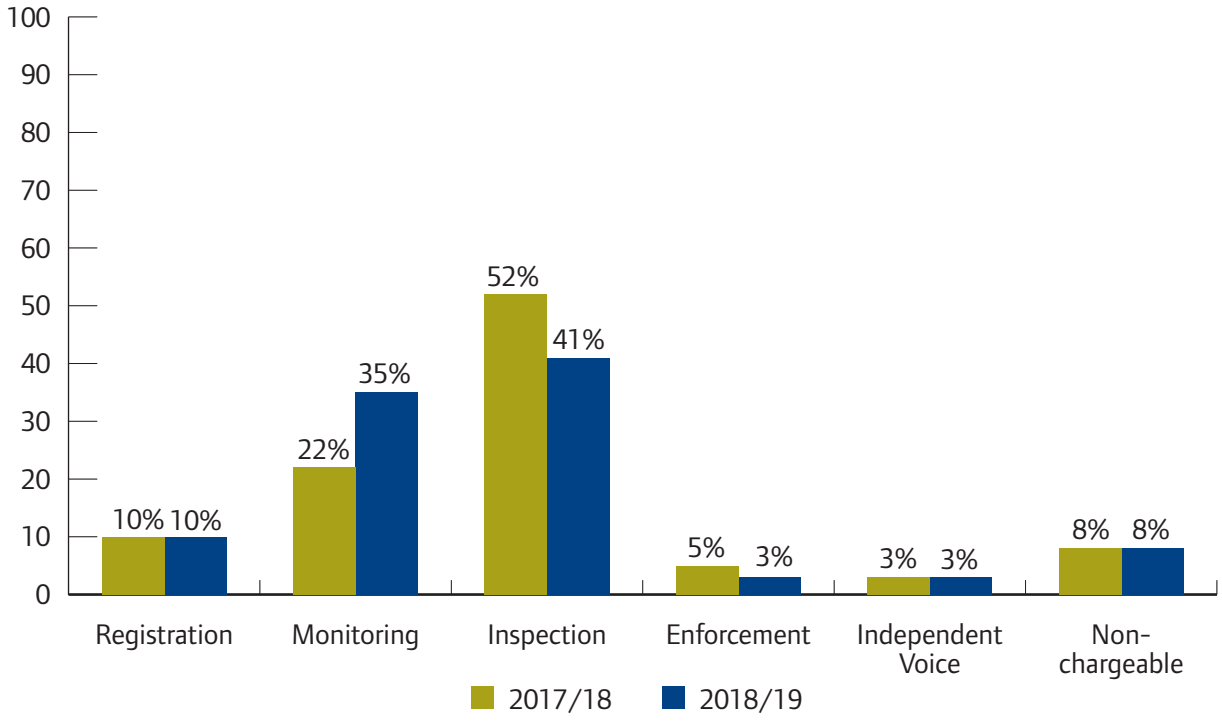
- registration activity cost was consistent at 10% of our total cost base, in the context of increased demand, particularly around refusing registration to providers where the quality of care is not good enough, and more unregistered providers being identified
- monitoring activity cost increased from 22% to 35% of our total cost base
- inspection activity cost as a percentage of our total cost base reduced from 52% to 41%
- enforcement activity cost reduced from 5% of our cost base to 3%. Dedicated teams have been created to manage this activity. We are monitoring time-recording for a fuller understanding.

Reaching full cost recovery on provider fees

Our objective to recover all of our costs of regulation from fees charged to providers (over a four-year trajectory) will be achieved in 2019/20, as required by government policy. In 2018/19, fees from providers made up 87.3% (2017/18: 84.6 %) of our total funding.

Last year, as we approached full cost recovery of our regulatory costs, we began to regularly review our fee income and costs of regulation to see whether we had over- or under-recovered against fees. Section 2.3 of note 2 to the Financial statements (page 103) provides more detail on this analysis. We set a balanced budget on both costs and income at the start of 2018/19 using the best data available to us.

Figure 8: Cost of our operating model



This data inevitably varies throughout any year, and can result in a surplus or deficit at the end of the year, therefore we need to set fees to make sure we break even over a period of time. For 2018/19, we had a small deficit of £2.0 million (1.0% of fee income received), which followed on from a small surplus of £1.3 million (0.7% of fee income received) in 2017/18. We will continue to monitor this over future years.

Business Impact Target

The government's Business Impact Target aims to reduce the regulatory burden on business. We are required to assess the impact on businesses of all eligible changes to the way we regulate and report this to the independent Regulatory Policy Committee (which works with the Better Regulation Executive) by May each year.

In July 2018, we received approval from the Regulatory Policy Committee for a regulatory

An efficient and more connected working environment

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, Newcastle, Nottingham and Preston. We also have access to four satellite 'drop-in' offices. More than 65% of our people are home-based workers, and those who are office-based are agile workers and can vary their working locations and use of desk space.

We made a range of efficiency savings during 2018/19 through rationalising our estate, while still supporting the importance of location, culture, wellbeing and connecting people. We have:

- agreed in principle to move our London office to a smaller and more cost-effective building in Stratford (East London) in 2021
- agreed to close our Preston office and consolidate it with the Manchester satellite office
- closed our Southampton satellite office
- released 900m^2 of our London office space that was not needed to the Health and Safety Executive, which has saved us more than £1 million per year
- refurbished our current London office space to provide a better design and meeting space for agile working, visitors and permanent office colleagues
- relocated our Bristol office into the government hub building, occupying a smaller floor space with 40 fewer desks
- held wellbeing events to support colleagues to connect better within offices and to create welcoming office environments for visiting home workers.

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.

assessment we had produced during the previous year (covering the period from June 2017 to June 2018). Our assessment showed that, on balance, we had saved businesses money by making a change to the way we regulate, and that we had contributed a £6 million saving to the Business Impact Target. This saving was achieved by making changes to our adult social care guidance for providers. We redesigned and simplified the guidance to make it more accessible online, and to make it easier to use and understand. This has helped to save time for providers. We report assessments of our impact on business on our website.

Information requests

In 2018/19 we responded to 999 requests for information under the Freedom of Information Act 2000, the Environmental Information Regulations 2004 and the subject access provisions of the General Data Protection Regulation (GDPR). We responded to 94% of these requests within their legal deadlines, which is in line with the Information Commissioner's Office (ICO) benchmark of 90%. Of these requests, 32 resulted in an internal review (where the applicant asked CQC to reconsider our response) of which 14 were fully or partially upheld. The ICO issued three decision notices relating to CQC responses. In two of these notices, the ICO recorded that CQC had failed to comply with the legal deadline, but no complaints were upheld about CQC refusing to disclose the requested information.

Environmental sustainability

Our sustainability aim is to reduce the impact of our business on the environment. Our priority is to reduce our carbon dioxide (CO_2) emissions. Efficient use of our IT systems and accommodation is an important strand of this work.

We have established a Sustainability Steering Group and we have developed a sustainability development management plan. We have an ongoing dialogue with our suppliers of goods and services to make sure that they have sustainable working practices with supporting policies. We have pledged to support the ban on single use plastics, and we are looking closely at transport and promoting alternative sustainable transport options, including our employee cycle-to-work scheme.

Targets and performance

All but one of our offices is supplied via landlord service charge, which includes utility costs presented on a pro rata m^2 basis rather than using actual consumption data. Therefore, there may be some limitations to the accuracy of our financial and non-financial sustainability data.

Since 1 April 2011, the Greening Government Commitment (GGC) Operations and Procurement targets have required us to reduce our greenhouse gas emissions from a 2009/10 baseline by 25%, and domestic business travel flights by 20% by March 2015 from a 2009/10 baseline. In July 2016, GGC provided updated operational targets and guidance:

"Compared to a 2009/10 baseline, by 2019/20 the government will:

- Cut greenhouse gas emissions by 32% from the whole estate and UK business transport, with bespoke targets applying to each department.
- Reduce the number of domestic business flights taken by 30% (excluding Ministry of Defence frontline command flights).
- Reduce waste sent to landfill to less than 10% of overall waste; continue to reduce the amount of waste generated; and increase the proportion of waste that is recycled.
- Reduce paper consumption by 50%.
- Continue to further reduce water consumption. Each department will set internal targets and continue to improve on the reductions they had made by 2014/15."

Figures 9 to 13 show our CO_2, energy, water and waste use.

Figure 9: Carbon dioxide emissions, 2018/19

Area	CO_2 emissions (tonnes)*	2018/19 Units	2018/19 Cost £	Performance against 2017/18
Building energy	1,442	4,229,872(kWh)	274,567	Unit decrease/cost increase
Travel (rail)	662	8,834,779(m)	4,168,932	Unit decrease/cost increase
Travel (road)	1,279	5,433,393(m)	2,777,859	Unit decrease/cost increase
Travel (air)	51	201,670(m)	71,793	Unit decrease/cost increase
Total	**3,434**	**n/a**	**7,293,151**	

*CO_2 calculated from: www.carbon-calculator.org.uk

Figure 10: Carbon dioxide emissions indicators, 2016/17 to 2018/19

Non-financial indicators (CO_2)*	2018/19 (tonnes)	2017/18 (tonnes)	2016/17 (tonnes)
Gross emissions (buildings)	1,442	1,425	1,295
Gross emissions (business travel)	1,941	2,422	2,480
Total	**3,383**	**3,847**	**3,775**

Financial indicators (£)	2018/19	2017/18	2016/17
Expenditure on official business travel	7,224,445	6,640,901	6,509,111

*CO_2 calculated from: www.carbon-calculator.org.uk

Figure 11: Energy use indicators, 2016/17 to 2018/19 against baseline

Non-financial indicators – energy consumption (kWh)	2018/19	2017/18	2016/17	2009/10
Electricity	3,963,332	3,130,011*	2,681,974	3,641,075
Gas	266,539	914,872	1,030,109	2,004,344
Total (kWh)	**4,229,871**	**4,044,883**	**3,712,083**	**5,645,419**

Financial indicators (£)	2018/19	2017/18	2016/17	2009/10
Total energy expenditure	274,567	271,941*	289,242	525,935

*Electricity data from 151 Buckingham Palace Road in 2017/18 was an estimate from costs incurred.

Figure 12: Water use indicators, 2016/17 to 2018/19 against baseline

Non-financial indicators	2018/19	2017/18	2016/17	2009/10
Water consumption (m^3) supplied*	9,384	11,329	10,950	16,388

Financial indicators (£)	2018/19	2017/18	2016/17	2009/10
Total water expenditure	6,501	6,727	14,075	n/a

*Water use data has not been supplied by all landlords and therefore some estimates are used. Costs for water only relate to two offices as the other offices include water use in their overall service charge.

Figure 13: Office waste indicators, 2016/17 to 2018/19 against baseline

Non-financial indicators (tonnes)	2018/19	2017/18	2016/17	2009/10
Non-hazardous waste (landfill)	28	30	22	27
Non-hazardous waste (re-used/recycled)	156	187	163	143
Total waste	**184**	**217**	**185**	**170**

Financial indicators (£)	2018/19	2017/18	2016/17	2009/10
Total disposal costs	10,529	21,384	27,701	n/a

Risk management

CQC faces a broad range of risks that reflect our responsibilities as a regulator. These include risks that have an effect on providers of health and social care services as well as the day-to-day delivery of our operations. Risk is unavoidable, but high-performing organisations make sure that they focus on the right risks and consider risk when making decisions.

We have set out some of the principal risks that we managed in 2018/19 in figure 14. Each risk rating relates to the risk after mitigation.
New risks were added during 2018/19 that included risks to providers and CQC relating to a potential exit from the EU; and the risk that we do not have enough capacity and capability to deliver our programme of change and improvement. We also identified changes in the landscape of health and social care, including technology-enabled care, and the integration of care systems, which risks our model of regulation becoming ineffective if it is not relevant to the way services are managed and delivered.
We regularly review our risks at Board, executive team and directorate levels. The Audit and Corporate Governance Committee (ACGC) has a specific role to oversee how we manage corporate risk in CQC.

Risk tolerance statement

CQC's Board are responsible for setting the risk tolerance for the organisation. In terms of risks that CQC can manage, we generally have a low tolerance for risk (risk averse). The risks we face, were they to materialise, would have a substantial impact on the public and therefore we take them very seriously.

The range of risks that CQC often faces fall into five major categories: public confidence, operational, regulatory and legal, information, and financial.

These risks can affect CQC strategically or operationally and they are not distinct.
For example, taking risks to maintain public confidence in us as a regulator may expose us to legal risk. A full list of risks and mitigating actions, alongside further detail on our risk tolerance, is available in our business plan for 2019/20.

Figure 14: Principal risks and mitigations

Risk	Mitigation
Priority one: Encourage improvement, innovation and sustainability in care	
Medium If we do not have impact in encouraging improvement, innovation and sustainability in care, then people who use services are at risk because poor quality care does not improve, and the development of innovative or technology-based care is hampered by inconsistent regulation.	We are carrying out development activity relating to innovation, whole system regulation, and engaging nationally, locally and with provider groups.
Medium If a change of external environment in health and social care occurs with implications for CQC's role (such as integration of health and care services) then we could become less effective in identifying risk and ensuring the quality of care, and we will be unable to effectively deliver our purpose. This includes if we are unable to define our role in line with the NHS long-term plan.	We are conducting horizon scanning, testing and piloting activity, as well as engaging with DHSC.
Medium If we fail to implement an effective approach to regulating place-based and emerging new models of care, we could become less effective and relevant in identifying risk and ensuring the quality of care.	We are testing approaches and encouraging local integration activity.
Priority two: Deliver an intelligence-driven approach to regulation	
Medium If we do not effectively collect and process information then we will not be able to help the public to make decisions about care, and CQC colleagues and our stakeholders will not have quality information with which to make regulatory decisions.	We are scoping, planning and delivering our intelligence-driven change programme.
Medium If we do not effectively implement and evolve our operating model then people who use services may be at risk of harm (if we do not effectively identify and manage risks to the quality of care) or providers will be able to successfully challenge us. Our model will not be relevant in a changing health and care landscape.	We are implementing a programme that makes improvements to the way that we manage regulatory risk.
Medium If the changes in our strategy are not well supported by IT technologies and systems, then critical digital products will be delivered late, will not be effective, or will be over budget.	We are progressing our digital programme activity, including prioritisation and planning, and building capacity and skills, within the wider scope of improving how we manage change activity.

Risk	Mitigation
Priority four: Improve our efficiency and effectiveness	
High If we do not have the capacity or capability to effectively deliver change and quality improvement in CQC then we will not realise the benefits envisaged in our strategy.	We are designing and will deliver quality improvement capability building for teams across CQC; implementing a partnership approach with experts that will support quality improvement and the transfer of knowledge.
Low If we fail to improve the experience of our people then morale and wellbeing will be affected, and we will not be able to recruit the right people with the right skills in the right places.	We continue to deliver the key priorities in our people programme. These are: the changing nature of our work; attraction and retention; our people strategy; workload and wellbeing; diversity and inclusion; learning and development; equipment and technology; and quality improvement, autonomy and empowerment.
Medium If an EU exit affects access of EU nationals to UK employment and government resourcing, then this could: impact on providers' ability to provide good quality care, due to recruitment issues; impact on CQC's ability to recruit people; and impact on CQC's ability to obtain capital funding for our change programme.	We have put a dedicated senior responsible officer and a planning team in place to lead on engagement, preparation and response to changes relating to a potential EU exit, working closely with DHSC and national stakeholders.
Medium If we do not successfully deliver our future IT services programme, which is to secure our future digital services provider, then we will not be able to operate.	We are recruiting into key leadership roles; procuring a design partner; re-working our financial model and revising our business case.

Strategic measures

Strategic measure	Result
Our people	
Our people understand the strategic direction of CQC.	66% of employees agreed in our 2018 people survey that they understand CQC's strategic direction. This compares with 75% in 2017.
Our people believe that CQC colleagues display the values and behaviours of the organisation.	68% of employees agreed that CQC employees display the values and behaviours. This remains the same as 2017.
CQC employees complete compulsory training.	94% completion rate.
CQC employees say that their learning and development needs are being met.	40% of employees said that they can access the right learning and development opportunities when they need to. This is up two percentage points from 2017. 48% of CQC employees said that learning and development activities they have completed in the past year had helped to improve their performance. This remains the same as 2017.
Operational efficiency and effectiveness	
Providers think that inspection teams have the correct skills and expertise to effectively inspect their service.	82% of providers said in our 2019 provider survey that the inspection team at their most recent inspection had the appropriate skills and expertise to inspect their service. This remains similar to 2017.
Our revised systems, tools and processes save time for providers and CQC colleagues.	7% of providers reported that the amount of their staff's time spent on CQC regulation had decreased in the last year, compared with 41% who reported that it had increased. 20% of inspection team members agreed in our 2018 inspection team survey that the systems they use on a day-to-day basis enable them to do their job effectively, compared with 32% in 2017. 24% of inspection team members agreed that Cygnum is an effective tool when scheduling and planning inspection activity, compared with 17% in 2017. 42% of employees said in our people survey that that they do not have the equipment and tools to carry out their roles, compared with 50% in 2017.
Inspectors think that Experts by Experience have the skills and expertise to fulfil their roles.	80% of CQC inspection colleagues said in our inspection team survey that Experts by Experience have the skills and expertise to fulfil their roles. This compares with 81% in 2017.

Key performance indicators

KPI	Result	Met target
Our people		
Employee engagement score increases.	Our employee engagement score was 61%, down by one percentage point from 2017. Our score remains below our target of 64% or more but in line with the public sector benchmark.	Not met
Employee sickness rate is less than 5%.	Our average employee sickness rate was 3.8%. This remains the same as 2017/18 and is within our benchmark.	Met
Our customers		
There has been a decrease in upheld challenges and complaints about CQC.	We received 248 complaints and 99.6% of these were acknowledged within three days against a target of 95%. This remains the same as 2017/18. Our complaints process remains stable and very responsive one year on from a range of improvement measures being implemented.	Met
	Two complaints were referred to the Parliamentary and Health Service Ombudsman (PHSO) and none were upheld, against a target of less than 3%.	Met
We meet our customer service targets.	87% of general calls were answered within our target of 80% in 30 seconds. This compares with 81% in 2017/18.	Met
	87% of registration calls were answered within our target of 80% in 30 seconds. This compares with 83% in 2017/18.	Met
	98% of correspondence was answered within our target of 90% within three days. This compares with 89% in 2017/18.	Met
We meet our high-risk and concerns call targets.	95% of safeguarding calls were answered within our target of 90% in 30 seconds. This compares with 93% in 2017/18.	Met
	95% of mental health calls were answered within our target of 90% in 30 seconds. This compares with 91% in 2017/18.	Met

KPI	Result	Met target
We produce inspection reports quickly.	▲ Adult Social Care directorate: 86% of reports published within 50 days against a target of 90% (improving to 90% in the final quarter of 2018/19). This compares with 84% in 2017/18.	Not met
	▲ Hospitals directorate (independent health or NHS hospitals with two or less core services): 56% of reports published within 50 days against a target of 90%. This compares with 30% in 2017/18.	Not met
	▲ Hospitals directorate (NHS hospitals with three or more core services): 70% of reports published within 65 days against a target of 90%. This compares with 49% in 2017/18.	Not met
	▲ Primary Medical Services directorate: 92% of reports published within 50 days against a target of 90%. This compares with 85% in 2017/18.	Met
Finance and business plan		
Variance from operating budget (target is between £0 and <£4m underspend)	▲ £1.4m (0.6%) under budget. This compares with £6.3m (2.8%) under budget in 2017/18.	Met
Variance from capital investment budget (target is between £0 and <£2m underspend	▼ £2.8m (21.5%) under budget. This compares with £2.3m (25%) under budget in 2017/18.	Not met

Ian Trenholm
Chief Executive, Care Quality Commission

15 July 2019

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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 CQC 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 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 framework is available on our website. Figure 15 shows our governance structure.

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 is eight non-executive members, our Chief Executive (who is also the Accounting Officer), our three Chief Inspectors, our Executive Director of Strategy and Intelligence and our Chief Operating Officer. One of our non-executive directors (Professor Paul Corrigan) acts as the Senior Independent Director.

Membership of the Board changed during the year; the membership and attendance at meetings is detailed in figure 16. Sir David Behan stepped down as Chief Executive on 11 July 2018 and was replaced by Ian Trenholm, who joined CQC on 30 July 2018. Andrea Sutcliffe acted as Chief Executive for the time between David's departure and Ian starting. Andrea Sutcliffe left CQC on 13 January 2019 to take up a new appointment as Chief Executive and Registrar of the Nursing and Midwifery Council. Deborah Westhead, a Deputy Chief Inspector in the Adult Social Care directorate, was appointed as Interim Chief Inspector, and Kate Terroni has now been appointed to the role permanently. Kate took up the role on 1 May 2019.

Steve Field stepped down from his role as Chief Inspector of General Practice and was succeeded by Dr Rosie Benneyworth from 4 March 2019. The role has been retitled as Chief Inspector of Primary Medical Services and Integrated Care to better reflect the varied work of the directorate. The new title incorporates the function of Chief Inspector of General Practice, which is set out in Schedule 1 (3A) of the Health and Social Care Act 2008.

Kirsty Shaw, Chief Operating Officer, joined the Board on 1 October 2018.

Jane Mordue stepped down from her role as the Chair of Healthwatch England on 30 September 2018 and was succeeded from 1 October 2018 by Sir Robert Francis.

Mark Sutton has been appointed as Chief Digital Officer and took up his role in April 2019. Mark is now a member of the Executive Team and attends Board meetings.

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

Performance

The Board looks at 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.

A culture of diversity and inclusion

A series of workshops were held with the Board to listen to the lived experiences of colleagues with different equality characteristics, and to develop an organisational approach to diversity and inclusion.

The Board reviewed and approved the recommendations of a report that we had commissioned to respond to our Workforce Race Equality Standard (WRES) data; specifically how likely people from a Black and Minority Ethnic (BME) background were to be shortlisted for a role but not appointed. The Board also approved CQC's new organisational vision for inclusion.

As a direct result of the discussions at the Board, it was agreed that a member of one of CQC's equality networks should sit on the monthly Board meetings on a rotational basis and on every senior-level recruitment panel to provide support and challenge around diversity and inclusion issues.

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.

Following an independent Board effectiveness review in 2017, the Board took part in a coaching and development session in September 2018.

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 for 2019/20 and the development of our priorities for 2019/20.
- Comment and advice on the development and delivery of the programme of work within the change and transformation programme – the digital and intelligence strategy; the registration transformation programme; our people strategy; and the quality improvement programme.
- In light of scrutiny by the ACGC, approval of strategic and high-level operational risks, ratings and mitigations for 2018/19.

Freedom to Speak Up

The Board approved a revised Freedom to Speak Up policy for CQC colleagues. This brought CQC in line with NHS England and NHS Improvement guidance, and with national best practice.

The Board received progress updates throughout the year from CQC's Freedom to Speak Up Guardian. There are now more than 100 colleagues who are Speak Up Ambassadors and a training programme has been embedded across the organisation. The Board spent time listening to the thoughts, experiences and reflections of the ambassadors, and considering some of the challenges that face the Speak Up agenda. The Board also highlighted the importance of linking speaking up with diversity and inclusion, and our work on safety and risk. CQC's Freedom to Speak Up Guardian is now a member of our National Strategy Group on Wellbeing.

- Agreement of proposals for the provider fees consultation for 2019/20.
- Monthly consideration and scrutiny of corporate performance, with a more detailed session scheduled on a quarterly basis.
- Time spent with colleagues in NHS England and NHS Improvement looking at digital transformation and cyber security in the health and social care system.
- Both the ACGC and the Regulatory Governance Committee 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.

Figure 15: CQC's governance structure

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.

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.

Sub-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.

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.

Finance Committee
Provided advice on financial management (disbanded in March 2019).

People and Values Committee
Oversees succession planning, employee development and talent management, and the understanding and application of CQC's values.

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
- Regulatory Customer and Corporate Operations (incl Registration from 1 Jan 2019)
- Strategy and Intelligence

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.

Figure 16: Board and committee membership and attendance

Name	Role	Role	Term of appointment	Attendance*				
				Board	ACGC	RGC	FC	RemCom
Peter Wyman CBE DL	Non-Executive Director	Chair & Chair of RemCom	4 Jan 2016 – 3 Jan 2020	**11/11**			**2/2**	**5/5**
Sir David Behan CBE	Executive Director	Chief Executive and Chair of FC	5 Nov 2012 – 11 Jul 2018	**4/4**			**1/1**	
Ian Trenholm	Executive Director	Chief Executive and Chair of FC	From 30 Jul 2018	**7/7**			**1/1**	
Prof. Louis Appleby CBE	Non-Executive Director	Chair of RGC	1 Jul 2013 – 30 Jun 2019	**9/11**		**5/5**		**3/5**
Prof. Edward Baker	Executive Director	Chief Inspector of Hospitals	From 31 Jul 2017	**10/11**				
Dr Rosie Benneyworth	Executive Director	Chief Inspector of Primary Medical Services and Integrated Care	From 4 Mar 2019	**1/1**				
Prof. Paul Corrigan CBE	Non-Executive Director		1 Jul 2013 – 30 Jun 2019	**10/11**		**4/5**		**4/5**
Prof. Steve Field CBE	Executive Director	Chief Inspector of General Practice	30 Sept 2013 – 31 Mar 2019	**10/10**				
Sir Robert Francis QC	Non-Executive Director	Chair of Healthwatch England from 2018	1 Jul 2014 – 30 Jun 2020	**11/11**	**2/2**			**4/5**
Dr Malte Gerhold	Executive Director	Executive Director of Strategy and Intelligence	From 11 Jul 2016	**8/8**				
Jora Gill	Non-Executive Director		1 Nov 2016 – 31 Oct 2019	**9/11**				**2/5**
Jane Mordue	Non-Executive Director	Chair of Healthwatch England to Sep 2018	19 Dec 2015 – 30 Sep 2018	**6/6**				
Sir John Oldham OBE	Non-Executive Director		1 Jan 2018 – 31 Jul 2020	**11/11**	**4/4**			**4/5**
Paul Rew	Non-Executive Director	Chair of ACGC	1 Jul 2014 – 30 Jun 2020	**9/11**	**4/4**	**4/5**	**2/2**	**4/5**
Mark Saxton	Non-Executive Director		1 Mar 2018 – 31 Jul 2020	**10/11**			**1/2**	**2/5**
Liz Sayce OBE	Non-Executive Director		1 Jan 2018 – 31 Jul 2020	**9/11**		**4/5**		**5/5**
Kirsty Shaw	Executive Director	Chief Operating Officer	From 1 Oct 2018	**5/6**				
Andrea Sutcliffe CBE	Executive Director	Chief Inspector of Adult Social Care	7 Oct 2013 – 13 Jan 2019	**8/8**				
Deborah Westhead	Executive Director	Interim Chief Inspector of Adult Social Care	From 3 Dec 2018	**3/3**				
Linda Farrant	Independent member of ACGC		27 Jul 2015 – 26 Jul 2019		**4/4**			

Key ACGC = Audit and Corporate Governance Committee
RGC = Regulatory Governance Committee
FC = Finance Committee
RemCom = Remuneration Committee

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.

*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 seven Board meetings that Ian Trenholm could have attended, and he attended all seven (represented as 7/7). Grey 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, 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 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

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. The assurance framework looks at eight areas of management responsibility:

1. planning
2. financial management, systems and control
3. performance and risk management
4. whole organisation approach
5. people management and development
6. information and evidence management
7. governance and decision making
8. continuous improvement.

Each of our directorates provides 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 ACGC.

Our management assurance processes have been embedded over the last four 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 2017/18 we reviewed all of the standards for management assurance in the eight areas and piloted the new standards in February 2018. We also introduced a new standard, called 'whole organisation approach'. This is designed to measure how effective we are in: using people and resources collaboratively; the consistency of our practices and application of processes; and the consistency of our culture and behaviours. A standard was removed – 'quality management' – and its criteria were incorporated into 'continuous improvement'. We introduced the standards during 2018/19, and all directorates used them to complete self-assessments in February 2019.

Assessment ratings are peer reviewed by another directorate to consider whether:

- the rating is reasonable in the light of the evidence presented
- the approach to evidence is similar to that taken by other directorates
- there is any other evidence that contradicts an assessment, for example key performance indicators (KPIs) or other measures.

During 2018/19, Health Group Internal Audit Service reviewed a selection of the directorate assessments, attended a cross-CQC peer review meeting, and reported on these to the ACGC. They found no areas of significant concern, however they made some recommendations to help improve consistency in how directorates complete their assessments, and to strengthen how directorates approach making improvements following the assessments.

The main findings from our assessments in 2018/19, together with some of the improvement actions we have underway, are summarised below.

- In 2018/19, 13 directorates carried out assessments, and out of the total of 104 ratings across these directorates, two (2%) were rated as outstanding, 79 (76%) were rated as good, and 23 (22%) were rated as requires improvement. In 2017/18, 11 directorates carried out assessments and out of 88 ratings, 80 (90%) were rated as good,

and eight (10%) as requires improvement. However, the standards were different in 2018/19 and these standards have 'raised the bar'.

- Financial management, systems and control; governance and decision-making; and planning were the areas rated most highly, although performance against the new standards was not as strong as in 2017/18, when the previous standards applied.
- We need to do more work on whole organisation approach; continuous improvement; performance and risk management; and people management and development. These areas are highlighted as priorities in our business plan for 2019/20.

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

1. Planning

We made further improvements to our planning process in 2018/19. These included:

- Creating a cross-directorate Strategic Change Committee to oversee our change programme. The committee has prioritised the key change programmes and projects for 2019/20.
- Creating a change fund for 2019/20 activity through re-prioritising funding from directorates' budgets.
- Reviewing progress against our strategy for 2016 to 2021 and recommending areas of further focus for 2019/20 and beyond.
- Using an external consultancy to support our planning process, particularly around prioritising our change activity, but also to enhance our capability to manage major change, transformation and improvement.
- Holding cross-directorate discussions to encourage more joined-up planning.
- Supporting inspection directorate planning through better resource modelling. The balance of costs has changed since 2015/16, with the cost of inspection decreasing and the cost of monitoring increasing. This shows the planned change to our regulatory approach with a stronger focus on intelligence-driven regulation (Performance report, page 41).
- Completing the roll-out of our inspection scheduling system (Cygnum) to enable us to more efficiently organise and target our inspections where the risk to quality of care is greatest, and to better plan our activity across the organisation.

While the improvements we have made to our planning are reflected in the management assurance assessment of our performance, the delivery of our business plan for 2018/19 was more of a mixed picture.

Many of our business plan priorities are broadly on track to be delivered by the end of the strategy. However, there are some key areas where we are facing challenges, including transforming registration, delivering our digital programme, becoming intelligence-driven, and assessing the quality of care in a place.

Slower than expected progress in the digital programme is having an effect on our ability to improve our efficiency. Challenges with the programme of work to transform registration are affecting our ability to provide useful information to inspectors for them to make evidenced-based regulatory decisions and thereby become more intelligence driven.

For 2019/20 the Board has agreed 10 business plan priorities with the Executive Team. The majority are focused on our programme of change and improvement, and the cultural change needed to deliver that. The priorities that need the most improvement are at the forefront. We are confident that our performance in 2019/20 will improve as a result.

2. Financial management, systems and control

Directorates have continued to improve their focus on management of resources, working closely with Finance colleagues. The introduction of a Resources Committee and a Strategic Change Committee have helped to embed the alignment of resources with our strategy. We have also developed a five-year financial plan to make sure that our investments deliver long-term savings.

Contract management

CQC has adopted a three-tier classification approach to contract management (gold, silver and bronze) based on the proportionate use of resource, governance and process as determined by the value and risk profile of each contract. Associated with each classification is a contract management toolkit – a set of tools and templates that drive the standards of contract management by addressing areas including risk, mobilisation, contract handover, change control and financial tracking. They enable a standardised approach, but with the level of input tailored to reflect each individual contract.

A CQC contract management framework has also been developed that will act as a guide to managing contracts. It outlines the activities that contract managers should consider and protects the interests of CQC by guiding informed decision-making and risk mitigation planning in the development, approval and administration of contracts. Its purpose is to:

- define the roles, responsibilities and processes associated with the different aspects of contract management
- coordinate existing polices and requirements that support contract management
- ensure efficiency and effectiveness throughout the life of the contract
- build capacity and support decision-making by contract owners in developing, approving and executing contracts.

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. We have developed a performance framework that organises our performance information to show if we are:

- meeting our commitments
- efficient, consistent and effective
- a learning organisation.

Our performance in 2018/19 was analysed in this way and shared with all senior managers.

As set out in the Performance report, our KPIs showed some performance improvements. In particular, we made substantial progress in how quickly we publish inspection reports and saw improved timeliness across all sectors (page 37). This has been achieved through an ongoing quality improvement programme.

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 risk register identifies the strategic-level risks and higher-level operational risks that the Board will oversee. The register sets out the mitigations that are being carried out to manage the level of each risk, and these mitigations are built into the directorate business plans. Progress in delivering mitigating actions is monitored by

the Executive Team, the ACGC and the Board. Directorates have risk registers associated with their business plans.

In July 2018, CQC identified a technical issue in its data management system which meant that there were delays to the timely referral of some safeguarding information to local councils, and some referrals were not made. An initial investigation identified that this issue related to 120 concerns. Within a week of the issue being identified, the concerns were shared with the 56 local authorities affected, and action was taken to correct the system and process error. CQC then initiated a special advisory review of its safeguarding alerts process conducted by the Government Internal Audit Agency (GIAA). The independent reviewer found examples of good practice across CQC, including in the response to this incident.

The Board and the Executive Team have agreed our risk register for 2019/20 (Performance report, page 46). In 2019/20 we will improve our risk management procedures in response to an internal audit that was carried out in the year. We will have more of a focus on horizon scanning and work to reinforce a risk culture for colleagues at all levels so that they have greater capability to identify and escalate potential risks.

4. Whole organisation approach

This is a new assurance area that we started to measure ourselves against in 2018/19. Its criteria are:

- using our people and resources collaboratively
- consistent practices and application of processes
- consistent culture and behaviours.

We believe that we need to make improvements in all three areas. During 2018/19, we introduced a prioritisation and allocation process for change activity to support us to use our people and resources more collaboratively.

We still have some inconsistent and inefficient processes. Although we have made some progress, further improvements are needed. These planned improvements are reflected in our 2019/20 change programme and quality improvement projects.

Although our 2018 people survey score on the relevance of CQC values to our own work was very high at 91%, we know that some providers and CQC colleagues believe we are inconsistent in our ways of working. We are carrying out projects to identify our areas of inconsistency and to address these (see continuous improvement section).

We have made a number of improvements to support collaboration and joined-up working across the organisation. For example, we have created a central fund for transformative change to support collaborative use of resources. We have also seen examples of better working between directorates to share resources and to align efficiency initiatives.

5. People management and development

Our 2018 people survey results showed that employees continue to be positive about a number of areas, including the purpose of CQC's work and its strategic direction. However, employees had ongoing frustrations with the systems and tools they need to do their jobs, and with the availability of appropriate learning and development opportunities. A number of initiatives have been developed to focus on improving the experience for people at CQC, with areas of specific focus around digital tools and technology, and improving recruitment and retention for people from a Black and Minority Ethnic (BME) background. These are detailed in the performance report (pages 35 to 37).

Initiatives to address people survey concerns resulted in a number of directorates assessing improvements in their people management and development since 2017/18.

6. Information and evidence management

Information management

In 2018/19 we introduced new management assurance standards for information and evidence management to make sure they adequately cover the latest information security and governance standards. As at 31 March 2019, 95.4% of colleagues had carried out the mandatory information security training module, 'CQC values information', that must be repeated annually.

Evidence management

The majority of directorates reported that they had met the standards to be rated as good for evidence management. In 2017/18, two inspection directorates highlighted key dependencies between performance in this area and the information management and technology that support colleagues to manage evidence. However, the directorates have seen improvements in the information culture and reported that data completion was more systematic in 2018/19.

Important improvements continued to be made to our technology systems during 2018/19, as set out in the Performance report (Priority 2 and Priority 4). We have, however, faced challenges in delivering our digital programme and becoming more intelligence-driven. Our work to establish better change and improvement capability is focused on these key priorities in our 2019/20 business plan.

In 2019/20 we will establish our future IT service provider, and begin work lasting into 2020/21 to replace our customer relationship management (CRM) system – a fundamental system that needs to underpin our digital architecture.

7. Governance and decision making

The framework agreement between DHSC and CQC has been updated. The updates predominantly reflect changes to CQC's oversight of Healthwatch England and the responsibilities relating to the National Guardian's Office. The document is currently undergoing a final review before it is signed-off.

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.

Our governance model was reviewed in 2018/19 to provide a more appropriate balance between governance and delivery.

8. Continuous improvement

We started to build a dedicated and specialist quality improvement team during the year, led by the Director of Quality Improvement. An external quality improvement partner was procured in March 2019 to give us additional expertise. There are now a range of quality improvement initiatives underway.

Almost half of our directorates believe that their continuous improvement capabilities need to be enhanced. In general, directorates that are performing attribute their achievements to establishing improvement mechanisms and good engagement with colleagues.

We believe we are on a journey towards being a learning organisation. We are very supportive of learning and improvement, but we need to look at how we share our learning across all teams and sectors and improve cross-directorate working.

We have many examples of continuous improvement work. Three examples of this work in 2018/19 were:

- Regulatory risk: An investigation into the safeguarding issues at an adult social care service, Hill Green, resulted in further development of the risk framework and guidance for our people. This work was overseen by the Risk Steering Group.
- Consistency: The wide variety of services that we regulate makes consistent application of our regulatory framework across all settings fairly complex. In October 2017, the National Audit Office reported that, "Most providers and inspectors think that the Commission's judgements are fair but some stakeholders have concerns about consistency." In response we are holding focus groups with inspection colleagues to explore what good quality interactions between CQC and providers look like. We have also started to explore this with providers of care. Insight from these activities will then need to be used to inform recruitment, induction, training and guidance. We are drawing together existing initiatives across CQC that have led to tangible benefits. We now need to look at how to scale up those initiatives that have improved consistency in one sector or region to make sure consistency spreads across CQC. In addition, we are developing a range of methods to track levels of consistency.
- Efficiency in inspection report publishing: A team of policy, inspection and other colleagues came together to develop a range of improvements to drive up efficiency in writing and publishing inspection reports. These included: a clearer writing template, a shorter and clearer summary, and a streamlined quality assurance process. The changes were tested with members of the public and providers. All directorates have seen substantial improvements in the time taken to publish a report, and so information on services is now available to the public much sooner than before. The time spent on the writing process has also reduced, for example in the Adult Social Care directorate there has been a 41% overall reduction in writing time.

Other assurance areas

Information security and governance

Information, cyber security and governance continue to be integral elements that support all other areas of CQC. Throughout 2018/19, there has been ongoing improvement work through CQC's Information Governance Group, chaired by CQC's Senior Information Risk Owner (SIRO). Updates on the work of the group are reported to the Board and the Executive Team on a regular basis, including significant developments or incidents that affect security and governance. The Board was also given an annual cyber security briefing and training session in February 2019 with support from NHS Digital.

During 2018/19, significant work took place to make sure that CQC is compliant with the General Data Protection Regulation (GDPR) and the Data Protection Act 2018. This new legislation came into force in May 2018. The work has included the appointment of a Data Protection Officer (DPO) who joined the Information Governance Group and chairs the working group. Work is ongoing to review and

strengthen compliance with data protection legislation.

An annual campaign, 'CQC values information month', took place in November 2018. The campaign was designed to promote and improve the security culture in CQC, as well as raise awareness updates on topical issues. Security incident analysis and response was carried out in 2018/19 and reported to the SIRO and the ACGC. The number of incidents reported and investigated during the year was consistent with that of previous years and were low-level where no harm or distress was caused. There were three incidents that were reported to the Information Commissioner's Office. These were not significant incidents but were required to be reported under GDPR.

We continued to liaise with DHSC, 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 meetings of the Information Governance Group, which continues to monitor the risks and our mitigating actions. We completed the baseline return for the data security and protection toolkit, coordinated by NHS Digital. We also submitted our full annual return for the toolkit with a fully compliant submission.

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 2018/19 was very low, in line with previous years, with six cases reported and investigated. These 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 ACGC for their information and comment. Discussions took place with the DHSC counter-fraud team to make sure that CQC processes are aligned with those of the department and other arms-length bodies. These discussions have resulted in CQC receiving regular fraud bulletins and updates.

Conclusion

Our management assurance assessment process is an essential method for driving improvement in the eight areas of management responsibility, and for giving assurance as to how CQC manages and governs itself. Viewed alongside evidence from our KPIs, evaluation activity and strategic measures of success, we have a good picture of where we need to improve and a way of evidencing progress, to meet our business plan commitments.

Head of Internal Audit Opinion

My overall opinion, consistent with that given in 2017/18, is that I can give to the Accounting Officer of the Care Quality Commission for the reporting year 2018/19 **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 have completed 18 reviews during 2018/19. Of the reviews for which formal ratings have been issued, 1 (8%) was rated substantial, 10 (84%) were rated moderate and 1 (8%) was rated limited [prior year 2 (14%) were rated substantial, 10 (72%) were rated moderate and 2 (14%) were rated limited].

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 has taken 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 2018/19 internal audit plan; and
- Cumulative knowledge gained from attendance at management committees; access to risk registers and key documentation; and discussions with management.

Scope of report

This report covers the period 1 April 2018 to 31 March 2019.

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 2018/19 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. We supplemented this with a short assessment by the National Audit Office in 2016/17. 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 implemented a new audit methodology and audit management system on 1 April 2018 to ensure we apply best practice consistently across our work.

Themes of work

Governance

Management updated governance structures in 2018, establishing the Strategic Change and Resources committees to oversee the change agenda and deployment of resources. Our review of these new arrangements showed that they are delivering a more devolved decision-making environment and releasing the time of the Executive Team to focus on key issues, although there is scope for further development. An ACGC Transformation Sub-Group has also recently been established to provide greater scrutiny of that area of activity.

The business planning process was subject to amendment during the year to better meet business needs, including in relation to cost-efficiency. Our review suggested there remained an opportunity to apply a longer-term horizon to planning for cost savings.

The management assurance-self-assessment process remains an important component of the focus on governance, risk and controls. We continue to see the adoption and commitment to this within CQC as good practice.

Risk management

CQC continues to have a clear focus on the identification and management of risk, particularly at ACGC and Board. Our review of

risk management at lower levels concluded that these provided moderate assurance, but identified opportunities to enhance mechanisms for escalation of risks. Our work on safeguarding also identified weaknesses in escalation of issues historically, suggesting this as an area for more focus going forward.

In general, there continues to be a strong focus on delivering change and improvement, and taking action to mitigate risks. This includes action in response to audit findings. The planned development of the portfolio management office and quality improvement functions in 2019/20 will support this.

Control

We have issued 18 (17/18: 18) reports since our last annual report, all of which addressed key aspects of the systems of internal control.

In prior years we drew attention to the theme of IT systems, which is being taken forward through a number of change programmes and projects, which we comment on separately.

Early in 2018/19 we issued a limited rated report on actions designed to improve the timeliness of the publication of inspection reports. Following work by management and a focus by the ACGC and Board, we were pleased to note improved publication timeliness as shown in performance reporting.

Work on GDPR evidenced the focus that has gone into compliance with the new legislation, and we found business continuity processes to be strong. Other reviews, including procurement and enforcement, concluded controls provide moderate assurance, but with a number of opportunities for improvement.

Our review of processes for expenses payments to staff confirmed that improvements implemented in previous years have been maintained, but that efficiency could be enhanced but is subject to some limitations of the existing systems, not least the need to capture receipts separately from the electronic claims.

Programmes and projects

There is a major programme of change underway, which includes significant development of digital and IT capability. During the year, the programme was paused to reflect on prioritisation of projects and while capacity and capability to deliver the programme was increased. Schemes including an updated registration programme and major updating of the IT infrastructure are now underway.

Increased capacity and capability to deliver the change projects has been supported by the strategic focus on outcomes and prioritisation aligned to capacity. In addition, steps have been taken to increase the experience in the IT team of using the agile project delivery approach. There remain, however, a number of areas where processes supporting successful outcomes are still in development. These include measures to support benefit realisation measurement and templates for programme level reporting. In addition, a comprehensive agile project control planning/governance process needs to be defined and implemented.

Given the scale of the change programme and while recognising the improvements made in 2018/19, the further development of these areas will remain a priority for 2019/20.

Jane Forbes
Head of Internal Audit

Accounting Officer's Conclusion

CQC has 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. Work has taken place to scope, plan and resource this portfolio of work. Progress has been made in ensuring that the right processes and structures are in place that will enable effective management of the overall portfolio.

In previous years, technology has been identified as an area where improvement was needed, and work continues on our digital capabilities as part of the wider transformation programme. The Future IT Services programme is the cornerstone of work to offer high-quality desktop services. This work includes re-procurement of contracts to replace the current desktop and file storage capabilities. It will also establish a new operating model for our digital operations which will seek to maintain reliability and security while improving cost effectiveness. Some smaller but important elements have already been delivered and the appointment of the Chief Digital Officer is key to ensuring ongoing delivery.

This programme is expected to improve overall performance and productivity of the whole organisation.

The scope and nature of work outlined above means that 2018/19 has been a significant and challenging year for CQC and, as this multi-year piece of work continues, we will continue to face further challenges. The Board will continue to maintain oversight of the programme of work, through the scrutiny of the ACGC and its newly established sub-group, which will look in more detail at the range of transformation activity taking place.

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 2018/19. Work will continue in 2019/20 to maintain and strengthen the assurance and overall internal control environment in CQC.

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. The resultant tax liability is met by CQC under a settlement agreement with HM Revenue and Customs (HMRC) and for 2018/19 this amounted to £12k (2017/18: £11k).

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

	Date appointed	Salary (bands of £5,000) £000	Benefits in kind (taxable to nearest £100) £	2018/19 total salary £000	Salary (bands of £5,000) £000	Benefits in kind (taxable to nearest £100) £	Restated 2017/18 total salary[5] £000
Peter Wyman CBE DL (Chair)	4 Jan 2016	60–65	8,800	**70–75**	60–65	11,500	**70–75**
Prof. Louis Appleby CBE	1 Jul 2013	5–10	3,600	**10–15**	5–10	2,100	**5–10**
Prof. Paul Corrigan CBE	1 Jul 2013	5–10	–	**5–10**	5–10	200	**5–10**
Sir Robert Francis QC	1 Jul 2014	20–25[1]	600	**20–25**	10–15	–	**10–15**
Paul Rew	1 Jul 2014	10–15	–	**10–15**	10–15	800	**10–15**
Jora Gill	1 Nov 2016	5–10	3,000	**10–15**	5–10	4,000	**10–15**
Sir John Oldham OBE	1 Jan 2018	5–10	1,700	**5–10**	0–5[3]	200	**0–5**
Liz Sayce OBE	1 Jan 2018	5–10	1,900	**5–10**	0–5[3]	500	**0–5**
Mark Saxton	1 Mar 2018	5–10	4,700	**10–15**	0–5[3]	–	**0–5**
Jane Mordue	19 Dec 2015	15–20[2]	1,400	**15–20**	30–35	4,200	**30–35**
Michael Mire	1 Jul 2013	–	–	**–**	0–5[4]	–	**0–5**

[1] 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.

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

[3] Full-year equivalent salary would be £5-10k.

[4] Michael Mire's appointment expired on 30 June 2017. Full-year equivalent salary would be £5-10k.

[5] The prior year comparator has been updated to include benefits in kind.

Payments to independent members

Linda Farrant is an independent member of the ACGC. Fees and expenses were paid on a per meeting basis and during 2018/19 amounted to £5k (2017/18: £3k).

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 81).

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 2018/19.

Remuneration of the Executive Team (subject to audit)

	2018/19				2017/18			
	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	130–135[2]	1,500	67.5–70	**200–205**	–	–	–	**–**
Sir David Behan CBE Chief Executive	55–60[3]	–	–[8]	**55–60**	185–190	–	–[8]	**185–190**
Prof. Steve Field CBE Chief Inspector of General Practice	175–180[4]	–	–[9]	**175–180**	160–165	–	–[9]	**160–165**
Dr Malte Gerhold Director of Strategy and Intelligence	105–110	–	12.5–15	**120–125**	135–140	–	30–32.5	**170–175**
Prof. Edward Baker Chief Inspector of Hospitals	180–185	–	–[9]	**180–185**	120–125[10]	–	–[9]	**120–125**
Kirsty Shaw Chief Operating Officer	140–145	7,300	32.5–35	**180–185**	10–15[11]	–	–	**10–15**
Deborah Westhead Chief Inspector of Adult Social Care	40–45[5]	–	17.5–20	**60–65**	–	–	–	**–**
Dr Rosie Benneyworth Chief Inspector of Primary Medical Services and Integrated Care	10–15[6]	–	0–2.5	**10–15**	–	–	–	**–**
Andrea Sutcliffe CBE Chief Inspector of Adult Social Care	115–120[7]	–	0–2.5	**115–120**	145–150	–	20–22.5	**165–170**
Prof. Sir Mike Richards Chief Inspector of Hospitals	–	–	–	**–**	85–90[12]	–	–[9]	**85–90**
Eileen Milner Director of Customer & Corporate Services	–	–	–	**–**	85–90[13]	–	27.5–30	**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 excludes increases due to inflation or any increases or decreases due to a transfer of pension rights.

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

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

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

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

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

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

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

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

[10] Prof. Edward Baker was appointed on 31 July 2017, full-year equivalent salary £180-185k.

[11] Kirsty Shaw was appointed on 1 March 2018, full-year equivalent salary £140-145k.

[12] Prof. Sir Mike Richards left CQC on 11 August 2017, full-year equivalent salary £235-240k.

[13] Eileen Milner left CQC on 31 October 2017, full-year equivalent salary £140-145k.

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 2018/19 was £195-200k (2017/18: £235-240k). This was 5.1 times (2017/18: 6.2) the median remuneration of CQC's employees, which was £39,029 (2017/18: £38,452).

In 2018/19 two employees (2017/18: no 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 £195-200k (2017/18: £15-20k to £235-240k).

Total remuneration includes salary, non-consolidated performance-related pay, and benefits in kind but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. The 2018/19 pay award ensured that all employees are paid a salary that is at least in line with the national living wage.

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 2018/19 (2017/18: £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 2018/19 (2017/18: £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 2019 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 2019 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 2019 (bands of £5,000) £000	Restated cash equivalent transfer value at 1 April 2018[9] £000	Cash equivalent transfer value at 31 March 2019 £000	Real increase in cash equivalent transfer value £000	Employers contribution to stakeholder pensions £000
Ian Trenholm[1] Chief Executive	2.5–5	–	90–95	–[8]	1,066	1,339	143	–
Sir David Behan CBE[2] Chief Executive	–[6]	–[6]	–[6]	–[6]	–[6]	–[6]	–[6]	–[6]
Prof. Steve Field CBE Chief Inspector of General Practice	–[7]	–[7]	–[7]	–[7]	–[7]	–[7]	–[7]	–[7]
Dr Malte Gerhold Director of Strategy and Intelligence	0–2.5	–	10–15	–[8]	93	142	30	–
Prof. Edward Baker Chief Inspector of Hospitals	–[7]	–[7]	–[7]	–[7]	–[7]	–[7]	–[7]	–[7]
Kirsty Shaw Chief Operating Officer	2.5–5	–	0–5	–[8]	2	33	11	–
Deborah Westhead[3] Chief Inspector of Adult Social Care	0–2.5	2.5–5	50–55	110–115	800	1,005	47	–
Dr Rosie Benneyworth[4] Chief Inspector of Primary Medical Services and Integrated Care	0–2.5	(2.5)–0	10–15	20–25	143	195	2	–
Andrea Sutcliffe[5] CBE Chief Inspector of Adult Social Care	0–2.5	(2.5)–0	30–35	85–90	591	682	41	–

[1] Ian Trenholm was appointed on 30 July 2018.

[2] Sir David Behan CBE left CQC on 11 July 2018.

[3] Deborah Westhead was an interim appointment from 3 December 2018.

[4] Dr. Rosie Benneyworth was appointed on 4 March 2019.

[5] Andrea Sutcliffe CBE left CQC on 13 January 2019.

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

[7] Pension benefits of Prof. Steve Field CBE and Prof. Edward Baker are £nil as both members are in receipt of benefits.

[8] Lump sum is zero as member is in the 2008 section of the scheme.

[9] Cash equivalent transfer value 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, and from 2004/05 the other pension details, 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 which 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: 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 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 uses an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2019 is based on valuation data as at 31 March 2018, updated to 31 March 2019 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. DHSC have recently laid scheme regulations confirming that the employer contribution rate will increase to 20.6% of pensionable pay from this date.

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 judgement from the Court of Appeal in December 2018, the government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

In 2018/19, CQC's employer contribution for employees in the NHS Pension Scheme was £13,954k (2017/18: £13,103k) at a rate of 14.38% (2017/18: 14.4%). From 1 April 2017, DHSC introduced a charge to cover the cost of scheme administration. This administration charge 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 £62k (2017/18: £56k).

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. All of these 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 2018/19, based on a percentage of payroll costs only, were £3,212k (2017/18: £3,602k), at rates ranging between 0% and 41.6% (2017/18: 0% and 41.6%). Employer contributions relating to the largest scheme, Teesside Pension Fund, were £2,788k (2017/18: £3,137k) at a rate of 17.9% (2017/18: 17.9%).

During 2018/19, 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, £1,801k (2017/18: £1,671k) was paid to 12 of the 16 remaining pension funds with amounts ranging from £27k to £632k. 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 2019/20 range between 0.0% and 41.6% (17.9% for Teesside Pension Fund), with annual cash sums ranging from £28k to £652k (£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 totalled £44k for 2018/19 (2017/18: £25k) at a rate of 2% (2017/18: 1%).

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	2018/19 total £000	2017/18 total £000
Wages and salaries	128,178	11,290	**139,468**	133,760
Social security costs	13,942	565	**14,507**	14,152
NHS pension costs	13,771	183	**13,954**	13,103
LGPS pension costs	5,014	–	**5,014**	5,273
Other pension costs	27	17	**44**	25
Apprenticeship levy	671	–	**671**	646
Termination benefits	750	–	**750**	1,801
Sub–total	**162,353**	**12,055**	**174,408**	**168,760**
Less recoveries in respect of outward secondments	(1,034)	–	**(1,034)**	(682)
Increase in provision for pension fund deficits	621	–	**621**	1,098
Total net cost	**161,940**	**12,055**	**173,995**	**169,176**

Other employee costs consist of:

	2018/19 total £000	2017/18 total £000
Bank inspectors and specialist advisors	**7,218**	6,602
SOADs	**3,377**	3,359
Inward secondments from other organisations	**1,071**	1,399
Commissioners	**47**	181
Agency	**342**	235
Total	**12,055**	**11,776**

No employee costs were capitalised during the year (2017/18: £nil).

1.2 Average number of whole-time employees during the year:

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

	2018/19	2017/18
Directly employed	3,025	3,091
Other	15	18
Employees engaged on capital projects	–	–
Total	**3,040**	**3,109**

'Other' does not include bank inspectors, specialist advisors or SOADs who are paid per session.

The actual number of directly employed whole-time equivalents as at 31 March 2019 was 3,210 (31 March 2018; 3,193).

2. Employee composition

The table below shows the gender breakdown of CQC.

	Board members and Executive Directors	Directors	Other employees	31 March 2019 total employees	Board members and Executive Directors	Directors	Other employees	31 March 2018 total employees
Male	12	9	985	**1,006**	11	6	982	**999**
Female	4	18	2,313	**2,335**	5	19	2,297	**2,321**

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 2019 the gender split in CQC was 69.7% female employees to 30.3% 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 2018.

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

Mean pay gap – ordinary pay			1.00%
Median pay gap – ordinary pay			-0.99%
Mean pay gap – bonus pay in the 12 months to 31 March 2019			n/a
Median pay gap – bonus pay in the 12 months to 31 March 2019			n/a
The proportion of male and female employees paid a bonus in the 12 months to 31 March 2019		Male	n/a
		Female	n/a
Proportion of male and female employees in each quartile:			
	Quartile	**Female**	**Male**
	First (lower) quartile	64.4%	35.6%
	Second quartile	72.6%	27.4%
	Third quartile	74.1%	25.9%
	Fourth (upper) quartile	66.9%	33.1%

4. Sickness absence data

During 2018/19, the average number of long-term days of sickness per absent employee was 11 (2017/18: 10 days) and the average number of short-term days of sickness was six (2017/18: five 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
41	40.2

5.2 Percentage of time spent on facility time

Percentage of time	Number of employees
0%	–
1–50%	41
51–99%	–
100%	–

5.3 Percentage of pay bill spent on facility time

Total cost of facility time	£59,000
Total pay bill	£172,987,000
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	37.63%

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. In 2018/19 this included a review of local people survey action plans; health, safety and wellbeing; and facilities and office management.

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.

Information on our equality networks and further detail on our work to strengthen equality, diversity and inclusion at CQC, and to support all colleagues to be themselves and give of their best can be found in the Performance report (pages 36 to 37).

7. Health and safety

We have invested time during the year to make sure that our approach to Health and Safety meets legislative requirements and supports colleagues to stay safe at work.

Our main focus has been personal safety and making sure we have robust systems in place to identify potential hazards, support lone working and record any incidents of violence or aggression towards CQC employees, as well as clear messaging around our zero tolerance approach. We have procured a personal safety monitoring 24-hour support system for lone colleagues carrying out high-risk visits and inspections. We have also provided advice and guidance for colleagues who have experienced harassment, threats or libellous statements on social media.

We have invested in training and we have developed a new course on health and safety awareness. We have also procured a new course on workstation safety and safe driving that is mandatory for all employees who use IT equipment or drive for work.

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 also monitored reports of accidents and incidents to employees which, during 2018/19, comprised 59 minor accidents and incidents and four reportable incidents (under the Reporting of Injuries, Diseases and Dangerous Occurrences (RIDDOR) Regulations). This was an increase compared with 2017/18 following a concerted effort to raise awareness and encourage the reporting of accidents, incidents and near misses.

8. Expenditure on consultancy

CQC spent a total of £293k on consultancy services during 2018/19 (2017/18: £714k) to support our change and transformation programme.

9. Off-payroll engagements

For all off-payroll engagements at 31 March 2019, for more than £245 per day and that last longer than six months:.

	Number
Number of existing engagements as of 31 March 2019	1
Of which:	
Number that have existed for less than one year at the time of reporting	–
Number that have existed for between one and two years at the time of reporting	1
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 2019 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 2019.

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, 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 2018 and 31 March 2019	1
Of which:	
Number assessed as caught by IR35	1
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.	22

10. Exit packages

Exit package cost band	Number of compulsory redund-ancies Number	Cost of compulsory redund-ancies £s	Number of other departures agreed Number	Cost of other departures agreed £	Total number of exit packages Number	Total cost of exit packages £	Number of departures where special payments have been made Number	Cost of special payment element included in exit packages £
Less than £10,000	12	52,041	–	–	**12**	**52,041**	–	–
£10,000 to £25,000	8	128,851	–	–	**8**	**128,851**	–	–
£25,001 to £50,000	5	192,876	–	–	**5**	**192,876**	–	–
£50,001 to £100,000	3	246,543	–	–	**3**	**246,543**	–	–
£100,001 to £150,000	–	–	–	–	**–**	**–**	–	–
£150,001 to £200,000	1	186,298	–	–	**1**	**186,298**	–	–
More than £200,000	–	–	–	–	**–**	**–**	–	–
Total	**29**	**806,609**	**–**	**–**	**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.

	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	–	–
Total	**–**	**–**

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

	2018/19	2017/18
Total number of losses	984	842
Total value of losses (£000)	1,923	927

CQC incurred one loss that exceeded £300k during the year (2017/18: none). This related to backdated social security costs for furniture provided to homeworkers and mileage allowances paid to lease car users covering a period of four years following an HMRC compliance check and totalled £881k. HMRC's compliance check is ongoing and additional liabilities may be incurred but at the reporting date cannot be quantified.

1.2 Special payments

	2018/19	2017/18
Total number of special payments	2	–
Total value of special payments (£000)	33	–

1.3 Gifts

During 2018/19 CQC made no gifts (2017/18: none).

2. Remote contingent liabilities

There were no remote contingent liabilities as at 31 March 2019 (31 March 2018: none).

3. Fees and charges

The following table provides an analysis of the activities for which a fee is charged:

	Income £000	Full cost £000	Deficit £000
Regulatory fees for chargeable activities	(204,284)	209,128	4,844

Regulatory fees are charged in accordance with the Health and Social Care Act 2008 to cover the cost of our registration functions. These functions cover all our activities associated with registering providers, making changes to their registration and carrying out inspections. During 2018/19, CQC recovered 97.8% of its costs relating to chargeable activities through fees and also received grant-in-aid funding from DHSC, see Notes to the financial statements (note 2).

Other existing responsibilities, such as our work under the Mental Health Act, are not included within our registration functions, and their costs are funded by grant-in-aid from DHSC.

4. Better payment practice code

CQC's policy is to pay creditors in accordance with contractual conditions or, where no specific conditions exist, within 5-30 days of the receipt of goods or services or the presentation of a valid invoice, whichever is later. This complies with the Better Payment Practice Code and guidance as published by HM Treasury.

	2018/19	2017/18
Number of invoices paid within 30 days	99.4%	99.6%
Value of invoices paid within 30 days	99.8%	99.7%

In line with guidance from the government published in August 2010, CQC aims to pay 80% of all undisputed invoices from suppliers within five working days. During 2017/18, CQC exceeded this target based on volumes:

	Target	2018/19	2017/18
Number of invoices paid within five working days	80.0%	86.6%	85.5%
Value of invoices paid within five working days	80.0%	95.4%	78.1%

Ian Trenholm
Chief Executive, Care Quality Commission

15 July 2019

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 2019 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 2019 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 am required to conclude on the appropriateness of management'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 for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw

attention in my auditor's 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 auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, other than 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

19 July 2019

3

Financial statements

The financial statements are prepared in accordance with the Financial Reporting Manual 2018/19, published by HM Treasury, and comprise:

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2019

	Note	2018/19 £000	2017/18 £000
Revenue from contracts with customers	3.1	(205,695)	(193,658)
Other operating income	3.2	(110)	(53)
Total operating income		**(205,805)**	**(193,711)**
Staff costs	4.1	173,995	169,176
Purchase of goods and services	4.2	47,156	43,471
Depreciation, amortisation and impairment charges	4.2	7,834	8,767
Provision expense	4.2	(3)	1,085
Other operating expenditure	4.2	9,901	9,483
Total operating expenditure		**238,883**	**231,982**
Net operating expenditure		**33,078**	**38,271**
Finance expense		(49)	(37)
Net expenditure for the year		**33,029**	**38,234**
Other comprehensive net expenditure			
Items that will not be reclassified to net operating costs:			
– Net gain on revaluation of intangible assets	6.1	(47)	(200)
– Net gain on revaluation of property, plant and equipment	7.1	(4)	(27)
– Impairments charged to revaluation reserve:			
Intangible assets	6.1	11	–
Property, plant and equipment	7.1	4	–
– Actuarial gain in pension schemes	5.4	(11,279)	(3,779)
Comprehensive net expenditure for the year		**21,714**	**34,228**

During the year CQC received grant-in-aid totalling £39,450k (2017/18: £43,100k) from the Department of Health and Social Care (DHSC), which is not included in the Statement of Comprehensive Net Expenditure. This funding was used to finance operating expenditure and non-current asset additions purchased during the reporting period. For further details see note 2 to the Financial Statements.

Notes 1 to 22, on pages 92 to 128, form part of these financial statements.

Statement of Financial Position

as at 31 March 2019

	Note	31 March 2019 £000	Re-presented 31 March 2018[1] £000
Non-current assets			
Intangible assets	6	11,311	10,675
Property, plant and equipment	7	5,775	3,902
LGPS pension assets	5.1	3,242	2,450
Total non-current assets		**20,328**	**17,027**
Current assets			
Trade and other receivables	9	13,328	7,514
Other current assets	9	627	688
Cash and cash equivalents	10	34,770	36,959
Total current assets		**48,725**	**45,161**
Total assets		**69,053**	**62,188**
Current liabilities			
Trade and other payables	11	(26,923)	(25,375)
Other pension liabilities	11	(21)	(93)
Provisions	12.1	(730)	(751)
Fee income in advance	11	(20,619)	(24,312)
Total current liabilities		**(48,293)**	**(50,531)**
Total assets less current liabilities		**20,760**	**11,657**
Non-current liabilities			
Provisions	12.1	(1,913)	(2,021)
Other pension liabilities	11	(69)	(75)
Total non-current liabilities excluding pension deficit		**(1,982)**	**(2,096)**
Assets less liabilities excluding pension deficit provision		**18,778**	**9,561**
LGPS pension deficit	5.1	(65,496)	(73,582)
Assets less liabilities		**(46,718)**	**(64,021)**
Taxpayers' equity			
General reserve	15	(69,425)	(80,007)
Revaluation reserve	15	257	486
Retained earnings reserve	15	22,450	15,500
Total taxpayers' equity		**(46,718)**	**(64,021)**

[1] Balances at 31 March 2018 have been reclassified in accordance with the requirements of IFRS 15, see note 14 for details.

Notes 1 to 22, on pages 92 to 128, form part of these financial statements. The financial statements on pages 88 to 128 were approved by the Board on 19 June 2019 and signed on its behalf by:

Ian Trenholm
Chief Executive

15 July 2019

Statement of Cash Flows

for the year ended 31 March 2019

	Note	2018/19 £000	2017/18 £000
Cash flows from operating activities			
Net expenditure for the year		(33,029)	(38,234)
Adjustment for non-cash transactions	13.1	10,122	12,664
Increase in trade receivables and other current assets	9	(5,753)	(2,945)
Increase in trade and other payables	13.2	2,421	1,676
Decrease in pension liabilities	11	(78)	(15)
(Decrease)/increase in fee income in advance	11	(3,693)	257
Use of provisions	12	(77)	(114)
Non-cash adjustment relating to application of IFRS 9	14	(433)	–
Net cash outflow from operating activities		**(30,520)**	**(26,711)**
Cash flows from investing activities			
Purchase of intangible assets	13.3	(6,559)	(4,817)
Purchase of property, plant and equipment	13.4	(4,626)	(2,172)
Proceeds from disposal of property, plant and equipment	13.5	66	–
Net cash outflow from investing activities		**(11,119)**	**(6,989)**
Cash flows from financing activities:			
Grant-in-aid from DHSC: cash drawn down in year		39,450	43,100
Net financing		**39,450**	**43,100**
Net (decrease)/increase in cash and cash equivalents in the year		**(2,189)**	9,400
Cash and cash equivalents at 1 April		36,959	27,559
Cash and cash equivalents at 31 March	**10**	**34,770**	**36,959**

Notes 1 to 22, on pages 92 to 128, form part of these financial statements.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2019

	Note	General reserve £000	Revaluation reserve £000	Retained earnings reserve £000	Total reserves £000
Balance at 1 April 2017		**(81,649)**	**756**	**8,000**	**(72,893)**
Changes in taxpayers' equity for 2017/18					
Grant-in-aid from DHSC: cash drawn down		43,100	–	–	**43,100**
Net expenditure for the year		(38,234)	–	–	**(38,234)**
Revaluation gains:					
– intangible assets	6.1	–	200	–	**200**
– property, plant and equipment	7.1	–	27	–	**27**
Transfer between reserves:					
– Disposals and realised depreciation:					
– intangible assets	6.1	467	(467)	–	–
– property, plant and equipment	7.1	30	(30)	–	–
– Retained fee income	15	(7,500)	–	7,500	–
Actuarial gain in pension schemes	5.4	3,779	–	–	**3,779**
Balance at 31 March 2018		**(80,007)**	**486**	**15,500**	**(64,021)**
Impact of the adoption of IFRS 9	14	(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		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**
Impairment and reversal:		–		–	
– 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	15	(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)**

Notes 1 to 22, on pages 92 to 128, 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) 2018/19, issued by HM Treasury, and the Department of Health and Social Care (DHSC) Group Accounting Manual (GAM) 2018/19. 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. CQC is mainly financed by annual fees charged to registered providers; it also draws grant-in-aid funding from DHSC. Parliament has demonstrated its commitment to fund DHSC for the foreseeable future, and DHSC has demonstrated its commitment to the funding of CQC.

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 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.

The following are critical judgements that have been made by management in the process of applying CQC's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

- impairment of intangible assets (see accounting policy note 1.13 and note 6)
- expected credit losses (see note 9.1)

- indexation of non-current assets (see accounting policy notes 1.11 and 1.12, note 6 and note 7)
- assumptions used to determine the IAS 19 pension liability for funded pension schemes (note 5).

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

The transition to IFRS 15 has been completed in accordance with paragraph C3(b) of the standard, applying the standard retrospectively and recognising the cumulative effects at the date of initial application.

In the adoption 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 as per paragraph 121 of the standard.
- CQC is to similarly not disclose information where revenue is recognised in line with the practical expedient offered in paragraph B16 of the standard where the right to consideration corresponds directly with value of the performance completed to date.
- the FReM has mandated the exercise of the practical expedient offered in C7(a) of 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 2018/19, 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. The adoption of IFRS 15 has resulted in no change to the recognition of revenue from statutory fees. 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 up to 10 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 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 schemes that is administered through 16 local 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 the 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 Statement of Changes in Taxpayers' Equity.

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 0.29% (2017/18: 0.10%) 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 0.76% (2017/18: negative 2.42%) for expected cash flows up to and including five years
- a medium-term rate of 1.14% (2017/18: negative 1.85%) for expected cash flows over five years up to and including 10 years
- a long-term rate of 1.99% (2017/18: negative 1.56%) 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 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.

1.17.1 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.

1.17.2 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.

1.18 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.

CQC have no financial liabilities other than trade payables. Trade payables are not interest bearing and are stated at their nominal value.

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 0.29% (2017/18: 0.10%). This is the rate for market yields on AA corporate bonds as published by HM Treasury.

1.19 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 2018/19. These standards are still subject to FReM adoption, with IFRS 16 to be implemented in 2019/20, and the implementation date for IFRS 17 still subject to HM Treasury consideration.

- IFRS 16 *Leases*: application has been deferred and the standard will be applied for accounting periods beginning on or after 1 January 2020, as it is yet to be adopted by the FReM. CQC currently has commitments under operating leases of approximately. £7.3m, 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 2021 but has not yet been adopted by the FReM. Early adoption is not therefore permitted. CQC does not expect the adoption to have a material impact on the Financial Statements.
- IFRIC 23 *Uncertainty over Income Tax Treatments:* application is required for accounting periods beginning on or after 1 January 2019. 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 which includes Strategy and Intelligence, Regulatory Customer and Corporate Operations (RCCO),Digital and Healthwatch England.

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	2018/19 Total £000	2017/18[1] Total £000
Pay costs	55,552	39,576	23,099	54,396	**172,623**	166,277
Non-pay costs	3,442	4,982	2,163	44,487	**55,074**	52,099
Total	**58,994**	**44,558**	**25,262**	**98,883**	**227,697**	**218,376**

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.

	2018/19 £000	2017/18[1] £000
Pay costs	172,623	166,277
Non-pay costs	55,074	52,099
Total expenditure	**227,697**	**218,376**
Items not included within operating segments:		
Staff costs		
Increase in provision for pension fund deficits	621	1,098
Depreciation, amortisation and impairment charges	7,834	8,767
Provisions	(3)	1,085
Other operating expenditure		
Net interest expense on pension scheme assets and liabilities	1,780	1,729
Expected credit loss	954	927
Total operating expenditure	**238,883**	**231,982**

[1] 2017/18 balances not previously disclosed.

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 mainly funded by providers through fees and a small subsidy from grant-in-aid; non-chargeable activities are funded by grant-in-aid and reimbursement for external work. This analysis includes non-cash adjustments of £6.0m which are agreed with DHSC and are offset by a non-cash budget.

	2018/19			Re-presented 2017/18[1]		
	Chargeable activities £000	Non-chargeable activities £000	Total £000	Chargeable activities £000	Non-chargeable activities £000	Total £000
Funding						
Revenue from contracts with customers	(204,284)	(1,411)	**(205,695)**	(193,658)	–	**(193,658)**
Grant-in-aid (cash)	(2,700)	(25,530)	**(28,230)**	(6,197)	(29,186)	**(35,383)**
Other operating income	(100)	(10)	**(110)**	–	(53)	**(53)**
Subtotal: funding	**(207,084)**	**(26,951)**	**(234,035)**	**(199,855)**	**(29,239)**	**(229,094)**
Operating expenditure						
Staff costs	152,800	21,195	**173,995**	145,761	23,415	**169,176**
Purchase of goods and services	41,600	5,556	**47,156**	37,089	6,382	**43,471**
Depreciation, amortisation and impairment charges	6,950	884	**7,834**	7,500	1,267	**8,767**
Provision expenses	(3)	–	**(3)**	1,085	–	**1,085**
Other operating expenditure	7,830	2,071	**9,901**	7,109	2,374	**9,483**
Subtotal: operating expenditure	**209,177**	**29,706**	**238,883**	**198,544**	**33,438**	**231,982**
Finance expenses	(49)	–	**(49)**	(37)	–	**(37)**
Total expenditure	**209,128**	**29,706**	**238,834**	**198,507**	**33,438**	**231,945**
Net excess of expenditure before DHSC non-cash allowances	**2,044**	**2,755**	**4,799**	**(1,348)**	**4,199**	**2,851**

[1] 2017/18 balances have been re-presented to disclose the allocation of funding and non-cash items to chargeable and non-chargeable activities.

3. Income

3.1 Revenue from contracts with customers

	2018/19 £000	Re-presented 2017/18[1] £000
Income from fees:		
NHS trusts	(56,037)	(56,555)
Adult social care – residential	(70,441)	(68,199)
Adult social care – community	(20,917)	(18,176)
Independent healthcare – hospitals	(4,313)	(3,865)
Independent healthcare – community	(6,126)	(4,998)
Independent healthcare – single specialty	(1,009)	(926)
Dentists	(7,370)	(7,666)
NHS GP practices	(38,071)	(33,273)
Subtotal: income from fees	**(204,284)**	**(193,658)**
Income from other activities	(1,411)	–
Total revenue from contracts with customers	**(205,695)**	**(193,658)**

3.2 Other operating income

	2018/19 £000	Re-presented 2017/18[1] £000
Profit on disposal of property, plant and equipment	(61)	–
Apprenticeship training grant (non-cash)	(49)	(53)
Total other operating income	**(110)**	**(53)**

[1] 2017/18 balances have been reclassified in accordance with the requirements of IFRS 15.

4. Operating expenditure

4.1 Staff costs

	2018/19 £000	2017/18 £000
Wages and salaries	139,468	133,760
Social security costs	14,507	14,152
NHS pension costs	13,954	13,103
LGPS pension costs	5,014	5,273
Other pension costs	44	25
Apprenticeship levy	671	646
Termination benefits	750	1,801
Less recoveries in respect of outward secondments	(1,034)	(682)
Increase in provision for pension fund deficits	621	1,098
Total staff costs	**173,995**	**169,176**

4.2 Other operating expenditure

	2018/19 £000	2017/18 £000
Purchase of goods and services		
Establishment	20,179	17,196
Travel and subsistence	11,618	10,812
Rentals under operating leases	5,562	5,839
Premises	4,982	4,720
Training and development	1,368	1,620
Professional fees	973	1,372
Supplies and services	1,953	973
Consultancy	293	715
External audit fee (statutory work)	145	145
Insurance	83	79
Subtotal: purchases of goods and services	**47,156**	**43,471**
Depreciation, amortisation and impairment charges		
Amortisation of intangible assets	5,191	7,180
Depreciation of property, plant and equipment	1,660	1,522
Impairment of intangible assets	911	18
Impairment of property, plant and equipment	72	47
Subtotal: depreciation, amortisation and impairment charges	**7,834**	**8,767**
Provision expense	**(3)**	**1,085**
Other operating expenditure		
Experts by Experience	3,980	4,629
Business rates paid to local authorities	1,959	2,060
Net interest expense on pension scheme assets and liabilities	1,780	1,729
Expected credit loss	867	–
Irrecoverable debts	87	927
Apprenticeship training grant (non-cash)	49	53
Loss on disposal of fixed assets	–	22
Other	1,179	63
Subtotal: other operating expenditure	**9,901**	**9,483**
Total other operating expenditure	**64,888**	**62,806**

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 16 local pension funds that are part of LGPS. LGPS changed from a final salary to career average basis for benefits accruing after 1 April 2014. Further information on the funding arrangements is contained within note 5.11 below.

Valuations of CQC's assets and liabilities in each LGPS as at 31 March 2019 have been prepared in accordance with IAS 19. The results relating to each LGPS are disclosed in note 5.1 below. The Statement of Financial Position shows net pension assets totalling £3.2m (31 March 2018: £2.5m) and net pension deficits of £65.5m (31 March 2018: £73.6m) 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 2019 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
Surrey	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 2019 £000	Liabilities 31 March 2019 £000	Surplus/ (deficit) 31 March 2019 £000	Re-presented surplus/ (deficit) 31 March 2018 £000
Funds with a net deficit				
Avon	5,569	(7,608)	**(2,039)**	**(1,773)**
Cheshire	4,452	(4,564)	**(112)**	**(61)**
Dorset	2,807	(4,052)	**(1,245)**	**(1,353)**
Essex	6,548	(6,571)	**(23)**	**(429)**
Hampshire	5,550	(7,610)	**(2,060)**	**(2,340)**
Merseyside	7,827	(9,058)	**(1,231)**	**(1,024)**
Shropshire	2,838	(3,740)	**(902)**	**(798)**
Suffolk	3,926	(5,032)	**(1,106)**	**(1,038)**
Teesside	320,201	(376,257)	**(56,056)**	**(63,242)**
West Yorkshire	12,221	(12,943)	**(722)**	**(1,043)**
Subtotal: funds with a net deficit	**371,939**	**(437,435)**	**(65,496)**	**(73,101)**[1]
Funds with a net surplus				
Cambridgeshire	3,793	(3,463)	**330**	**316**
Cumbria	4,400	(3,952)	**448**	**172**
East Sussex	7,014	(6,337)	**677**	**278**
Greater Manchester	19,003	(18,990)	**13**	**(481)**
Surrey	5,989	(5,690)	**299**	**289**
West Sussex	5,117	(3,642)	**1,475**	**1,395**
Subtotal: funds with a net surplus	**45,316**	**(42,074)**	**3,242**	**1,969**[1]
Total	**417,255**	**(479,509)**	**(62,254)**	**(71,132)**

[1] At 31 March 2019 Greater Manchester has a net surplus of £13k but was recognised with a net deficit of £481k at 31 March 2018. For comparative purposes, Greater Manchester has been included within the subtotal of funds with a net surplus. The Statement of Financial Position as at 31 March 2018 recognises pension funds with a net surplus of £2,450k and pension funds with a net deficit of £73,582k.

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 2019, no asset ceilings were applied to any of the funds (31 March 2018: nil).

Seven employees (2017/18: 7) retired early on ill-health grounds during the year. No additional pension costs (2017/18: £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:	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Discount rate	2.4	2.6	2.4 – 2.7	2.5 – 2.7
Expected rate of salary increases	3.2	3.1	2.8 – 4.0	2.7 – 3.9
Future pension increases	2.2	2.1	2.2 – 2.5	2.1 – 2.4
CPI inflation	2.2	2.1	2.2 – 2.5	2.1 – 2.4

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:	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Retiring today:				
Males	22.2	22.9	21.3 – 23.7	21.5 – 24.1
Females	24.1	25.0	23.6 – 26.4	24.1 – 27.2
Retiring in 20 years:				
Males	23.9	25.1	22.9 – 26.3	23.1 – 26.2
Females	25.9	27.3	25.4 – 29.0	26.2 – 29.4

5.3 Charges to net expenditure

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

	2018/19 £000	2017/18 £000
Service cost:		
– Current service cost	5,572	6,311
– Past service cost	239	248
– Administration expenses	73	81
Net interest expense	1,780	1,729
Amount recognised in net expenditure	**7,664**	**8,369**

Of the expense for the year, the total service cost of £5.9m (2017/18: £6.6m) has been included in the Statement of Comprehensive Net Expenditure as staff expenditure, note 4.1. £5.3m (2017/18: £5.5m) is included within LGPS pension costs and £0.6m (2017/18: £1.1m) is included as an increase in provision for pension fund deficits. The net interest expense of £1.8m (2017/18: £1.7m) has been included in other expenditure, note 4.2. The re-measurement of the net defined benefit obligation is included 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:

	2018/19 £000	2017/18 £000
The return on plan assets (excluding amounts included in net interest expense)	(20,042)	(4,186)
Other re-measurement losses on plan assets	–	–
Actuarial gains arising from changes in demographic assumptions	(14,576)	–
Actuarial (gains)/losses arising from changes in financial assumptions	22,605	(1,811)
Actuarial losses/(gains) arising from experience adjustments	734	2,218
Re-measurement of the net defined benefit obligations	**(11,279)**	**(3,779)**

The cumulative amount of actuarial gains and losses recognised in reserves since the date of transition to IFRS on 1 April 2008 to 31 March 2019 is £69m (31 March 2018: £80m).

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 2019 £000	31 March 2018 £000
Present value of funded benefit obligations	(479,377)	(465,799)
Fair value of scheme assets	417,255	394,760
Deficit in scheme	**(62,122)**	**(71,039)**
Present value of unfunded benefit obligations	(132)	(93)
Net deficit recognised in the Statement of Financial Position	**(62,254)**	**(71,132)**

5.6 Reconciliation of fair value of scheme liabilities

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

	2018/19 £000	2017/18 £000
At 1 April	**(465,892)**	**(460,954)**
Current service cost	(5,572)	(6,311)
Administration expenses	(65)	(74)
Interest cost	(11,948)	(11,361)
Contributions from scheme members	(1,313)	(1,474)
Past service costs	(239)	(248)
Re-measurement gains/(losses):		
– Actuarial gains arising from changes in demographic assumptions	14,576	–
– Actuarial gains/(losses) arising from changes in financial assumptions	(22,605)	1,811
– Actuarial (losses)/gains arising from experience adjustments	(734)	(2,218)
Benefits paid	14,283	14,937
At 31 March	**(479,509)**	**(465,892)**

5.7 Reconciliation of fair value of employer assets

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

	2018/19 £000	2017/18 £000
At 1 April	**394,760**	**388,870**
Interest income	10,168	9,632
Re-measurement gains:		
The return on plan assets (excluding amounts included in net interest expense)	20,042	4,186
Other	–	–
Employer contributions	5,263	5,542
Member contributions	1,313	1,474
Benefits paid	(14,283)	(14,937)
Administration expenses	(8)	(7)
At 31 March	**417,255**	**394,760**

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 2019 £000	Unquoted assets as at 31 March 2019 £000	Total assets as at 31 March 2019 £000	Total assets as at 31 March 2018 £000
Equities	277,313	3,936	**281,249**	283,016
Property	25,189	9,351	**34,540**	28,149
Government bonds	4,199	1,076	**5,275**	5,041
Other bonds	5,550	439	**5,989**	5,660
Cash	44,062	919	**44,981**	36,922
Other	26,295	18,926	**45,221**	35,972
Total	**382,608**	**34,647**	**417,255**	**394,760**

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

5.9 Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation of the pension schemes is between 13 and 18 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 2019 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	369,992	376,257	382,628	101,691	103,252	104,817
Movement	(6,265)	–	6,371	(1,561)	–	1,565
Adjustment to expected rate of salary increases	**+ 0.1%**	**Current**	**- 0.1%**	**+ 0.1%**	**Current**	**- 0.1%**
Present value of total obligation	377,357	376,257	375,166	103,354	103,252	103,150
Movement	1,100	–	(1,091)	102	–	(102)
Adjustment to future pension increases	**+ 0.1%**	**Current**	**- 0.1%**	**+ 0.1%**	**Current**	**- 0.1%**
Present value of total obligation	381,519	376,257	371,073	104,742	103,252	101,766
Movement	5,262	–	(5,184)	1,490	–	(1,486)
Adjustment to life expectancy	**- 1 year**	**Current**	**+ 1 year**	**- 1 year**	**Current**	**+ 1 year**
Present value of total obligation	388,422	376,257	364,221	106,711	103,252	99,811
Movement	12,165	–	(12,036)	3,459	–	(3,441)

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 2016 which set the employer contribution rates for three years from 1 April 2017 to 31 March 2020. 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 2019/20 range between 0% and 41.6% (17.9% for Teesside Pension Fund) with annual cash sums ranging from £27k to £652k (£nil for Teesside Pension Fund). It is estimated that employer contributions for 2019/20 will total £5,248k (Teesside: £2,882k).

The next valuation exercise will be undertaken as at 31 March 2019 which will set contribution rates for the three years from 1 April 2020 to 31 March 2023.

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 is retained by the fund. DHSC have provided a guarantee to meet the pension deficit liability that fall due.

In December 2018 the Court of Appeal ruled against the government in two cases: *Sargeant and others v London Fire and Emergency Planning Authority* [2018] UKEAT/0116/17/LA and *McCloud and others v Ministry of Justice* [2018] UKEAT/0071/17/LA. The cases related to the Firefighters' Pension Scheme (Sargeant) and to the Judicial Pensions Scheme (McCloud). For the purposes of the LGPS, these cases are known together as 'McCloud'. The court held that transitional protections, afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. It is expected that the ruling will result in a liability to CQC. The Government Actuarial Department (GAD) has estimated the financial impact of one possible remedy to be equal to 3.2% of active liabilities on a scheme-wide basis. The GAD estimate has been prepared on an 'average' member basis and is highly sensitive to the earnings growth assumption. Taking into account the age profile of CQC membership, the impact is not expected to be significant. Therefore, no specific provision for the potential additional liabilities arising from McCloud have been accounted for.

6. Intangible Assets

	IT software development £000	Software licences £000	Website £000	Total £000
Cost or valuation				
At 1 April 2018	38,849	3,923	7,696	**50,468**
Additions	6,570	13	119	**6,702**
Disposals	–	–	–	–
Impairments charged to revaluation reserve	(64)	–	–	**(64)**
(Impairments) and reversals charged to other operating expenditure	(1,629)	–	6	**(1,623)**
Indexation gains to revaluation reserve	195	22	38	**255**
At 31 March 2019	**43,921**	**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	**8,544**	**749**	**1,382**	**10,675**
Net book value at 31 March 2019	**9,948**	**260**	**1,103**	**11,311**
Asset financing				
Owned	9,948	260	1,103	**11,311**
At 31 March 2019	**9,948**	**260**	**1,103**	**11,131**

	IT software development £000	Software licences £000	Website £000	Total £000
Cost or valuation				
At 1 April 2017	34,701	3,860	6,291	**44,852**
Additions	3,628	4	1,314	**4,946**
Disposals	–	–	–	–
Indexation gains charged to other operating expenditure	(12)	–	(6)	**(18)**
Indexation gains to revaluation reserve	532	59	97	**688**
At 31 March 2018	**38,849**	**3,923**	**7,696**	**50,468**
Amortisation				
At 1 April 2017	24,201	2,420	5,504	**32,125**
Charged in year	5,737	717	726	**7,180**
Disposals	–	–	–	–
Indexation gains charged to other operating expenditure	–	–	–	–
Indexation gains to revaluation reserve	367	37	84	**488**
At 31 March 2018	**30,305**	**3,174**	**6,314**	**39,793**
Net book value at 1 April 2017	**10,500**	**1,440**	**787**	**12,727**
Net book value at 31 March 2018	**8,544**	**749**	**1,382**	**10,675**
Asset financing				
Owned	8,544	749	1,382	**10,675**
At 31 March 2018	**8,544**	**749**	**1,382**	**10,675**

Intangible assets comprise software licences, software development costs, including related contractor costs, and website development costs. These are revalued using the appropriate producer price index (PPI) published by the Office for National Statistics. Related general project management and overhead costs are not capitalised.

6.1 Movement in revaluation reserve: intangible assets

	2018/19 £000	2017/18 £000
Balance at 1 April	**377**	**644**
Net gain on indexation of intangible assets	47	200
Impairments charged to reserve	(11)	–
Transfers between reserves for intangible assets	(241)	(467)
Balance at 31 March	**172**	**377**

7. Property, plant and equipment

	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**

	Information technology £000	Furniture and fittings £000	Total £000
Cost or valuation			
At 1 April 2017	7,480	2,757	**10,237**
Additions	2,634	137	**2,771**
Disposals	(687)	(14)	**(701)**
Indexation gains charged to other operating expenditure	(50)	4	**(46)**
Indexation gains to revaluation reserve	100	13	**113**
At 31 March 2018	**9,477**	**2,897**	**12,374**
Depreciation			
At 1 April 2017	6,100	1,442	**7,542**
Charged in year	1,037	485	**1,522**
Disposals	(687)	8	**(679)**
Indexation gains charged to other operating expenditure	–	1	**1**
Indexation gains to revaluation reserve	79	7	**86**
At 31 March 2018	**6,529**	**1,943**	**8,472**
Net book value at 1 April 2017	**1,380**	**1,315**	**2,695**
Net book value at 31 March 2018	**2,948**	**954**	**3,902**
Asset financing			
Owned	2,948	954	**3,902**
At 31 March 2018	**2,948**	**954**	**3,902**

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

	2018/19 £000	2017/18 £000
Balance at 1 April	**109**	**112**
Net gain on indexation	4	27
Impairments charged to reserves	(4)	–
Transfers between reserves	(24)	(30)
Balance at 31 March	**85**	**109**

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 2018 sets fees for most 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 enough funds are available to cover working capital requirements. CQC have no borrowings relying upon 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. 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 2019 £000	31 March 2018 £000
Trade and other receivables with DHSC group bodies	1,852	669
Trade and other receivables with other bodies	11,476	7,533
Cash at bank and in hand	34,770	36,959
Total	**48,098**	**45,161**

8.2 Financial liabilities

	31 March 2019 £000	Restated 31 March 2018[1] £000
Trade and other payables with DHSC group bodies	1,719	2,292
Trade and other payables with other bodies	9,618	9,620
Other financial liabilities	25,450	28,471
Total	**36,787**	**40,383**

[1] 2017/18 balances have been restated to ensure compliance with the FReM.

9. Trade receivables and other current assets

	31 March 2019 £000	Re-presented 31 March 2018[1] £000
Trade and other receivables		
Contract receivables	14,311	–
Trade receivables	–	8,225
Other receivables	1,913	876
Expected credit loss	(3,007)	–
Irrecoverable debt provision	–	(1,707)
Deposits and advances	111	120
Subtotal: Trade and other receivables	**13,328**	**7,514**
Other current assets		
Prepayments	627	564
Accrued income	–	124
Subtotal: Other current assets	**627**	**688**
Total	**13,955**	**8,202**

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

Deposits and advances include advance salary payments and staff loans, these total £10k and £101k (31 March 2018: £13k and £107k). 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 2019 £000	31 March 2018 £000
Balance at 1 April	1,707	1,086
Impact of the adoption of IFRS 9	433	–
Lifetime expected credit losses on trade and other receivables	888	–
Changes due to modifications that did not result in derecognition	598	–
Financial assets that have been derecognised	(619)	–
New provision recognised during the year[2]	–	1,368
Provisions reversed as unused[2]	–	(160)
Amounts written of during the year as uncollectable[2]	–	(306)
Amounts recovered during the year[2]	–	(281)
Balance at 31 March	**3,007**	**1,707**

[1] 2017/18 balances have been re-presented. See note 14 for details of the impact of new accounting standards.
[2] Movements resulting from accounting policies prior to the adoption of IFRS 9.

10. Cash and cash equivalents

	2018/19 £000	2017/18 £000
Balance at 1 April	**36,959**	**27,559**
Net change in cash and cash equivalent balances	(2,189)	9,400
Balance at 31 March	**34,770**	**36,959**
The following balances at 31 March were held at:		
Government banking service and cash in hand	34,770	36,959
Total balance at 31 March	**34,770**	**36,959**

11. Trade payables and other current liabilities

	31 March 2019 £000	31 March 2018 £000
Amounts falling due within one year		
VAT	(370)	(178)
Other taxation and social security	(4,371)	(3,813)
Trade payables	(6,724)	(5,846)
Other payables	(3,606)	(4,186)
Accruals	(10,845)	(9,472)
Capital creditors – intangible assets	(821)	(678)
Capital creditors – property, plant and equipment	(186)	(1,202)
Total trade and other payables	**(26,923)**	**(25,375)**
Current pension liabilities	(21)	(93)
Fee income in advance	(20,619)	(24,312)
Total current trade payables and other current liabilities	**(47,563)**	**(49,780)**
Amounts falling after more than one year		
Pension liabilities	(69)	(75)
Total non-current trade payables and other non-current liabilities	**(69)**	**(75)**

Trade payables at 31 March 2019 were equivalent to 26 days (31 March 2018: 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 0.29% per annum (2017/18: 0.10%) in accordance with HM Treasury guidance.

12. Provisions for liabilities and charges

	2018/19			2017/18		
	Leased property dilapidations £000	Other £000	Total £000	Leased property dilapidations £000	Other £000	Total £000
Balance at 1 April	**2,338**	**434**	**2,772**	**1,432**	**406**	**1,838**
Provided in year	–	437	**437**	1,326	434	**1,760**
Provisions not required written back	(24)	(357)	**(381)**	(373)	(292)	**(665)**
Provisions utilised in year	–	(77)	**(77)**	–	(114)	**(114)**
Change in discount rate	(59)	–	**(59)**	(10)	–	**(10)**
Unwinding of discount	(49)	–	**(49)**	(37)	–	**(37)**
Balance at 31 March	**2,206**	**437**	**2,643**	**2,338**	**434**	**2,772**

12.1 Analysis of expected timings of discounted cash flows

	2018/19			2017/18		
	Leased property dilapidations £000	Other £000	Total £000	Leased property dilapidations £000	Other £000	Total £000
Not later than one year	293	437	**730**	317	434	**751**
Later than one year and not later than five years	1,913	–	**1,913**	2,021	–	**2,021**
Later than five years	–	–	–	–	–	–
Balance at 31 March	**2,206**	**437**	**2,643**	**2,338**	**434**	**2,772**

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 2018: £0.4m).

No provisions were recognised in respect of employment termination costs (31 March 2018: £nil).

Provisions falling due up to five years have been discounted by a factor of 0.76% (2017/18: increase of 2.42%) and provisions falling due between five and 10 years have been discounted by a factor of 1.14% (2017/18: increase of 1.85%) in accordance with HM Treasury guidance.

13. Reconciliation of movements in the Statement of Cash Flows

13.1 Adjustment for non-cash transactions

	Note	2018/19 £000	2017/18 £000
Depreciation, amortisation and impairment charges	4.2	7,834	8,767
Increase in provision for pension fund deficit	4.1	621	1,098
Net interest expenses on pension scheme assets and liabilities	4.2	1,780	1,729
Gain on disposal of fixed assets	3.2	(61)	–
Loss on disposal of fixed assets	4.2	–	22
Provisions expense	4.2	(3)	1,085
Finance expense: Unwinding of discount on provisions	12	(49)	(37)
Total adjustment for non-cash transactions		**10,122**	**12,664**

13.2 Movement in trade and other payables

	Note	2018/19 £000	2017/18 £000
Increase in trade and other payables	11	1,548	2,404
Less increase in capital creditors – intangible assets	11	(143)	(129)
Less decrease/(increase) in capital creditors – property, plant and equipment	11	1,016	(599)
Total movement in trade and other payables		**2,421**	**1,676**

13.3 Purchase of intangible assets

	Note	2018/19 £000	2017/18 £000
Additions	6	(6,702)	(4,946)
Increase in capital creditors – intangible assets	11	143	129
Total purchase of intangible assets		**(6,559)**	**(4,817)**

13.4 Purchase of property, plant and equipment

	Note	2018/19 £000	2017/18 £000
Additions	7	(3,610)	(2,771)
(Decrease)/increase in capital creditors – property, plant and equipment	11	(1,016)	599
Total purchase of property, plant and equipment		**(4,626)**	**(2,172)**

13.5 Proceeds from disposal of property, plant and equipment

	Note	2018/19 £000	2017/18 £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. Changes in accounting standards

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.

14.1 Impact on the financial statements

In accordance with the DHSC GAM, the option to restate using IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* has been withdrawn. The reclassifications and the adjustments arising from the new accounting standards are therefore not reflected in the Statement of Financial Position as at 31 March 2018 but are recognised in the opening Statement of Financial Position as at 1 April 2018.

The following table shows the adjustments recognised for each individual item line that is impacted by the adoption of IFRS 9 and IFRS 15.

	Re-presented carrying amount at 31 March 2018[1] £000	Reclassifications IFRS 15 £000	Remeasurements IFRS 9 £000	Revised 1 April 2018 £000
Current assets				
Trade and other receivables	**7,514**	124	(433)	**7,205**
Other current assets	**688**	(124)	–	**564**
Taxpayers' equity				
General reserve	**(80,007)**	–	(433)	**(80,440)**

[1] The carrying amounts as at 31 March 2018 have been re-presented, see note 14.4.

14.2 IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition and impairment of financial assets.

The adoption of IFRS 9 resulted in changes to accounting policies, see note 1.17, and remeasurement of the trade and other receivables carrying amount, see note 14.4 for further details.

14.3 IFRS 15 Revenue from Contracts with Customers

The adoption of IFRS 15 has resulted in changes in accounting policies, see note 1.5. This has not required any adjustments to the recognition of revenue however note 14.4 details the reclassifications required to trade receivables and other current assets.

14.4 Impact on trade receivables and other current assets

The table shows the adjustments and reclassifications recognised following the adoption of IFRS 9 and IFRS 15 on the opening balances.

	Carrying amount at 31 March 2018 £000	Reclassifications IFRS15 £000	Remeasurements IFRS9 £000	Revised 1 April 2018 £000
Trade and other receivables				
Trade receivables	**6,518**	(6,518)	–	–
Contract receivables	–	7,710	–	**7,710**
Other receivables	**876**	638	–	**1,514**
Irrecoverable debt provision	**–**	(1,706)	1,706	**–**
Expected credit loss	–	–	(2,139)	**(2,139)**
Deposits and advances	**120**	–	–	**120**
Subtotal: Trade and other receivables	**7,514**	**124**	**(433)**	**7,205**
Other current assets				
Prepayments and accrued income	**688**	(688)	–	–
Prepayments	–	564	–	**564**
Subtotal: Other current assets	**688**	**(124)**	–	**564**
Total	**8,202**	–	**(433)**	**7,769**

15. Movements on reserves

	General reserve £000	Revaluation reserve £000	Retained earnings reserve £000	Total £000
Balances at 31 March 2017	**(81,649)**	**756**	**8,000**	**(72,893)**
Increase/(decrease) in the year	1,642	(270)	7,500	**8,872**
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 31 March 2019	**(69,425)**	**257**	**22,450**	**(46,718)**

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 reserve

The retained earnings reserve was initially created during 2016/17 to reflect the recovery of amortisation and depreciation as an element of the fees charged to providers.

A further transfer of £6,950k this year reflects the depreciation, amortisation and impairments relating to assets that support the regulatory functions where costs can be recovered from providers.

In agreement with DHSC this reserve can only be used in future years to fund appropriate capital expenditure not separately financed by DHSC, to fund improvements to the regulatory regime or returned to fee payers through lower future fees.

16. Capital commitments

Contracted capital commitments at 31 March 2019, not otherwise included within these financial statements:

	31 March 2019 £000	31 March 2018 £000
Intangible assets	2,654	1,405
Property, plant and equipment	502	313
Total	**3,156**	**1,718**

17. 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 2019 £000	31 March 2018 £000
Buildings		
Not later than one year	4,072	5,464
Later than one year and not later than five years	3,270	8,207
Later than five years	–	–
Total	**7,342**	**13,671**
Other		
Not later than one year	49	63
Later than one year and not later than five years	91	139
Later than five years	–	–
Total	**140**	**202**

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 2018: none).

18. 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 2019 £000	31 March 2018[1] £000
Not later than one year	21,031	22,703
Later than one year and not later than five years	18,598	7,732
Later than five years	–	–
Total	**39,629**	**30,435**

[1] 2017/18 balances not previously disclosed.

19. Contingent liabilities

CQC has the following contingent liabilities:

	31 March 2019 £000	31 March 2018 £000
Backdated VAT charges	640	639
Employment tribunals and legal advice	339	631
Total	**979**	**1,270**

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

CQC is subject to an ongoing HMRC compliance check in relation to employees who may have more than one permanent workplace. This may result in a backdated benefit-in-kind liability relating to travel expenses paid or reimbursed to these employees. At 31 March 2019 it was unclear how employees meet the criteria for having more than one permanent workplace, and therefore it has not been possible to quantify a possible liability.

20. 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 Department for Business, Energy and Industrial Strategy 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.

21. 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.

There were no significant events after the reporting date that would require adjustment.

22. Authorised date for issue

CQC's Annual report and accounts are laid before Parliament. The Financial Statements were authorised for issue on 19 July 2019 by the Chief Executive as Accounting Officer.

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CQC-445-20-APS-072019

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ISBN: 978-1-5286-1521-1
ID: CCS0619531556 07/19