

Commission
for Social Care
Inspection

CSCI

Making Social Care
Better for People



Annual Report and Accounts

2007-08

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Commission for Social Care Inspection

Annual Report and Accounts 2007-08

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Foreword

This is the Commission for Social Care Inspection's (CSCI's) fourth annual report and sets out the work we did in 2007-08 as the single regulator and inspectorate for adults' social care services in England.

It is a tribute to our staff that, in a year of considerable organisational change, we delivered our objectives as set out in our Corporate Plan for 2007-09. For the fourth year in a row, we completed our programmes of assessing councils' social care performance and of inspecting regulated services. We also finalised our regulatory reform programme, *Inspecting for Better Lives*, helping achieve improved outcomes for people who use services by focusing on the poorest performing services.

We made sure our expert voice was heard by publishing a number of significant reports on aspects of social care, including our annual report on the State of Social Care in England 2006-07. This highlighted the difficulties people experience when they do not qualify for state support, and the inconsistencies they experience when they do. As a result, the Care Services Minister asked us to review the system councils use to decide whether people in their communities are eligible to receive public funding when accessing social care services.

People who use services, their families and carers continue to be right at the heart of our work and their views have helped inform the issues on which we have focused to help drive improvement in outcomes and service quality.



Dame Denise Platt
DBE



Paul Snell

We have improved the information available to people who choose and use services by making our inspection reports easier to read and, most importantly, by introducing a straightforward system of ratings which reflect service quality. We have again increased the involvement of people who use services as experts by experience in our inspections.

We have continued to work with regulatory partners in conducting a series of joint inspections, with a range of partners we signed up to the personalisation protocol, *Putting People First*, and we have begun to make plans for the transition to the new inspectorate for health and adult social care, which is expected to come into being in shadow form in autumn 2008 and begin operating from April 2009.

We continue to see improvement in council social care services and in regulated services. This is encouraging for the people who use or may use these services and demonstrates the importance of proportionate regulation in driving up standards.

A handwritten signature in black ink, appearing to read 'Denise Platt'.

Dame Denise Platt DBE
Chair

A handwritten signature in black ink, appearing to read 'Paul Snell'.

Paul Snell
Chief Inspector



1

Introduction

This report sets out the activities of the Commission for Social Care Inspection (CSCI) in 2007-08 and how it performed against its objectives. The Commission is a Non-Departmental Public Body which has a statutory duty of encouraging improvement in the quality of adult social care services in England.



Olu Olasode
(Commissioner)



Peter Westland CBE
(Commissioner)



Beryl Seaman CBE
(Commissioner)



John Knight
(Commissioner)



Professor Jim Mansell
(Commissioner)

CSCI looks at the whole picture of adult social care in England. We regulate, inspect and review a range of adult social care services irrespective of whether they are provided by councils or by the private and voluntary sectors.

We help ensure council social care services deliver quality outcomes and value for money by reviewing and assessing their activities, and awarding a performance rating.

We license providers of services through registration work; inspect and report on the quality of services through proportionate inspection activity; and encourage poorer services to improve through enforcement activity. We also award a quality rating to registered care services.

People who use social care services, their families and carers are at the heart of all our work. In undertaking our work, we aim to ensure that all services are safe, meet the needs of the people who use them, and are of good quality.

More details of our statutory duties and functions are in the Management Commentary on page 62. Changes to the future of social care regulation from April 2009 are set out in Chapter 6 (page 42).

Chair and Commissioners

Dame Denise Platt DBE is the Chair of the Commission. Five Commissioners work with the Chair to set the organisation's strategic direction and approve its annual priorities and work plans: John Knight, Professor Jim Mansell, Olu Olasode, Beryl Seaman CBE and Peter Westland CBE. The Commission holds regular public meetings and publishes minutes and papers from these meetings on our website: www.csci.org.uk.

Chief Inspector and staff

Paul Snell is the Chief Inspector of the Commission. He leads a team of six Business Directors who together plan and deliver CSCI's work programme for the year. Details of our Business Directors appear on the inside back cover.

National, Regional and local structure

CSCI Headquarters functions are spread between three offices in London, Leeds and Newcastle. The majority of our operational and support staff work in 27 offices across England, including seven Regional Offices. Regional Directors manage delivery of activity within their Region. Details of Regional Directors and Regions appear on the inside back cover.

Organisation and Resources

Our staffing in 2007-08 and in previous years is set out in Table 1 below:

Our 2007-08 budget was 4.7% smaller than in 2006-07. We achieved our target of £12.527 million savings. Over and above this, we reduced our budget by a further £4.066 million. This is in line with our statutory duty to operate economically, effectively and efficiently. Figure A below shows how we used our resources.

The Financial Statements from page 86 show a detailed breakdown of our expenditure in this financial year.

Figure A: CSCI's expenditure by function in 2007-08

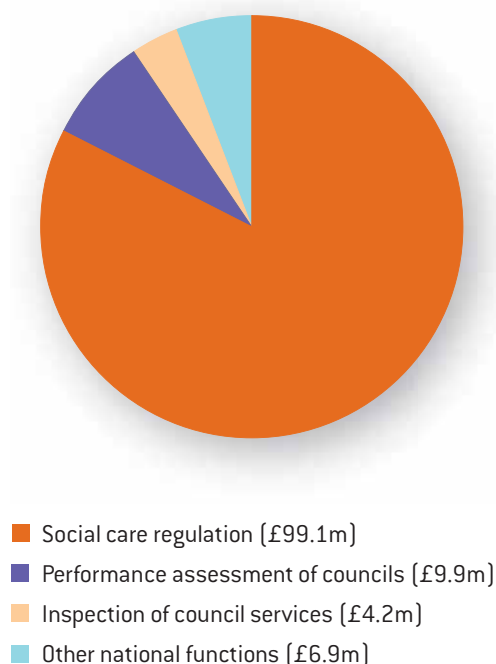


Table 1: CSCI staff levels 2004-2008

Year	2004-05	2005-06	2006-07	2007-08*
Whole time equivalent contracted staff	2,422	2,389	2,318	1,778

* Note: On 1 April 2007, 264 whole time equivalent staff transferred to Ofsted when the regulation of children's social care in England passed from CSCI to Ofsted.



CSCI's Vision and Values

- To put the people who use social care first;
- To improve services and stamp out bad practice;
- To be an expert voice on social care; and
- To practise what we preach in our own organisation.



Our vision and values, set out above, provide the main structure for this report.

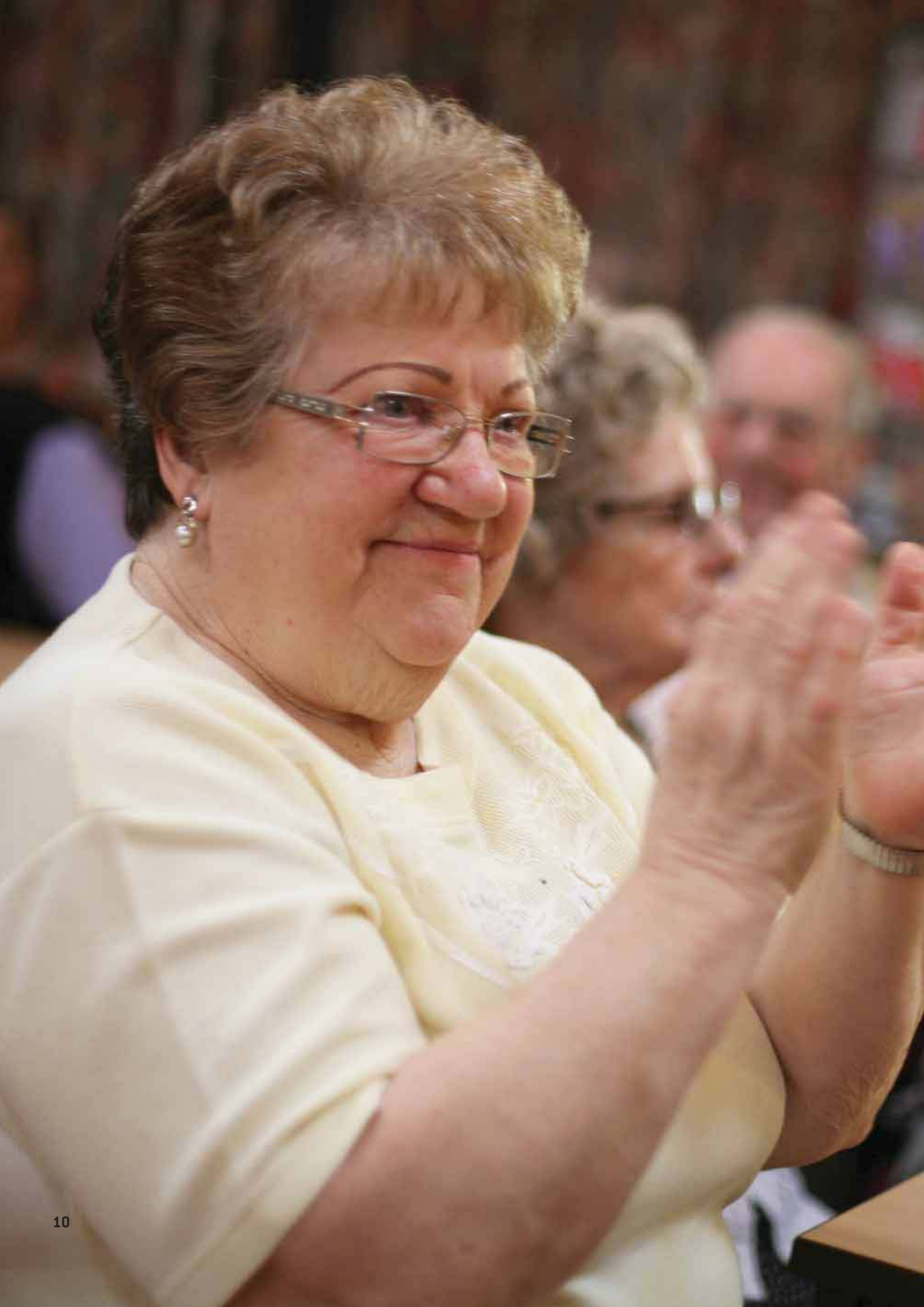
This year we have again increased the involvement of people who use services and carers in helping in our inspection activity and in commenting on and influencing our work. Details are in Chapter 2.

Chapter 3 contains information on how we performed against our objectives this year. It also describes how we have put the finishing touches to our work on proportionate regulation, how we are going about delivering it and how we have consulted people who use services.

We actively seek the views of people who use social care services and we use that information in our reports and other work to help influence policy and improve social care services. We also issue reports on a wide range of subjects, including our yearly report on the state of social care in England. Further details are in Chapter 4.

Chapter 5 sets out how we have practised what we preach, especially in terms of equalities and for staff who have caring responsibilities. It also describes changes to our organisational structure and our move towards a more regionally-focused operational base.

Future changes to the regulation of the care sector are set out in Chapter 6.



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Putting people who use social care first

We are committed to involve people who use social care services in our work, to help develop our policy and participate in operational work such as helping us assess the quality of care services. This section of the report highlights some of the ways in which people using services contribute to driving improvement.

Our objectives for 2007-08

- Increase engagement with people who use social care, for example through the Experts by Experience programme
- Continue to build the views of people who use services, their experiences and outcomes more strongly into regulation and assessment work, including the views of those not funded by councils
- Ensure that tools we have developed to help give people who use services a voice are being used effectively. For example, the Short Observational Framework for Inspection in respect of people with dementia
- Improve and increase work to help safeguard adults

Experts by experience

Our experts by experience programme involves people who use services visiting services and councils alongside our inspectors and giving their views. They talk to people using the service and observe how staff interact with users.

Experts by experience bring a lot of skills and insights to the work, and are particularly helpful at encouraging people who use services to give their views. Their reports help the inspector to make a judgement about the service.

“This is my first job and I love it. I get paid for going on inspections and this makes me feel that what I am doing is making a difference – it is to me!”

Expert by experience

The experts by experience programme was set up in 2005-06 and has expanded each year. It has enabled disabled and older people to make a strong contribution to our work. It has also offered many of them paid work, sometimes for the first time ever. We have had 211 experts by experience involved in our inspection work: 165 are employed by the support organisations, 36 are self employed and 10 people are volunteers.

This year, experts by experience were involved in a range of inspections, including in every inspection of council services we undertook which focused on safeguarding under the theme of Independence, Wellbeing and Choice. The views and experiences of adults in need of community social care services were at the heart of these inspections. Experts by experience helped us to gain a wide range of views of people who use services, which contributed to our assessment of the quality of services provided.

“Our involvement in this work has exceeded all of our expectations – it has given recognition and employment to people who use services and invested in us as a disabled people’s organisation”

An Independent Living Centre employee

Measuring the quality of services for people with dementia – a thematic inspection

In August 2007, we announced an innovative national project of over 100 inspections focusing on the theme of how well care homes are providing good quality care for older people with dementia. This involved measuring the direct experiences of people with dementia in care homes across England. Specially trained inspectors used a new inspection tool, the Short Observational Framework for Inspection (SOFI), developed with Bradford University, to observe and record people’s direct experiences with the people and environment around them every five minutes over a two hour period. Follow-up workshops have taken place, including with people with dementia, carers and service providers. The final report of this thematic inspection was published in June 2008. It is available on our website at: http://www.csci.org.uk/about_us/publications/dementia_report.aspx.

Service Improvement Boards

Service Improvement Boards are a key way in which we engage people who use services, their carers and families and other stakeholders in helping us take forward our work. We seek people's views, ideas and comments on a range of issues to help influence our policy and practice. There are five Boards which cover: older people; learning disability; physical and sensory disability; mental health; and carers.

The Carers Board was established this year to take into account the carers agenda and the specific and important role carers play in social care. So far the Board has discussed the Government's New Deal for Carers and how it will impact on our work as well as our own strategy for employees who are carers. Members have also contributed to our work on Fair Access to Care Services (see page 32). People attending the Board suggested a wide range of areas to take forward in 2008-09, including ensuring the real involvement of carers, the use of carers in our inspections, and capturing the views of carers, particularly those who have difficulty communicating or those who do not use social care services.

As part of our continuing improvement work, we carried out a review of all the Service Improvement Boards to find out what worked well and where we could do better. Overall, members' responses were very positive, with the vast majority valuing the issues discussed and the opportunity to influence our work. Most people felt that they were able to express their views and that they were listened to. Some people commented that the Boards helped them in their own work. We are looking at how we can improve the way we can demonstrate how Board members' views are making a difference in our operational work. We are also taking into account feedback that we should hold more joint events with Boards on cross-cutting issues.

“Improves awareness and provides a better balanced communication process. I feel very positive about the contribution of the stakeholder's involvement and see this forum as an invaluable forum for information sharing, improvement and the building of good relationships”

Stakeholder attending Service Improvement Board



“I valued greatly the opportunity for discussion with other stakeholders on a variety of issues, in the knowledge that our discussions and comments were influencing CSCI”

Stakeholder attending Service Improvement Board

Complaints about CSCI

We are keen to improve our practice and performance by applying learning from mistakes we may make. We therefore take very seriously complaints about how we operate. This section details complaints about CSCI. Details of complaints and concerns we have dealt with about registered services are at page 27 below.

We operate a two-stage process, with the first stage being dealt with at local level. The Complaints Review Service handles stage two cases, with recourse to the Parliamentary Ombudsman if a complainant remains dissatisfied.

In 2007-08, we handled 200 cases. Of these, 93 concerned regulated services or aspects of our inspection reports, rather than corporate matters, so were referred to the appropriate office to deal with. The Complaints Review Service reviewed the remaining 107 cases.

In 57 cases, the review concluded that the complaint should be dealt with under the first stage of our two-stage procedure by the relevant regional office. A further 38 cases were decided to have been appropriately dealt with by our procedure, or involved one of our judgments which include a representations or appeals process. Eight cases are subject to ongoing review; in three cases the complaint was upheld; and one case was partially upheld.



Lessons we identified from the complaints relate mainly to information handling and communications issues. We have acted promptly to address these by devising and rolling out to our regions a training tool on Information Management.

We also dealt with 39 Ombudsman cases in 2007-08: 27 new cases, eight cases continued from 2006-07 and 4 cases from 2005-06. All but four of these cases were closed in 2007-08.

Outcomes from the closed cases were as follows: in 26 cases, complaints were not upheld; three were upheld in part and one was fully upheld. In five cases, the Ombudsman decided they had been referred prematurely. The four cases from 2005-06 are awaiting final reports, although we understand no further action is required to these investigations.

Decisions where complaints were upheld fully or in part related to CSCI raising complainants expectations about what we could achieve for them, and that we undertook investigations into complaints about regulated services where we had no statutory role to do so. Learning from these decisions has been fed back into the organisation to help ensure they are not repeated.

Safeguarding

Ensuring that adults receive safe care services is one of our core functions. Safeguarding adults is therefore a particularly important part of our work. In the course of 2007-08, we have taken a number of actions to improve and increase our work on safeguarding issues.

For example, we have established safeguarding champions in each of our seven regions to act as a contact point for local advice and guidance.

Part of the champions' role involved helping us undertake an extensive consultation exercise to revise and improve the safeguarding alert form, which we use to share information with partner agencies, such as councils and the police, about a person using a service who may be at risk and in need of protection. The new form includes a unique reference number; easier recording of the alleged victim or perpetrator details; and consistent language and terminology. We share data with relevant agencies on the same day we receive it, using a safe method of passing personal data to councils and the police, which conforms to Data Protection laws.

Councils use the information to decide if a multi-agency safeguarding strategy is needed; the police use the information to inform whether a crime investigation is required. Agencies involved in safeguarding cases share the outcome with us where regulated services are concerned, as we may need to take enforcement action.

We already have a protocol in place with councils and the police to clarify responsibilities around safeguarding. We are working this year to ensure that all councils understand and deliver their responsibilities and that our staff are fully aware of their responsibilities, too, as well as understanding the roles of our partners.

In May 2007, we held a seminar for stakeholders seeking views on how to improve safeguarding arrangements. We followed this up with interviews with policy-makers and academics. A report of these views, *Raising Voices*, was published in April 2008 and this fed in to the ongoing Department of Health review of the safeguarding adults framework, *No secrets*. We will also be contributing formally to this review in summer 2008.



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Improving standards and stamping out bad practice

Encouraging improvement in council adult social care services and registered social care services is one of our key functions. This section of the report sets out our work in 2007-08 to help achieve this.

Our objectives for 2007-08

- Deliver regulatory programme and performance assessment of councils' adult care services efficiently and effectively
- Successfully implement quality ratings for regulated services to provide more accessible information to people
- Increase focus on enforcement to drive up service standards and stamp out bad practice
- Continue to develop CSCI's role in assessing councils' commissioning and community-based activities and their delivery of value for money in social care. We will use the information we gather from regulated services to assess the quality of registered services purchased by each council overall

Performance assessment of councils

One of CSCI's key functions is to report on the performance of councils' adults' social care services and to promote improvement at local, regional and national levels. Councils are awarded separate judgements for current performance and capacity to improve.

Judgements are then combined using a series of weightings to calculate a final rating. The ratings awarded are from three stars (excellent) to zero stars (poor).

The 2007 assessment of council performance focused more on commissioning, personalisation and the delivery of outcomes, in line with overall government policy direction for local government.

We found that, for the fourth year in succession, social care services for adults have improved, although we noted that the rate of improvement is slowing down. Twenty four councils were assessed as having improved performance and nine of these increased to the highest rating of three stars. Fifteen councils were found to have deteriorated. No council is currently rated as being poor overall.

Of the twenty one councils which were identified as Priority for Improvement Councils last year, nine have improved sufficiently to be removed from the list. We have been working with partners with the twelve councils now on the list to help them achieve the required improvements in areas such as leadership, planning and delivering outcomes for people using social care services.

Listed below are examples of some specific challenges which we have identified that councils need to address to improve their

performance, as well as areas of good performance where councils are generally performing well:

Challenges:

- providing timely, convenient and responsive arrangements for referral, care planning and review to meet individuals' needs
- making sure quality assurance systems are in place and that service quality is consistent
- providing a range of services to support carers so that they have the same opportunities as other people
- continuing to improve commissioning so that it understands better the quality and cost of services commissioned

These challenges are core to the modernisation required by government and set out in the White Paper *Our health, our care, our say*.

Good performance:

- increasing the availability of key social services 24 hours a day, seven days a week
- ensuring systems are in place to safeguard people whilst using services
- providing good quality information which is readily accessible to all, including diverse groups in the community
- seeking feedback from people who use services and carers and acting on that feedback
- working to develop effective joint procedures with relevant partner agencies
- having sound financial management systems that provide the foundation for good planning and commissioning in social care

Access to services

One particular issue which stands out from our assessment work is that the proportion of councils who have raised their eligibility threshold for people to access services to “substantial” increased from 53% to 62%. This trend is expected to increase in 2008, as 73% of councils expect to be operating at “substantial” or “critical” (the highest level) in 2007-08. CSCI has been asked to conduct a review into access to services. Further details are on page 32 below.

Figure B below shows performance ratings for councils from 2002. Note that data from 2005-2006 relates only to councils services for adults. From April 2007 responsibility for children’s services passed to Ofsted and details of council performance are on their website www.ofsted.gov.uk.

The graph shows a steady improvement in council social services for adults and children’s services up to and including 2004-05. From 2005-06, where the graph shows only adults’ services, the improvement has continued but at a slower rate. In the last two years, the number of councils assessed at the two highest levels rose from 117 to 122 (81% of all councils). The remaining councils are serving some people

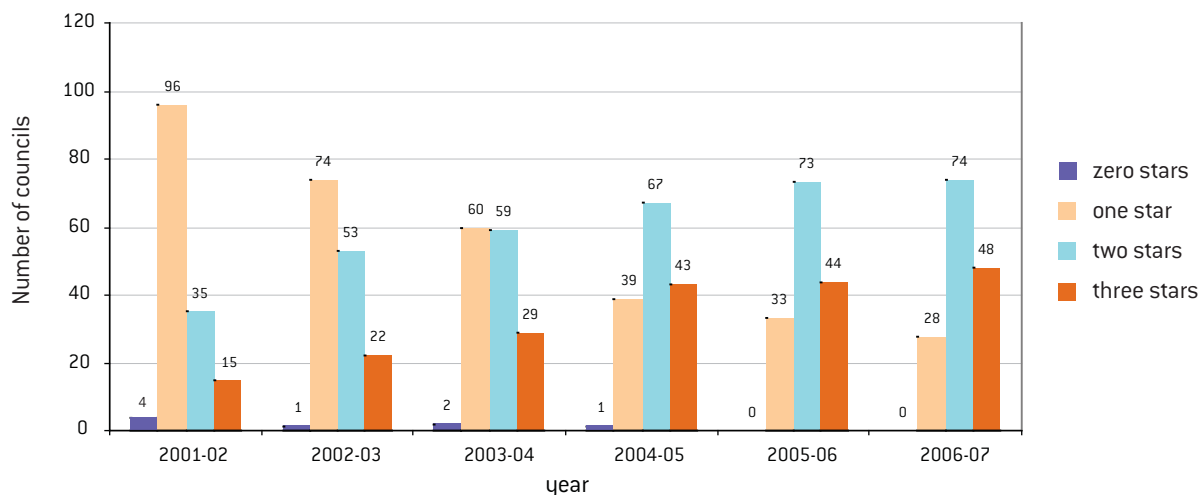
well, but with promising or uncertain capacity to improve. Also, since 2005-06, no councils have been judged to be delivering poor outcomes overall for adults.

Putting People First

In December 2007, the government published Putting People First, a cross-government initiative which aims to help transform adult social care by setting out shared aims and values between a range of central and local government, social care and health partners, including CSCI. Putting People First aims to be the first public service reform programme which is produced, developed and evaluated by a wide range of partners who recognise the importance of involving people who use services, their families and carers throughout the change process to support the commitment to independent living for all adults.

Our assessment of council services in 2007-08 will take into account the Putting People First agenda, considering how personalisation policies are being applied in communities, building on the outcomes of the previous framework, *Our health, our care, our say*. Our council performance assessment for 2008 will be published in November 2008.

Figure B: Council performance assessment 2002–2007



Case study: helping develop social care with partners at a strategic level leading to positive outcomes

We identified serious concerns about the majority of services in an area of Eastern England for people with learning difficulties who had transferred from long-stay hospitals to residential services with the Mental Health Partnership Trust. Three services were so poor that they were cancelled or closed. We brought together inspectors who are highly experienced in learning disability and they and other staff worked closely with the Strategic Health Authority, Healthcare Commission, local Mental Health Partnership Trust and local County and Borough Councils to determine a way forward that would improve the services and outcomes for people using them. All the people using services were assessed and as many as possible moved to supported living. The council tendered for new providers for the remaining 100 people in residential services. One condition was that within two years, 80% of the people would be moved into supported living. In spring 2008, all existing learning disability services were transferred to the new providers. We monitored the progress of transfer arrangements to ensure the continued safety and well-being of people using the services. As a result of this ongoing partnership working, the outcomes and quality of life for 136 people using the services have improved dramatically.

Service Inspections

We assess how well councils are delivering social care services through our service inspections. The inspections consider how the council is using its resources and what the outcomes are for people who live in that community. Details of service inspections in the last two years are in Table 2 below.

We work with the Audit Commission Housing Inspectorate and HM Inspectorate of Probation in conducting Supporting People inspections.

The Independence, Wellbeing and Choice inspections considered a range of themes with a particular focus on safeguarding; equality of access to services; how services are personalised; and to what extent people are well

Table 2: Service inspections 2006-08

Type of inspection	2006-07	2007-08
Supporting People inspections	41	33
Independence Wellbeing and Choice	0	20
Older People Inspections	13	9
Learning disability inspections	4	6
Physical and sensory impairment inspections	2	2
Community Mental Health Inspection Review	11	0
Joint Area Review	49	0
TOTAL	120	70

informed about services and involved in the development, planning and review of services.

Note that CSCI no longer conducts Joint Area Reviews, which involve the assessment of children's services, after this responsibility passed to Ofsted from April 2007.

Case study: partnership working driving improvement

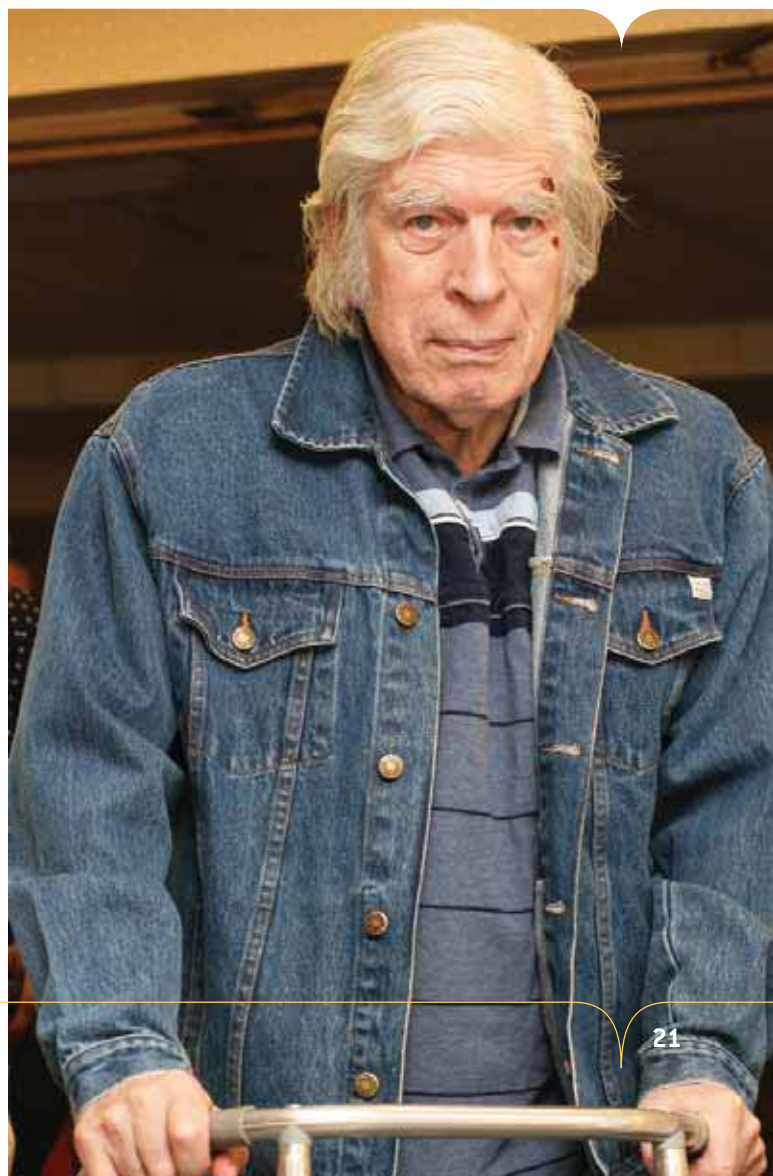
In an inspection of a unitary council's provision for older people, we identified weaknesses in adult safeguarding work. We also found that annual reviews were delayed by up to six months and older people's voices were not being heard systematically, whilst advocacy had a low profile.

The council produced an action plan to address the range of recommendations in our report. We have maintained contact with the council and found solid progress and improvement in a number of areas which have had a direct and positive impact on older people. For example, inter-agency safeguarding arrangements have now been overhauled, there is more senior leadership and a full-time co-ordinator has been appointed to ensure more consistent standards in practice. Delays in annual reviews of older people have been eliminated across the council. The council has tackled issues around advocacy, developing an advocacy strategy and forum, and it has revised contracts for agencies providing such support. We will continue to monitor the council's progress.

CSCI's statutory registration and inspection programme

Registration with CSCI is the means by which new care services enter the market. It is also the process where we register managers of services or make changes to a service's existing registration. When registering new services, we check that they meet the needs of people who will use it and that the people running and working in the service are suitable and safe to do so.

We maintain a register of the number and type of services registered with us, as well as the number of places they provide. The register, or extracts showing services in a particular location, can be accessed on our website www.csci.org.uk and searched by post code or within a certain distance of a location.



A proportionate regulator

We recognise that proportionality is a key element in our activities as a modern regulator. Our modernisation programme, Inspecting for Better Lives, reformed the previous one-size-fits-all approach to regulation. Over the past two years, we have transformed the inspection of care services and the assessment of evidence to ensure that people who use services are at the heart of our work. For example, changes to legislation, from 2006-07, removed the statutory obligation to inspect services twice a year irrespective of quality. We used this to help introduce proportionality into inspections, on the basis of an ongoing assessment of the quality of a service overall, so good and excellent services receive fewer inspections, while poorer services are inspected more often.

Building on work started in 2006-07 to centralise registration activity in our regions and thus achieve greater consistency and proportionality, we maintained our achievement of processing 84% of registrations within the target period, even after tightening the target times, as shown below in Table 3. We also processed 99% of registrations within 7 months.

The current position, compared with the previous year, is set out in Table 3 below.

Table 3: Registration activity in 2006-07 and 2007-08

	2006-07	2007-08
Number of registrations completed	10,699	7,278
Number processed within target* period	84%	84%
Number processed within seven months	95%	99%

* The target period was tightened from 4 months for all registration types in 2006-07 to 4 months for service registrations, 3 months for major variations, 2 months for manager registrations and 1 month for minor variations in 2007-08.

The number of services and places registered is in Table 4.

Table 4: Services and places registered, 2005-2008

Social care services*	31 March 2005	31 March 2006	31 March 2007	31 March 2008
Care homes	19,210	18,952	18,709	18,541
<i>Care home places</i>	<i>451,288</i>	<i>450,549</i>	<i>448,757</i>	<i>448,065</i>
Adult placement schemes	47	123	133	135
Domiciliary care services	4,111	4,632	4,729	4,897
Nursing agencies	918	864	762	716

* Note – all figures have been re-stated using new reporting tools which allow a more accurate retrospective picture to be provided.

Inspections

For the fourth consecutive year, we completed a full planned inspection programme of 19,059 key inspections of adults services. Details are in Table 5 below.

The reduced number of inspections reflects our focus on poorer performing services, which helps to improve outcomes for people using the service. However, we do not ignore better performing services: every service assessed as good or excellent receives an annual service review. This takes into account evidence such as views of people using the service, the service's annual quality assurance assessment and any concerns of which we have been made aware. If the review finds that quality has deteriorated, it is likely we will visit it to conduct an inspection and then publish a report of what we have found.

This year was also the first year we have inspected only adults services, the responsibility for children's services having passed to Ofsted from 1 April 2007.

Table 5 below shows the significant trend towards having almost all inspections unannounced, which people who use services, their carers and families have favoured. In the last year, just under 97% of inspections were unannounced.

Inspection Reports

We record findings from our inspections in reports which we publish on our website. Our target was to issue 85% of reports within 10 weeks. We achieved 85.4%.

Reports contain a large amount of useful information about the performance of particular services. They are highly useful for people who use a service as well as those who may be looking for a service for themselves or for a relative. As with the service register, reports can be searched by service type or by postcode on our website www.csci.org.uk. This year almost 1.8 million reports were accessed on our website, an increase of almost 20% from last year.

Table 5: Planned and completed inspections, 2002-03 to 2007-08

	2002-03*	2003-04*	2004-05	2005-06	2006-07**	2007-08***
Inspections scheduled	50,184	48,285	48,062	47,341	26,676	19,059
Inspections completed	41,434	46,768	48,062	47,341	26,676	19,059
Percentage completed	82.6%	97%	100%	100%	100%	100%
Percentage of adult inspections which were unannounced	38.2%	48.2%	47.5%	70.8%	93.5%	96.7%

Note:

* refers to performance of the National Care Standards Commission.

** reduction in number of inspections due to changes in methodology, changes to statutory inspection frequency plus a focus on poorer performing services.

*** further reduction in inspection numbers due to transfer of children's services to Ofsted.

Quality Ratings

People who choose and use care services have told us that they want to know more than just whether the services meet the national minimum standards. Following a wide consultation with the public, care service providers and other stakeholders, we devised a series of quality ratings of services. We built feedback from the consultation into their design. Ratings are based on evidence seen during inspections and take into account other information received, such as complaints and information providers supply through self-assessment.

The judgements are in the form of stars, in the range of zero to three. Zero stars represents poor quality, one star is adequate, two stars is good and three stars is excellent.

We want judgements to be fair and consistent and we have worked hard to achieve this, for example by using a rules based approach to convert individual outcomes scores into a star rating and by establishing a consistency mailbox to address specific concerns. We will extend this transparency by introducing national and regional quality boards over the next year, which will include people who use services, providers and local council buyers of services.

Due to our proportionality rules, it could have taken some time before good and excellent services had an inspection and subsequent published quality rating. However, we gave all providers the opportunity for their current rating to be published this year. The vast majority of good and excellent providers agreed and ratings started to appear from January 2008 on our website www.csci.org.uk.

Quality ratings will enable people to make direct comparisons between different services. As such, they will increase consumer information and confidence about the quality of services people will use or buy. We will also use the ratings to challenge councils who regularly purchase poor quality care without having a strategy for helping those services to improve.



Enforcement

One of our statutory duties is to promote the performance of social care services and help ensure better outcomes for people using those services. We achieve this in a number of ways, including by using a range of proportionate enforcement actions. For example, inspectors can simply have an informal word with a provider or record the action we require them to take through issuing requirements notices. For more serious cases, where the risks to people using a service are high or ongoing, we can take action to close a service. Where the risks are most serious, we can also prosecute. Details of our enforcement actions are in Table 6 below.

Regional enforcement teams

As part of our ongoing commitment to improve services and stamp out bad practice, this year we established seven new specialist enforcement teams, one based in each region, to tackle poorly performing care services. The teams, which were established midway through the year, are led by highly experienced senior inspectors who are supported by a number of specialist inspectors and support staff. The teams act on a national as well as a regional basis. Our aim is to improve the speed, quality and consistency of enforcement activity in England. Part of this work will involve informing local councils, who purchase services for people

in their communities, about the legally binding requirements to improve which we have issued to services in their areas. This will help councils understand the quality of services they are purchasing and the outcomes for people in the community using those services.

“Too many services are still not meeting the national minimum standards, five years after their introduction. Where services show a major shortfall in meeting the standards, they will be given special attention by our new regional enforcement teams”

Paul Snell, Chief Inspector, CSCI

Over the course of this year, we have established greater consistency in our enforcement actions, backed up by improved data quality, which have helped services improve. The introduction of quality ratings has also encouraged improvement: in the period April 2007 to April 2008, there was a net improvement in the quality ratings of almost 1,400 services.

In addition, we have seen services responding more quickly and effectively to enforcement activity, or the threat of enforcement, whilst we have continued to challenge poor practice as demonstrated, for example, by the increase in urgent cancellations.

Table 6: Enforcement actions, 2006-07 and 2007-08

	Requirement notices	Statutory notices	Urgent cancellations	Prosecutions
2006-07*	2645	557	4	5
2007-08	1205	493	11	1

* Note that the 2006-7 figures show only enforcements against adult services, allowing comparison to be made with 2007-8, after the regulation of children's services passed to Ofsted in April 2007

In the transition to the new regulator in April 2009, services which are under enforcement action of any kind at the transition date will not have their registration automatically transferred to the new regulator: enforcement issues will need to be resolved satisfactorily or conditions may be attached to the new registration. Where action to cancel registration is under way, registration will only occur where a decision is made to allow the provider to continue to operate. This was not the case when national regulation began in 2002, when all services were transferred automatically. Some of the enforcement action since then has been an ongoing consequence of that policy.

Appeals to the Care Standards Tribunal

Where we make formal regulatory decisions, these can be appealed against. In 2007-08, we dealt with 58 new appeals to the Care Standards Tribunal, of which 26 were concluded as follows: in 17 cases, the appellant withdrew; in five cases the appeals were dismissed; two cases were struck out and in two cases CSCI withdrew opposition. The outstanding cases will be carried forward into 2008-09.

In addition, 20 appeals brought forward from previous years were concluded as follows: in nine cases the appellant withdrew; nine cases were dismissed, one was struck out and one was settled.



Case study: stamping out bad practice

During an inspection of a care home in the south east, an inspector found that medication was being removed from its original container with details of when and how much medication was required and placed in different containers, against best practice advice. Because of the high risk to people using the service, we prosecuted the provider, who was found guilty and fined £6,800, including costs. A subsequent follow-up inspection found that whilst procedures had been updated, staff were not following them and there were two incidents where people had not received their medication as prescribed. As a result, we have taken action to cancel the service's registration.

Complaints and concerns about regulated services

People often want to let us have important information about complaints or concerns they may have about aspects of a care service which they – or a relative or friend – are using. Whilst we have no statutory complaints investigation function, we may take the information into account in considering whether the service has breached legislative requirements. Where this occurs, we take further action to secure improvement in the service. Otherwise, we will direct the issue to the relevant body to deal with, such as the council, the police or the care provider, keeping the person who contacted us informed of our action.

Table 7: Number, percentage and type of issues raised, 2004-05 to 2007-08

Reason For Contact	2004-05		2005-06		2006-07		2007-08	
	Number	%	Number	%	Number	%	Number	%
Care Practice	6,317	24.9%	5,177	25.1%	3,298	23.1%	2,603	21.4%
Staffing	6,237	24.6%	5,104	24.7%	3,391	23.8%	2,818	23.2%
Abuse	3,514	13.9%	2,764	13.4%	2,352	16.5%	2,810	23.1%
Premises	1,953	7.7%	1,631	7.9%	1,035	7.3%	796	6.5%
Registration	1,556	6.1%	1,270	6.2%	1,131	7.9%	878	7.2%
H&S	1,311	5.2%	1,030	5.0%	737	5.2%	536	4.4%
Other	1,085	4.3%	865	4.2%	655	4.6%	474	3.9%
Food	1,020	4.0%	929	4.5%	600	4.2%	412	3.4%
Incidents	702	2.8%	608	2.9%	298	2.1%	229	1.9%
Facilities	519	2.1%	440	2.1%	243	1.7%	164	1.4%
Activity	484	1.9%	360	1.7%	227	1.6%	227	1.9%
Access	407	1.6%	306	1.5%	147	1.0%	104	0.9%
Admission	257	1.0%	177	0.9%	149	1.0%	120	1.0%
Unknown					2	0.0%		
TOTAL	25,362		20,661		14,265		12,171	

Table 7 above shows the number, percentage and type of issues identified in the 5,053 pieces of information we received by way of email, letter and other communications in 2007-08, compared with previous years. Almost half the contacts this year involved care homes, with 37% involving nursing homes and 13% home care agencies.

There has been an overall reduction in the number of issues raised in 2007-08 compared to 2006-07, although issues relating to care practice, staffing and abuse remain the three principal concerns, as they have done since 2004-05. These three issues together now account for the first time for more than two thirds of all issues raised.

The percentage of abuse issues rose from 16.5% of the total in 2006-07 to 23.1% in 2007-08. The reasons for this are not clear, but may be an indication of our focus this year on raising the profile of safeguarding adults, explaining people's rights and clarifying roles and responsibilities with partner agencies such as councils and the police. It may also be that some care practice issues are being referred to us as potential abuse issues, as the percentage of care practice issues has reduced. We refer abuse issues to the safeguarding teams of local councils, who have a lead role. We may become involved, however, where there is a serious risk to a person's health or well-being. We may also conduct an unannounced inspection to find evidence to support further action. Even where we are not involved, we may take into account another agency's investigation findings.



“Complaints are an outcome
– not just an airing of a grievance”

Person using care services





4

Being an expert voice in social care

We use our unique perspective of adult social care to produce evidenced-based publications on key issues of importance to the sector. This helps influence policy, spreads good practice and can assist services to improve.

Our objectives for 2007-08

- Address and influence key issues in social care by delivering a relevant and evidenced programme of statutory and discretionary studies and publications
- Influence the full range of external and internal stakeholders to assist and support us in the realisation of our vision and values
- Stimulate debate on the future direction for social care
- Ensure the programme includes issues highlighted in CSCI's report on The State of Social Care in England 2005-06 eg a strong focus on people deemed ineligible for council support as a result of high eligibility criteria

State of Social Care

The State of Social Care Report is our major annual statutory report to Parliament which sets out our findings from our council assessment and regulatory inspection work. The report for 2006-07 was published in January 2008.

This year's report focused on the differing experiences of those who qualify for council support and those who fall outside the system, including people who fund their own care. Whilst those who qualify for support are having better experiences than before, in terms of the range and variety of services available, those not receiving state support and their carers have a poor quality experience which can leave them struggling to cope, with some people becoming virtually trapped in their own home. The full report is available on our website at: www.csci.org.uk/default.aspx?page=2349&key=.

Review of Fair Access to Care Services

The State of Social Care report found that there is little consistency as to who is deemed eligible for council-arranged care, both within and between councils. In response, Ivan Lewis MP, Minister for Care Services, commissioned CSCI to review Fair Access to Care Services (FACS), the system councils currently use to determine access to social care services. The review is looking at the application by councils of the FACS criteria and the impact on people. We are involving a range of stakeholders, including people who use services, carers, the Local Government Association and Association of Directors of Adult Social Services. We launched a wide stakeholder consultation at a public event in April 2008, backed up by an online survey, to which we received almost 3,000 responses. A final report will be presented to government in September.



Rights, risks and restraints explored the issues and dilemmas around restraint, particularly the tensions between respecting people's rights to freedom and to make choices, while at the same time ensuring their safety. The report highlights some good and unacceptable examples of the use of restraint and presents evidence that restraint does not always make people's lives safer. It suggests that the use of restraint should be more transparent and that there should be clear guidelines to ensure the dignity of care for people who use services. The report can be accessed at: <http://www.csci.org.uk/default.aspx?page=2304&key=>.

A fair contract with older people? reported that older people paying to live in care homes often do not know exactly what they will be paying for and do not receive a fair deal. For example, fees could vary widely and there was no clear explanation why some people paid more than others. The report also showed that people paying for their own care were particularly

disadvantaged by a lack of information, support and advice at every stage. In some cases, they were subsidising the care of those people paid for by the council who had negotiated lower rates. The report is available on our website at: <http://www.csci.org.uk/default.aspx?page=2205&key=>.

In Focus: putting people first: Equality and Diversity Matters 1. Providing appropriate services for lesbian, gay, bisexual and transgender people. This good practice bulletin is aimed at helping providers address the new personalisation agenda under the Putting People First initiative. Based on evidence from people using services and care providers, the bulletin encourages providers to understand the needs of lesbian, gay, bisexual and transgender people in care, to help them feel safe and valued and to avoid discrimination. The report is available on our website at: <http://www.csci.org.uk/default.aspx?page=2397&key=>.



One way in which we can influence policy and stakeholders in social care is through our Parliamentary work. Our Parliamentary and Public Affairs (PPA) team have helped to influence Government policy in variety of areas, most notably during the passage of the Health and Social Care Bill. This has included preparing briefing papers for Peers and MPs from across the political spectrum, submitting written and oral evidence and arranging a series of meetings between senior CSCI staff and key MPs, Peers, Ministers and civil servants.

The PPA team have also provided written and oral evidence to influential groups such as the Joint Committee on Human Rights and a number of other Committees and All Party Parliamentary Groups. In their work with stakeholders, the team have also helped ensure that CSCI's annual conference and the Parliamentary reception were highly successful.



A list of our national reports published this year is below. These are also available on our website www.csci.org.uk. The website has an archive of reports published in previous years.

A new organisation to check health and social care – what we think of the Government’s ideas	April 2007
Gender Equality Scheme	April 2007
Driving Forward: CSCI’s Corporate Plan 2007-09	April 2007
In safe keeping: supporting people who use regulated care services with their finances	May 2007
Looking at how well councils are doing in adult social care (booklet)	May 2007
About the Commission for Social Care Inspection (booklet)	June 2007
No voice, no choice: a joint review of adult community mental health services in England	July 2007
CSCI annual report and accounts 2006-07	July 2007
Give us your views on how we rate services (consultation paper)	July 2007
Safe as houses: what drives investment in social care	September 2007
Hello, how can I help? – report of CSCI’s mystery shopper exercise asking councils about care for an older relative	October 2007
Benefit barriers to involvement	October 2007
A fair contract with older people? Report looking at people’s experiences of finding a care home	October 2007
Performance Ratings for Adults Social Services in England 2006-07	November 2007
Accessible communications policy (revised)	November 2007
Council self-assessment survey report 2007	November 2007
Rights, risk and restraints. An exploration into the use of restraint in the care of older people.	December 2007
The State of Social Care in England 2006-07	January 2008
Social care – choosing the right service for you (leaflet)	January 2008
In Focus: putting people first: Equality and Diversity Matters 1. Providing appropriate services for lesbian, gay, bisexual and transgender people	March 2008





5

Practising what we preach

We are committed to practising what we preach. This year we expanded our work on equalities and diversity, including on developing staff. We also invested in intensive training for staff in new IT systems and tools to support them in their work and help them achieve corporate objectives.

Our objectives for 2007-08

- Develop and deliver a workforce strategy including:
 - a learning and development programme and individual performance management
 - ensuring staff are trained and competent to deliver planned improvements
 - greater use of home working where appropriate
- Implement and realise the benefits of a new IT system
- Ensure that change is delivered in a way that effectively informs, involves and engages with staff
- Implement our Equalities and Diversity Strategy and deliver our commitments

Learning and Performance Deal

We maintained our commitment to the deal we have with our staff to ensure their development needs are met whilst contributing to their work objectives and helping achieve the corporate priorities.

This year saw a higher than ever number of training and study days, almost 13,000, for Commission staff. This included training in the new Inspecting for Better Lives inspection tools, plus briefings in Safeguarding Adults and the Police and Criminal Evidence Act. Inspectors were also trained to use the Short Observational Framework for Inspection (SOFI), a tool to help assess the experience of people with dementia living in care settings.

We also invested in accrediting our own trainers to deliver in-house development programmes.

Winter Training Programme

We embarked on an intensive training programme from November 2007 to March 2008. This delivered almost 400 training events (equivalent to over 5,000 training days) primarily to operational staff on subjects such as Customer Service (from handling enquiries to delivering excellence), analysing evidence, making proportionate judgments, quality assurance and enforcement.

Due to the increased regionalisation of our work, more staff are now working from home. We therefore included training on home working and remote management as part of this process.

Improved technology to support our work

Having the appropriate technological tools and support is essential to enable us to perform effectively as a modern and proportionate regulator. This year we have developed and started to roll-out our ICT Core Applications Project (ICAP) to deliver a new ICT system to underpin our regulatory business processes. Standardised processes will help increase our efficiency and ensure a consistent national approach, as well as reduce duplication in, for example, the production of inspection reports. The system will also support risk-assessed planning of regulatory inspections of providers and of council performance assessment. Reporting tools will enable broader and deeper interpretation and analysis of outcomes. Once fully operational, the system will enable increased productivity through reducing paperwork and making documents accessible from any location, particularly useful for staff who work from home. Staff are being supported through a detailed training programme.

Equalities and Diversity

As part of our commitment to Equalities and Diversity work, we have established an Equalities and Diversity Programme Board which is chaired by the Chief Inspector. We also have three staff diversity groups: the Black Workers' Group; the Lesbian, Gay, Bisexual and Transgender Workers' Group; and the Disability At Work Group. In addition, we have an advisory group comprising experts by experience.

In 2007-08, we piloted a highly successful Mentoring Scheme in our London Region for Black and Minority Ethnic staff. This will now be rolled out on a national basis to all three staff diversity groups.

We have developed a Race Equality Scheme, Gender Equality Scheme and Disability Equality Scheme. In 2007, the Disability Equality Scheme was nominated for an award from the Royal Association for Disability and Rehabilitation (RADAR). We also have a number of voluntary Dignity at Work Advisors who actively provide advice and support to staff on a range of issues. A number of staff across the Commission have Personal Support Plans in place.

In summer 2007, we introduced a policy to support employees with caring or parenting responsibilities in managing and organising their work and home responsibilities.

Estates Strategy

As we finalise our work in moving to and delivering more risk-based and proportionate regulation, our operational base has accordingly moved to a more Regional presence, with the introduction of homeworking and the establishment of Regional Registration,

Enforcement and Contact Teams. As a result, the Estates Strategy has enabled us to reduce the number of offices from which we operate to 27 by 31 March 2008.

A reduced estate means that more of our operational staff work from home rather than from an office base. We introduced a homeworking policy to support staff and have established a dedicated resource section of our Intranet which includes tools to help in their work, such as advice on IT equipment, secure records management and health and safety, as well as learning and development.

Corporate Governance

The Commission has two committees, the Audit and Risk Committee and the Remuneration Committee, which oversee a range of key risk and policy areas. The annual reports of these Committees are on pages 43 and 47.





6

The future

Work is well underway on the 2007-08 outcomes-based assessment of council services. Council self-assessment surveys were revised to take into account new performance measures. Our inspection methods have also been revised. Discussions with councils to share information and gather evidence are ongoing.

Our future objectives

- We will deliver the 2007-08 assessments of council services and include new performance measures as appropriate. We will redesign our inspections methodology and make it integral to performance assessment
- We will ensure that the new Comprehensive Area Assessments flowing from the Local Government White Paper *Strong and Prosperous Communities* take proper account of the experiences of those who use social care

The future of regulation – Health and Social Care Bill

A new regulator for adult social care and health is in the process of being created. This will involve bringing together the regulatory functions of CSCI, the Healthcare Commission and the Mental Health Act Commission in one body. The Health and Social Care Bill, currently passing through Parliament, is expected to receive Royal Assent in summer 2008. The new regulatory body is expected to be set up in shadow form towards the end of 2008 and formally come into operation on 1 April 2009.

In the run up to the establishment of the regulator, partnership working between the three Commissions is increasingly important. A Joint Partnership Board has therefore been set up between CSCI, the Healthcare Commission and the Mental Health Act Commission to drive and oversee joint working. The Commissions have already reviewed the scope for joint work to reduce costs and work on joint procurement and contracting is moving forward to help achieve this.

Green Paper on Social Care

The Commission will play its full part in contributing to the debate and Department of Health consultation on the long-term funding of care and support services, once it is launched. This will result in the Department publishing a Green Paper setting out the key points and options, expected later in 2008-09.

Comprehensive Area Assessment

The Comprehensive Area Assessment (CAA) will be, from 2009, the new way in which prospects for local areas and quality of life are assessed by the Audit Commission, using a range of evidence. We have contributed to this by working with other relevant inspectorates in shaping the first joint inspectorate consultation document, which was published in November 2007. We have made sure that CAA puts people who are in circumstances which may make them vulnerable right at the heart of the process. Our staff have also helped test the principles and values of CAA and to help develop tools for inspectors. Work on CAA will continue in 2008-09.



Annual Report on the work of the Audit and Risk Committee 2007-08

Membership

1. Membership of the Committee is set out in the Commission Standing Orders and Terms of Reference and during the year was as follows;

Chair

Olu Olasode *Commissioner*

Members

Trevor Baker *Independent Member*

Philippa Newsam *Independent Member*

Peter Westland *Commissioner*

In addition, the following regularly attended meetings of the Committee.

Paul Snell *Chief Inspector*

Hazel Parker Brown *Business Director
Corporate Services*

Terry McCrady *Head of Finance*

Claire Rollo and

Kevin Suttie *National Audit Office
– External Auditors*

David Moorhouse *KPMG – Internal Auditors*

The Chief Inspector is the Accounting Officer for CSCI and has personal responsibility for the accounts of the Commission and for maintaining a sound system of internal control.

The Commission Secretary provides the secretarial function for the Committee.

Meetings Held

2. The Committee met five times during 2007-08:

- 29 May 2007
- 27 June 2007
- 9 October 2007
- 6 December 2007
- 19 March 2008

3. The Chair reports the outcome of each meeting to the next Commission meeting and minutes are circulated to all Commissioners. In addition, the Chair orally updates all Members on recent wider issues of interest to the Committee and its work. This is a standing item on the agenda of each Committee meeting.

Method of Operation

4. The work to be undertaken at each of the Committee's meetings is based on key drivers agreed by the Committee at the start of the year following an assessment of risks. Annexed to this report is a list of the wide range of reports considered by the Committee. Also at Annex 2 are the headline items included in the 2008-09 Internal Audit Plan.

5. In addition to items relating to the key drivers, agendas of the Committee include the following standard items;
 - ICT Strategy
 - Estates Strategy
 - HR
 - CQC Change Programme
 - Risk Management of Quality Ratings
6. The Committee reviews Standing Orders and the Scheme of Delegation each year and considers whether any changes are needed. When changes are required they are recommended to the Commission for approval.
7. Standing Orders require all urgent decisions of the Commission Chair to be reported to the next Board or Committee by the Commission Secretary and the written decision is made available to Members. There were no occasions when urgent decisions were reported to the Committee in 2007-08.
8. All of the Committee's agendas and supporting papers are private to the Commission.
9. The Committee receives ad hoc reports and briefings on key issues as considered appropriate. A joint seminar was held with the Remuneration Committee on 9 October 2007 to update both Committees on Transitions issues and the establishment of the new Care Quality Commission which will bring together the work of CSCI with the Healthcare and Mental Health Act Commissions.
10. Final comments:
 - In addition to the focus given by the Committee to the standing items, key risk areas, and emerging risk areas, the Committee would particularly note the significant resource reductions during 2007/08 and continuing in 2008/09 to meet the DH/BRE target, whilst transforming the Commission into a modern regulator with a risk based approach to inspection and regulation.
 - the scale of the IT, HR and Estates change programmes being implemented and the Audit and Risk Committees continual review of these key activities.
 - The development of Quality Ratings for providers and the Committees monitoring of the associated risk management.
 - I express my appreciation to all the members of the Committee and to all the officers that supported the Committee for their contributions in making the A&RC very effective.
11. The Commission are asked to note the report.

Olu Olasode
Chair

Annex 1

Reports considered by the Audit and Risk Committee during 2007-08

1. Internal Audit

- Audit Reports
 - Disaster Recovery and Business Continuity Planning
 - Expenses and Procurement
 - Risk Management
 - HBS Payroll System
 - Redundancy/Early Retirement Process
 - Prior Year Follow Up
 - Joint Infrastructure and Support Services Projects
 - Transition Planning
 - Communication Strategy
 - Inspection Programme
 - Registrations Process
 - Human Resources
 - Systems Access Security
 - Data Protection
 - Quality Ratings
 - Financial Management Services [7 reports]
- Annual Report 2006-07
- Internal Audit Strategy 2007-08
- Progress Reports
- Internal Audit Plan 2008-09

2. Annual Accounts/NAO

- Draft and Final Accounts and Statement on Internal Control 2006-07
- Report to those charged with Governance 2006-07 (NAO)
- Audit Strategy 2007-08 (NAO)

3. Standing and Regular Items etc

- Annual report on the work of the Committee
- Gifts and Hospitality declarations
- Budget 2006-07 and updates
- CSCI Leaver Information – redundancy/early retirement
- Budget 2007-08
- Scheme of Delegation amendments
- Corporate Risk Register
- Information Security

4. Transition/Change Matters

- ICT Strategy
- Estates Strategy
- IRR Change Programme
- Risk Management of the introduction of Quality Ratings
- HR
- CQC Change Programme

Annex 2

Audit and Risk Committee – Annual Report

2008-09 Internal Audit Plan

1. Financial Management Systems
 - to review core financial systems and support the external audit by NAO
2. IT Strategy Development
 - review progress and ICAP implementation
3. Business Continuity Planning
 - follow up of previous work and status review
4. Operational Systems and Management Information Systems
 - review of controls, user training, system development, data security
5. Mouchel (formerly HBS) Payroll System
 - test effectiveness against agreed standards
6. Transition Planning
 - ensure plans for transition to CQC are robust and achievable
7. Registration Process
 - ensure registrations are completed fully, promptly and consistently and billed correctly
8. Estates Strategy and Management
 - review consistency of application
9. Inspection Programme
 - building on previous work with a specific focus to be decided.
10. Organisational Integration
 - review plans for transition of internal audit, financial reporting and core systems
11. Prior Year Follow Up
 - provide assurance that management responses have been implemented
12. Risk Management
 - review the embedding of risk management throughout the Commission in support of the Statement on Internal Control (SIC)
13. Corporate Governance/SIC
 - follow up previous work in support of the SIC

Annual Report on the work of the Remuneration Committee 2007-08

Membership

1. Membership of the Committee is set out in the Commission Standing Orders and during the year was as follows:

Chairman

Beryl Seaman, CBE *Commissioner*

Members

John Knight *Commissioner*

Charles Nolda *Independent Member*

John Campbell *Independent Member*

Dame Denise Platt, Chair, participated in the Committee's consideration of the Chief Inspector's pay. The Head of People Development attended meetings of the Committee until her departure from the Commission in January 2008; the Chief Inspector, the Director of Corporate Services and other officers do so as appropriate. The Secretary to the Commission took the minutes of the May and October 2007 meetings, and the Commission Support Manager took those of the February 2008 meeting.

Meetings Held

2. The Committee met three times in London during 2007-08:

- 8 May 2007
- 9 October 2007
- 8 February 2008

The Chair reported on the outcomes of each meeting to the next Commission meeting and minutes were circulated to all Commissioners.

Method of Operation

3. The Committee plans its work to be undertaken at each of its meetings based on the business plan and key drivers. These plans take into account the cycle of key governance events taking place at certain times of the year including the annual pay negotiating remit and the consideration of the performance pay element of the salaries of the Chief Inspector and the Business Directors.

5. The Committee Agendas regularly include the following items:
 - The Pay Award
 - Reward Strategy for Leadership Group
 - Move to Common CSCI Terms & Conditions & Job evaluation
 - Pensions and flexible retirement issues
 - Workforce development strategy
 - HR Implications of the establishment and transition to the Care Quality Commission
 - Workforce statistics, including equalities & diversity profile
 - HR Policies
6. Other reports and briefings on key issues are considered as appropriate.
7. The Committee's agendas and supporting papers are private to the Commission.

Workforce Reporting

8. The Committee has continued to receive reports analysing the workforce. These have become progressively more tailored to the Committee's requests throughout the year. The final report to the Committee in the year 2007-08 included annual comparisons and the first data in relation to the Winter Training Programme.

Senior Staff Reward & Performance

9. The Committee's May meeting considered the performance element of the salaries of the Chief Inspector and the Business Directors for the year 2006-07. The Chair of the Commission participated in the Committee's consideration of the Chief Inspector's performance pay, while the Chief Inspector withdrew for this item. The Chief Inspector attended for the consideration of the Business Directors' pay. The Head of People Development advised the Committee on these issues but was not present when the remuneration of the Chief Inspector or the Director of Corporate Services was discussed. The Director of Corporate Services did not attend for either of these items.

Regional Restructuring

10. The Committee was updated during the year in relation to the merger of the Yorkshire and Humberside and North East Regions to form the North East Region (on 1 April 2007), and the East Midlands and Eastern Region to form the new Eastern Region (on 1 July 2007), including the consequent impacts for Regional Directors and local staff.

Home working

11. Over the course of the year, the Committee received regular updates in relation to progress on negotiations with the Trades Unions concerning home working. The interim home working policy was introduced in April 2007, and by the end of the year, the Committee agreed to recommend to the Commission the adoption of the full home working policy.

Review of the People Development function

12. The Committee noted that KPMG had been commissioned to undertake a review of the People Development function. This was to ensure that it meets our business needs by supporting a competent and confident workforce; is professionally credible, effective and efficient and aligned to best practice in terms of size and scope. This includes delivering budget and headcount reductions; and embeds good equality and diversity practice.

Staff Survey and Support Through Change programme

13. In its October meeting, the Committee received a summary of the responses to the 2007 Staff Survey and was informed about the planned Support Through Change programme. This addresses the concerns raised through the survey through five broad projects:

- training;
- support for home-based staff;
- support for managers;

- personal and career development;
- organisational support that focuses on improving personal behaviours and promotes dignity at work.

14. The Committee received a further update in its February meeting, including initial data from the Winter training Programme.

HR Policies and Common Terms & Conditions

15. During 2007-08, the committee considered several new CSCI policies: Career Breaks, Conflicts of Interest, Alcohol and Drug Abuse, and Redundancy. These policies had been developed in consultation with several staff groups and reflected 'best practice'. Progress on job evaluation and moving staff to common terms and conditions was regularly reported to the Committee.

HR Implications of Transition

16. Developments within the DH-led HR workstream regarding the creation of CQC have been reported to the Committee, and it has been agreed to have a standing item on the Committee's agenda for the coming year. Work is at an early planning stage, but is expected to increase over the next few months.

Conflicts of Interest

17. A number of the issues considered by the Committee related to matters where the Chief Inspector, Director of Corporate Services, Head of People Development and Commission Secretary/Commission Support Manager had interests as CSCI employees. These interests were declared at each meeting, as appropriate, and the Committee took the view that generally it was to the advantage of the Committee for these officials to attend and contribute to the discussions. An exception to this approach was made when there was consideration of personal reward and performance issues, as identified above at paragraph 9.

Joint Seminar with the Audit Committee

18. In addition to the meetings listed above, the Committee had a joint seminar with the Audit & Risk Committee on 9 October 2007 which provided an update of key issues relating to the transition of the Commission's functions (subject to the necessary legislation) to the new Care Quality Commission during 2008-09, which will bring together CSCI, the Healthcare Commission and the Mental Health Act Commission.
19. This Annual Report was prepared by the Senior HR Manager – Strategic Projects and was endorsed by the Remuneration Committee members at their meeting on 13 May 2008.

Beryl Seaman CBE
Chair







Financial Accounts

For Year 1 April 2007 to 31 March 2008

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Introduction to Accounts

For Year 1 April 2007 to 31 March 2008

The Commission for Social Care Inspection (CSCI) presents the Annual Report and Accounts for the year ended 31 March 2008.

The Commission

The Chair and Commissioners at the 31 March 2008, were:

	Date Appointed
Dame Denise Platt, DBE (Chair)	5 January 2004
John Knight **	5 January 2004
Professor Jim Mansell	5 January 2004
Olu Olasode *	5 January 2004
Beryl Seaman, CBE **	5 January 2004
Peter Westland, CBE *	5 January 2004

On 5 January 2008, the Chair and Commissioners were all re-appointed for a further term of office by the Appointments Commission to the 31 March 2010, or the dissolution of the Commission, if earlier.

Dame Denise Platt, DBE is also Chair of the National AIDS Trust (NAT), a member of the Board of the Audit Commission, and a trustee of the NSPCC.

Beryl Seaman resigned as a member of the Board of the new Ofsted during 2007-08.

Independent Members

The effective date of appointment is the date of the first meeting they attended:	
Trevor Baker *	15 December 2004
John Campbell **	21 June 2004
Philippa Newsam *	28 April 2004
Charles Nolda **	21 June 2004

* denotes member of the Audit and Risk Committee during 2007-08

** denotes member of the Remuneration Committee during 2007-08

All four Independent Members have accepted an invitation from the Commission to be reappointed for a further term of office until 31 March 2010, or the dissolution of the Commission, if earlier.

Business Directors

The Chair of the Commission during the year was Dame Denise Platt, DBE. The Commissioners have appointed an Executive Team to manage its activities. Individuals who served on the Executive Team during the year were as follows:

Business Directors	
Chief Inspector	Paul Snell
Director of Corporate Services	Hazel Parker-Brown
Director of Strategy	David Walden
Director of Inspection, Regulation and Review	Mike Rourke
Director of Quality, Performance and Methods	John Fraser
Director of Communications, User and Public Involvement	Judith Thomas
Director of Corporate Development	David Clark*

* seconded from the Department of Health (DH)

Roger Morgan, Children's Rights Director, transferred to the new Ofsted on 1 April 2007.

Register of Interests

The Commission maintains a Register of Interests for Commissioners and Independent Members, which is kept by the Commission Secretary and is publicly available. Where any decisions are taken which could give rise to a possible or perceived conflict of interest, the Commissioner or Member concerned will declare the same and will not vote on the item on the agenda. At the Chair's discretion he or she may be asked to withdraw for the duration of any discussion of the item.

Possible circumstances where conflicts of interest have or could be perceived to have arisen, have taken place in meetings held during the period 1 April 2007 to 31 March 2008. Declarations of conflict of interest were made at the relevant meeting and were minuted.

Commissioner Responsibilities

The following are the responsibilities of the Commissioners of CSCI:

1. To act corporately on behalf of CSCI, to establish and promote public confidence in it as an organisation committed to high quality services focused on the needs of the people who use them.
2. To establish CSCI as an organisation with integrity, committed to quality improvement, robust performance assessment, and value for money; which is highly professional in the way it conducts its work programme and relationships; and fair in its dealings with users of the service, local government, the independent sector, the NHS and other health and social care organisations.

3. To contribute to the Commission meetings, and its sub-committees where appropriate, provide leadership to CSCI as an organisation, and work corporately to achieve its objectives.
4. To work informally with executive staff on matters where their own experience and networks are valuable and offer advice from time to time.
5. As a Commission member acting corporately, to hold the Chief Inspector of CSCI to account for the delivery of the Commission's work programme and day-to-day operations across the range of its functions, effectively, economically and efficiently.
6. To ensure that CSCI fulfils its statutory duties, and complies with all statutory and administrative requirements of the use of public funds, and observes high standards of corporate governance.

Availability of Information for Audit

As far as the Accounting Officer is aware, there is no relevant information of which CSCI's auditors (National Audit Office) are unaware. The Accounting Officer has taken all reasonable steps that he ought to have taken to make himself aware of any relevant audit information, and has established that the CSCI's auditors are aware of that information.

Financial Statements – Form of Account

The Financial Statements have been prepared in the form directed by the Secretary of State for Health, with the approval of HM Treasury, in accordance with the Health and Social Care (Community Health and Standards) Act 2003; the *Financial Reporting Manual* (FReM) 2007-08; and *Managing Public Money*.

Financial Results and Review

The results for the year ended 31 March 2008 are set out in the Financial Statements on pages 86 to 120.

CSCI's management accounts show an underspend of £0.332m. This reflects the position before year-end accounting adjustments, as included in the Income and Expenditure (I&E) account, on page 95, which shows net expenditure of £96.536m.

The difference between these two figures, £96.868m, is analysed as follows:

	£m
2007-08 Grant in Aid (not classified as Income)	-69.705
Capital Charges introduced into the I&E account (note 8)	-14.951
FRS17 Adjustments:	
Increase in operating charge for pensions (note 4a)	-4.591
Net return on pension scheme assets and liabilities (note 7)	+2.396
Provision for Empty Offices (note 6b)	-10.018
Roundings	+0.001
	-96.868

These figures are in line with our three-year financial plan and include significant savings. This is in addition to agreeing to a reduction in funding of £4.066m with the Department of Health during the year.

Principal Risks and Uncertainties

CSCI has a Risk Management Strategy as approved by the Audit and Risk Committee, and a Risk Management Policy (as detailed in the Statement on Internal Control on pages 88 to 91). CSCI's key risks are set out in its corporate risk register. Each of the directorates and programme boards monitors and manages its own risk register, which are mapped to the corporate risk register. The risk management process is embedded within the business planning cycle and process, as discussed and approved by the Commission each year.

Pension Costs

The treatment of pension liabilities and the relevant pension scheme details are set out in the accounting policies note on page 101; in the Salaries and Wages note to the Financial Statements (note 4 page 102), and in the Remuneration Report on pages 74 to 85.

Employment and Health & Safety Policies

Health and safety

CSCI has a Health, Safety and Welfare policy that applies to staff, visitors, contractors and anyone who might be affected by CSCI's activities. CSCI recognises and accepts its responsibility as an employer to provide and maintain, so far as is reasonably practicable, a safe and healthy working environment. CSCI proactively seeks to comply with the requirements of the Health and Safety at Work Act 1974 (HaSWA) and other relevant health and safety legislation and codes of practice. CSCI wishes to develop and improve all health, safety and welfare issues to achieve and maintain the desired results.

CSCI has a Health and Safety Committee. In accordance with the CSCI Health, Safety and Welfare policy, the committee must ensure that it:

1. Studies accidents and occupational diseases with a view to identifying trends and reporting to management on unsafe/unhealthy conditions and practices, and provide recommendations for corrective action.
2. Actions concerns raised by safety representatives and employees.
3. Assists in developing health and safety policies, rules and systems of work.
4. Checks the effectiveness of safety training and communications.
5. Actions reports and information provided by the Health and Safety Executive.
6. Carries out inspections where appropriate.
7. Examines, audits and inspects safety equipment and monitors corrective actions.

Employee information and consultation

CSCI formally recognises UNISON, PROSPECT, RCN, and UNITE. Regular consultations have taken place with all recognised trade unions to consider and address a range of HR issues. There has also been joint working and consultation on the formation of new policies.

With regard to the provision of information to CSCI employees, the following channels exist:

- Team Talk – monthly discussions held by senior managers, to discuss and feedback on key issues with all staff.
- E-connect – a weekly electronic newsletter is sent to all staff.
- Intranet – this is kept up to date by the Communications department and holds information on each Directorate and details CSCI initiatives and achievements.
- Regular bulletins – are sent to staff on long term sick, maternity leave and secondment, to keep them updated about CSCI's work.
- Chief Inspector Forum – set up to strengthen dialogue between CSCI and its staff, to make sure that staff views inform the way the organisation works.

CSCI has also set up a Support Through Change programme to respond to key issues arising from the 2007 staff survey. Actions and plans have been developed from the feedback and comments of staff and managers after consultation with staff in reference groups and the Chief Inspector Forum.

Employment of disabled persons

The average number of disabled persons employed by CSCI is 122 (143 in 2006-07).

CSCI follows good practice in the employment of disabled employees and adheres to the following 5 commitments as a Disability Symbol User.

1. To interview all applicants with a disability who meet the minimum criteria for a job vacancy and consider them on their abilities.
2. To ensure that there is a mechanism in place to discuss at any time, but at least once a year, with disabled employees what can be done to make sure they can develop and use their abilities.
3. To make every effort when employees become disabled to make sure they stay in employment.
4. To take action to ensure that all employees develop the appropriate level of disability awareness.
5. To carry out an annual review of policies and practices.

In addition, CSCI actively follows the 'Code of Practice for the Elimination of Discrimination in the Field of Employment against Disabled Persons or Persons who have had a Disability'.

A full set of policies can be accessed by staff on the CSCI intranet.

CSCI has a Disability Working Group, whose remit is to work with management to ensure that best practice is effectively implemented.

Better Payment Practice Code

CSCI is committed to the Better Payment Practice Code, and aims to pay 90% of undisputed invoices within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. In 2007-08, CSCI paid 92.25% based on volume within 30 days (88.15% in 2006-07), and 90.53% of invoices based on value within 30 days (88.54% in 2006-07).

Post Balance Sheet Events

No post balance sheet events occurred relating to the financial year ended 31 March 2008.

Auditors

The Comptroller and Auditor General is appointed by statute to audit CSCI and report to Parliament on the truth and fairness of the annual financial statements and regularity of income and expenditure. The following costs have been incurred in relation to services provided by the Comptroller and Auditor General:

Audit Services £60,000

External audit fees relate to the audit of the 2007-08 Annual Report and Accounts. There was no remuneration paid for non-audit work during the year.

Political and charitable donations

CSCI made no political or charitable donations during the year.

Research and Development Activities

The Health and Social Care (Community Health and Standards) Act 2003 conveys powers on CSCI to conduct studies and review research. CSCI reports annually on the State of Social Care in England and produces its own fieldwork-based studies and other publications highlighting the experiences of people using services and the efficiency of social care services. As a result of this year's report on the *State of Social Care in England 2006-07*, the government has asked CSCI to carry out a review of eligibility criteria for access to social care services. The review will look at the application by councils of the Fair Access to Care Services criteria and the impact on people. A final report will be presented to government in September 2008.

The CSCI has completed its second thematic inspection, which used a new observational approach, the Short Observational Framework for Inspection (SOFI) to gather the direct experiences of people using services who are unable to communicate easily. In this instance the focus was on the dignity of care for people with dementia living in care homes.

As part of its expert voice on social care, in the year 2007-08 CSCI produced national studies and reports on topics ranging from people's experiences of finding a care home, what we think of the Government's ideas for a new organisation to check health and social care, supporting people with their finances, providing appropriate services for lesbian, gay and bisexual and transgender people, to investment in the care market. In particular *Rights, risks and restraints* explored the issues and dilemmas around restraint, and the tensions between the right to make choices whilst ensuring safety; whilst *A fair contract with older people?* draws upon the experience of over 1,700 older people and their carers to describe how far they have a 'fair contract' in the business of choosing, paying for and moving into a care home.

All CSCI publications are available on the CSCI website at www.csci.org.uk

No research and development activities have been capitalised in the financial statements.

Freedom of Information

The Commission publishes a wide range of information about its activities.

As a requirement of the Freedom of Information Act 2000, we provide a publication scheme describing the types of information that we publish and how those documents can be obtained. The Publication Scheme is available on our website and is regularly reviewed.

Under the Act, we also respond to requests from members of the public exercising their right of access to unpublished information that we hold. The right of access covers information recorded in any form and obtained from any source, not just documents published by CSCI.

The Commission is one of the public authorities (referred to in section 7 of the Freedom of Information Act 2000) to which the Act has limited application. CSCI is subject to the Act for its functions as an inspectorate and regulatory body only and specifically not for its functions as a registration authority. However, we will consider requests for any information that we hold, and will seek to be as open as we can in providing information.

The right of access to information does not, however, give the public an automatic right to reuse information held by CSCI in any way that would infringe copyright, such as making multiple copies, publishing or distributing to the public. The Commission will consider requests for a licence to commercially re-use information that we have published or disclosed.

See our website at http://www.csci.org.uk/system_pages/freedom_of_information.aspx for more details of our approach to the Act.

Management Commentary

For Year 1 April 2007 to 31 March 2008

Principal Activities

CSCI is England's single regulator of adult social care services. It is a Non-Departmental Public Body accountable to the Secretary of State for Health for discharging its functions, duties and powers effectively, efficiently and economically. CSCI's principal general function is to encourage improvement in the quality of registered social care services and the provision of local authority social services in England.

Legislative framework

The Health and Social Care (Community Health and Standards) Act 2003, the Care Standards Act 2000, the Children Act 1989 and regulations made under these Acts form CSCI's legislative framework for assessing adult social care services. Service specific National Minimum Standards guide service providers on what is expected of them and assist inspectors in making assessments.

Duties and functions

CSCI's principal duties and functions are set out in the Health and Social Care (Community Health and Standards) Act 2003:

Duties

- (i). Promoting the improvement of social care services in England;
- (ii). Laying an annual report before Parliament on our work during the year;
- (iii). Reporting annually on the state of social care in England;
- (iv). Co-operating with and consulting the Healthcare Commission, Audit Commission and other key partners where appropriate; and
- (v). Making information available to the public about registered social care services in England.

Functions

- (i). Statutory registration and inspection of social care services;
- (ii). Assessing how well local councils undertake their social services functions;
- (iii). Policy analysis and comment on the impact of policies on the people who use social care services; and

(iv). Working effectively with other agencies involved in health, social care and other parts of local government.

Scope

The scope of CSCI's functions in 2007-08 is defined in the legislation quoted above. This relates to:

- care homes;
- domiciliary care agencies;
- nurses agencies;
- adult placement schemes; and
- encouraging improvement in the provision of local authority social services.

The operating context

The Department of Health (DH) is responsible for adults' social care.

Adults' social care

Personalisation is one of the principal policy themes driving forward the agenda for adults' social care. *Putting People First*, published by the Department of Health in December 2007, set out a vision and commitment to transform adult social care – shared by central and local government, professional leaders and providers as well as CSCI. This dovetails with and builds on the choice and independence agenda, first set out in the White Paper, *Our Health, Our Care, Our Say*, published in March 2006. Initiatives such as direct payments and individual budgets continue to grow and are expected to continue to expand, together with strategies aimed at early intervention and prevention which ensure people can live independently in the community where they choose. There are plans to consult on the reform of public support and the care system, with a draft Bill expected in 2008-09.

The Comprehensive Spending Review October 2007, set out the Government's spending plans for 2008-2011. This saw an increase in council resources of an average of 1 per cent in real terms over the 3-year period of the review. This includes funding to enable greater personalisation of services and more support for carers.

Children's social care

From 1 April 2007, CSCI's responsibility for regulating children's social care transferred to the new Ofsted. The statutory post of Children's Rights Director also transferred, along with 279 staff. CSCI retained its statutory duty to safeguard and promote the rights of children who may use services we continue to register and regulate, such as domiciliary care and nurses agencies, for example.

Future of local government

The Government continues with its policy of increasing citizen engagement in local communities, first set out in the White Paper *Strong and Prosperous Communities*, published in October 2006. This aimed to increase local accountability whilst reducing the government burden. An update to the implementation plan was published in November 2007, which re-emphasised the commitment to work in partnership with local government to achieve the change required to implement the White Paper, as well as to increase the pace and scope of community empowerment. The *Local Government and Public Involvement in Health Act 2007* received Royal Assent in October 2007 – this provided a legislative framework for a number of proposals set out in the White Paper. For example, the Act provides a statutory basis for Local Area Agreements; improves community governance and introduces stronger local leadership models. Local Area Agreements (LAAs) together with community strategies set out the vision and priorities for delivery in local areas. These will also involve Local Strategic Partnerships bringing together a range of public agencies to co-ordinate delivery.

Performance assessment for councils will change in 2009. The Comprehensive Area Assessment (CAA) will be the new way in which prospects for local areas and quality of life are assessed. Led by the Audit Commission, these will replace Annual Performance Assessments, Joint Area Reviews and CSCI performance ratings for social care. Assessment of services will be more proportionate, forward looking and risk-based enabling more targeted support or intervention. CSCI has contributed to this by working with other inspectorates in forming the first joint inspectorate consultation document, which was published in November 2007. Our staff have helped to test the principles and values of CAA, as well as assist in the development of tools for inspectors. Work on CAA will continue in 2008-09.

Future of social care regulation

The Health and Social Care Bill is expected to receive Royal Assent in summer 2008. This will bring together CSCI's adults' social care regulatory functions with those of the Healthcare Commission and Mental Health Act Commission. The new single regulator is expected to become operational in 2009.

No financial implications from this reorganisation have been anticipated in the 2007-08 Financial Statements.

Objectives and strategies for achieving activities

Driving Forward, our Corporate Business Plan for 2007-08 focused on finalising the architecture of proportionate, risk-based regulation and delivering it, whilst preparing for transition to the new regulator:

- Delivering our current programme of statutory and other priority work;
- embedding our modernisation work – such as *Inspecting for Better Lives*;

- addressing and influencing key issues in social care by delivering a relevant and evidenced programme of statutory and discretionary studies and publications; and
- managing the transition to the new regulator in 2009.

Each CSCI Directorate has its own business plan with objectives for individuals and teams to deliver CSCI's overall objectives and help drive improvement in social care in England. Delivery is measured against a range of Key Performance Indicators (KPIs) shaped to reflect the scope of CSCI's operational work, its statutory functions and business priorities.

Performance against KPIs in 2007-08

Due to the transfer of children's services to Ofsted on 1 April 2007, the following KPIs for 2007-08 will not be directly comparable to those for 2006-07.

Registered Care Services

Registrations:	2006-07	2007-08
Number of registrations completed	10,699	7,278
Number processed within target* period	84%	84%
Number processed within 7 months	95%	99%

* The target period was tightened from 4 months for all registration types in 2006-07 to 4 months for service registrations, 3 months for major variations, 2 months for manager registrations and 1 month for minor variations in 2007-08.

Inspections of regulated care services

	2002-03*	2003-04*	2004-05	2005-06	2006-07**	2007-08***
Inspections scheduled	50,184	48,285	48,062	47,341	26,676	19,059
Inspections completed	41,434	46,768	48,062	47,341	26,676	19,059
Percentage completed	82.6%	97%	100%	100%	100%	100%
Percentage of adult inspections which were unannounced	38.2%	48.2%	47.5%	70.8%	93.5%	96.7%

Notes:

* refers to performance of the National Care Standards Commission.

** reduction in number of inspections overall due to changes in methodology, and changes to statutory inspection frequency. There has however, been an increased focus on poorer performing services.

*** further reduction in numbers due to transfer of children's services to Ofsted.

Inspection Reports

	2005-06	2006-07	2007-08
Percentage of draft reports issued within target (4 weeks)	81.8%	85.3%	87.5%
Percentage of final reports issued within target (10 weeks)	79.6%	86.6%	85.4%

Inspections of council services

Council inspections	2005-06	2006-07	2007-08*
Target	82	120	70
Completed	82	120	70
% Completed	100%	100%	100%

* reduction in target due to Joint Area Review inspections transferring to Ofsted.

Details of inspections of council services are in the tables below.

Type of inspection	2006-07	2007-08
Joint Area Review	49	0
Supporting People inspections	41	33
Older People Inspections	13	9
Community Mental Health Inspection Review	11	0
Learning disability inspections	4	6
Physical and sensory impairment inspections	2	2
Independence Wellbeing and Choice	0	20
TOTAL	120	70

These include the following inspections with partners:

Type of inspection	Partner	2006-07	2007-08
Joint Area Reviews	Ofsted	49	0
Supporting People inspections	Audit Commission	41	33
Community Mental Health Inspection Review	Healthcare Commission	11	0
Older People Inspections	Healthcare Commission	4	0
Physical and sensory impairment inspections	Healthcare Commission	1	0
TOTAL		106	33

Other KPIs

Analysis and narrative relating to the issues below, together with examples of good practice are detailed in the main body of the Annual Report pages 25-29.

Enforcement:

	Requirement notices	Statutory notices	Urgent cancellations	Prosecutions
2006-07*	2,645	557	4	5
2007-08	1,205	493	11	1

* The 2006-07 figures show only enforcements against adult services, allowing comparison to be made with 2007-08 when the regulation of children's services had passed to Ofsted.

Appeals:

	2005-06	2006-07	2007-08
Number of appeals to Care Standards Tribunal	69	62	58
Number ongoing	12	37	32
Number of appeals concluded:			
– dismissed	19	13	14
– withdrawn	34	4	26
– allowed	1	2	1
– settled	1	0	1
– partially upheld	1	0	0
– withdrawn opposition	0	4	2
– struck out	1	2	2
Total number of appeals concluded:	57	25	46

Complaints, concerns and allegations:

This year, we identified 12,171 concerns about regulated services from 5,053 letters, emails and other communications. Of the concerns dealt with this year, 99% received a response within 28 days. Our target is 100%.

Financial performance and position

The detail of our financial performance is shown within the Income and Expenditure Account on page 95, and in the other financial statements and associated notes.

CSCI's operating charges and staff costs totalled £120.108m and were within our approved budget.

CSCI has adopted a three-year financial strategy in conjunction with our *Inspecting for Better Lives* change programme. The strategy sets demanding savings targets, which were reflected in the

budget allocation received from the Department of Health (DH). The targets are also in line with the Department's requirements for cost savings required by its Arms Length Bodies Change Programme.

Our targets for 2007-08 were to generate savings of £12.527m in the year with additional savings in later years as the full year effects of headcount reductions and office closures are realised. We achieved this target and reduced our budgets by a further £4.066m after agreeing to a reduction in funding with the Department of Health during the year.

Total capital investment on ICT and buildings during 2007-08 was £18.680m compared to our budget allocation of £18.707m.

Our three year financial strategy continues to develop with further savings expected in 2008-09 providing all of the funding required is available. We are also examining the implications of a proposal by DH for substantial reduction in funding in 2009-10 as we progress towards the creation of a new Social Care and Health Regulator.

Going Concern

The financial accounts have been prepared on the basis that CSCI is a going concern. Grants for 2008-09, taking into account the amounts required to meet CSCI's liabilities falling due that year, have been included in DH estimates, which have been approved by Parliament. By April 2009, the work of the CSCI will transfer to the Care Quality Commission the new social care and health inspectorate. CSCI will continue to discharge its statutory functions until the end of March 2009.

Contractual Obligations

CSCI operates a contracts register, which shows the contracts currently let for CSCI.

CSCI has a number of IT service contracts in place, the major service supplier being CSC Computer Science Ltd. CSC supply services relating to operating systems, hardware maintenance, IS infrastructure, and IT operations.

Mouchel Business Services currently provides the payroll service to CSCI.

CSCI also has a contract with the Office of Government Commerce in relation to the provision of telecoms services.

New developments to the scope of our work

In 2007-08, the Commission continued its work to put in place the final architecture of proportionate regulation of adult social care in England and to deliver it. Activity is focused on helping poorer performing services improve.

We continued to strengthen working relationships with partner organisations, particularly the Healthcare Commission and the Mental Health Act Commission with whom we will be brought together in April 2009 to form a new health and adult social care regulator.

Our Resources

CSCI employed an average of 1,913 (1,778 whole-time equivalent) contract staff throughout 2007-08 (2,478 and 2,318 whole-time equivalent respectively for 2006-07), the majority of whom work in the regions to deliver and support our inspection, performance and regulatory work. The reduction in the average number of staff and whole-time equivalent in year reflects the transfer of staff to the new Ofsted (279 staff and 264 wte), reductions in CSCI staff numbers, and the effect of our redundancy programme.

CSCI has an estate of some 53 offices throughout England as at 31 March 2008, including 26 vacant offices (two of which are confirmed as closures in quarter one of 2008-09). There has been a reduction in the number of offices during the year in accordance with our Estates Strategy.

In 2007-08, our resources totalled £146m (£163m in 2006-07), including £19m capital grant in aid funding (£20m in 2006-07), £57m income from activities (£63m in 2006-07) and £70m revenue grant in aid funding (£80m in 2006-07). Most of this was spent on our work to regulate registered care services, and on work with local councils and our other responsibilities.

CSCI has adopted a three-year financial strategy, which will see reductions in financial, staff, and estate resources. This will be supported through capital investment of £14m in 2008-09.

Managing Risks

A corporate risk register was developed early in CSCI's first year and is reviewed and revised as part of the annual business planning process. The identified risks, and the effectiveness of the agreed actions to address these risks, have been monitored by the Audit and Risk Committee and the Commission regularly.

Audit and Risk Committee

The key functions of the Audit and Risk Committee are to advise the Commission on the adequacy and effective operation of its systems of internal controls and hence the quality of financial and other reporting of CSCI.

The Audit and Risk Committee carries out its work by reviewing and challenging the assurances which are available to the accounting officer, the way in which these assurances are developed, and the management priorities and approaches on which the assurances are premised.

Specifically, the Audit and Risk committee provides advice by:

- review and oversight of the preparation of annual accounts for the approval of the Commission;
- review CSCI's systems of internal control and risk management; and
- monitoring the effectiveness of the internal audit function and of the relationship with and between internal and external auditors.

The Environment and Sustainability

CSCI seeks to tender with environmentally friendly organisations. When tendering we issue companies a questionnaire which asks about their environmental policies, objectives and whether they have been accredited for implementing and maintaining environmental management systems. The questionnaire also seeks information on whether a company considers or is willing to consider the issue of sustainability.

Within CSCI, the majority of offices have been fitted to current building regulations, and meet environmental regulations. We have also carried out energy audits of our buildings.

CSCI has an arrangement for the collection of empty toner cartridges, ink cartridges, fax cartridges, and any other printer/fax consumables from our offices for recycling, thus reducing the number of empty cartridges disposed via landfill. In addition, there is an arrangement for CSCI's confidential and recyclable paper waste to be collected and recycled. There is high usage of recycled paper across the estate and photocopiers are preset to encourage double-sided copying.

Our People

Joint Job Evaluation

In 2006-07 CSCI completed a major joint programme to implement job evaluation and to transfer all employees onto a common set of terms and conditions of service. Ninety-seven per-cent of staff are now working on CSCI terms and conditions.

Equal Pay Review

CSCI undertook an equal pay review during 2007-08 to monitor the impact of the implementation of job evaluation. To date the indications are that there are very few areas where there are any significant pay differences. Further work is being undertaken jointly with the trade unions to consider any initiatives.

A further Equal Pay Review is planned in September 2008 to monitor the continuing impact of the reward strategy.

Learning and Development

CSCI maintained its commitment to its Learning & Performance Deal; thereby ensuring that staff's work objectives remained practical and in line with both corporate priorities and individuals' development needs.

The Commission invested in accrediting its own trainers to deliver in-house Springboard and Navigator development programmes (for female and male staff respectively). A highly successful mentoring scheme was piloted in London Region for the Black and Minority Ethnic staff, which will now be rolled out nationally and expanded to accommodate Lesbian, Gay, Bisexual, and Transgender (LGBT), and disabled staff.

CSCI Employment Policies

Equality Impact Assessments have now been carried out on all existing HR policies and procedures, and a process put in place to ensure that new policies and procedures are impact assessed at all stages of development. Policies that have been approved appear on the CSCI intranet.

Equality and Diversity

CSCI values the diversity of its employees and the people and communities that it serves, and is committed to promoting equality and to tackling discrimination. It seeks to ensure that no individual or group receives less favourable treatment on the grounds of race, gender, disability, religion, gender reassignment, sexual orientation or use of mental health services, or is disadvantaged by conditions or requirements which cannot be seen to be justifiable.

CSCI has an Equalities and Diversity Programme Board which is chaired by the Chief Inspector. CSCI also supports 3 staff diversity groups: the Black Workers' Group; the Lesbian, Gay, Bisexual and Transgender Workers' Group; and the Disability At Work Group. The Commission has in place a Race Equality Scheme, Gender Equality Scheme and Disability Equality Scheme.

Estates Strategy – office closures

During 2007-08 CSCI continued to reduce the number of offices as part of our Estates Strategy.

In 2007, the Commission implemented interim home working arrangements for Regulatory Inspectors and Regulation Managers whose offices closed as a result of the Estates Strategy. A full homeworking policy has been developed with the trade unions. CSCI plan to offer full homeworking to other key categories of staff during the first half of 2008.

ICT Core Applications Project (ICAP)

ICAP is a project tasked with delivering a new ICT system and tools to support our regulatory business processes, the first stage of implementation of which will take place in early 2008.

Re-shaping Business Services

During the year CSCI has re-organised business services in our Inspection, Regulation and Review (IRR) directorate to update working practices and adapt the service to better support an increasingly home-based workforce and more regionalised business processes.

There is an area on the CSCI Intranet that acts as a one-stop-shop for staff, providing quick links to updates on the development of the national business service model, training, and ICAP.

Training Programme

To support staff as they move to new ways of working, CSCI has set up a training programme, which is coordinated with our operational plans.

The main focus is on IRR staff, although all staff will receive the relevant training to ensure everyone is familiar with the changes and understands the implications of them.

New inspectorate for social care and health (Care Quality Commission)

Plans to form a new social care and health inspectorate bringing together the work of CSCI, the Healthcare Commission and the Mental Health Act Commission were announced in 2005. The new inspectorate is to be established in 2008 with the new body operating fully from 1 April 2009, as announced by Ministers and the Department of Health.

A document on the work CSCI is doing with the Healthcare Commission and the Mental Health Act Commission in 2008-09 has been produced. This describes the priority areas of joint activity, and how we are contributing to each other's work. The programme of joint working between the Commissions will continue to evolve.

Personal Data Related Incidents

Tables 1 to 3 provide details of personal data related incidents that have occurred within CSCI during 2007-08. CSCI introduced a comprehensive procedure for the central reporting of information security incidents in January 2008. There was no requirement for formal recording of issues before 2007-08 therefore; the Commission is unable to provide a complete, accurate and reliable account of protected personal data related incidents prior to this.

Incidents, the disclosure of which would in itself create an unacceptable risk or harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
–	–	–	–	–
Further action on information risk	CSCI will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvements of its systems.			

Table 2: Summary of other protected personal data related incidents in 2007-08

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within CSCI are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	nil
IV	Unauthorised disclosure	nil
V	Other	nil

Table 3: Year-on-year total numbers of protected personal data related incidents prior to 2007-08

Total number of protected personal data related incidents formally reported to the Information Commissioner's Office, by category number							Total number of other protected personal data related incidents, by category number						
	I	II	III	IV	V	Total		I	II	III	IV	V	Total
2006-07	–	–	–	–	–	nil	2006-07	–	–	–	–	–	nil
2005-06	–	–	–	–	–	nil	2005-06	–	–	–	–	–	nil
2004-05	–	–	–	–	–	nil	2004-05	–	–	–	–	–	nil

The Commission is undertaking a review of information security risks and has developed a plan for implementing new information security measures over the coming year.

A new Information Governance Policy has been implemented to clarify roles and responsibilities for information management within CSCI, new security training will be provided to staff, and technological improvements to information security are under consideration.

Remuneration Report

For Year 1 April 2007 to 31 March 2008

This report for the year ended 31 March 2008 deals with the remuneration of the Chair, Commissioners, Chief Inspector and Executive Directors who have influence over the decisions of CSCI as a whole.

Remuneration Committee

The remuneration of the Chief Inspector and Business Directors is set by the Remuneration Committee and is reviewed annually.

The Remuneration Committee considers all general remuneration issues relating to staff, together with other people development issues.

At each committee meeting, a range of people development statistics and data is considered. For example, staff establishment statistics, diversity data, and learning and development statistics. A People Development update is received at each committee meeting, including an update on Job Evaluation.

The Committee also receives regular updates on, and will provide support and direction in relation to, staff issues in the establishment of the new health and social care regulator in 2009.

The Remuneration Committee meets approximately 4 times per year and comprises:

Remuneration Committee	
Beryl Seaman, CBE	Chair
John Knight	Commissioner
John Campbell	Independent Member
Charles Nolda	Independent Member

Also in attendance:

Paul Snell	Chief Inspector
Sue Browell (to December 2007)	Head of People Development
Hazel Parker-Brown	Business Director-Corporate Services
John Burman (to March 2008)	Commission Secretary

In reaching its recommendations, the Remuneration Committee is to have regard to the following considerations:

- The need to recruit, maintain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- The Government's inflation target.

Remuneration Policy

The Remuneration Committee advises CSCI's Commissioners on all pay and remuneration issues affecting staff.

All senior managers/directors are employed on CSCI terms and conditions, with the exception of the Director of Corporate Development who is seconded from the Department of Health.

All senior managers receive a salary and are members of a pension scheme (either local authority or Civil Service depending on their previous employment). Additionally, a small travel allowance is paid annually.

All senior managers have agreed objectives.

The Chief Inspector and Business Directors' performance will be reviewed annually with the potential to move one step within their pay grade each year, up to a maximum of three steps above their salary grade on appointment.

All employees must have a minimum of four months service and be in post at 1 April in any year to be eligible for an annual salary review.

All salary review recommendations will be subject to final approval by the Remuneration Committee.

In the event of early severance, compensation would be payable in accordance with CSCI terms and conditions.

Service Contracts

It is our policy to recruit senior managers on the basis of fair and open competition. Such appointments are 'open-ended' until they reach the CSCI normal retirement age of 65. For some individuals, earlier retirement is possible dependent upon the conditions of the pension scheme. However, the Remuneration and Audit and Risk Committees would approve any requests for early retirement.

There have been no new senior management appointments in 2007-08.

Please see the Emoluments Table (Table 2) for details of the terms of appointment of the Commissioners. The NHS Appointments Commission, acting on behalf of the Secretary of State for

Health, appointed the Chair and Commissioners. Appointments were made in accordance with the Commission of Public Appointments code. The Chair and Commissioners have been re-appointed to the Commission from 5 January 2008 until 31 March 2010, or the dissolution of the Commission if earlier.

The Chair appraises the Commissioners and copies are sent to the NHS Appointments Commission. The Chair of the NHS Appointments Commission completes the Chair's appraisal. Any issue arising in connection with individual performance including termination of appointment would be dealt with within this context.

The following sections provide details of the remuneration (including any non-cash remuneration) and pension interests of the Chair, Commissioners, Independent Members, Chief Inspector, and senior managers, as well as those amounts payable to third parties for services as a senior manager, and any compensation or significant awards paid to former senior managers. These sections are subject to audit.

Emoluments of Chair and Commissioners

Details of the remuneration of the Chair and Commissioners for 2007-08 are contained within Tables 1 and 2.

Table 1 – Chair's Emoluments

	Date of Appointment	2007-08 Salary	2007-08 Bonus	2007-08 Compensation for loss of Office	Total 2007-08 Salary	Total 2006-07 Salary
		£	£	£	£	£
Dame Denise Platt, DBE	5 Jan 04*	85,554	–	–	85,554	84,456

Table 2 – Commissioners Emoluments

	Date of Appointment	2007-08 Salary	2007-08 Bonus	2007-08 Compensation for loss of Office	Total 2007-08 Salary	Total 2006-07 Salary
		£000	£000	£000	£000	£000
John Knight	5 Jan 04*	5-10	–	–	5-10	5-10
Professor James Mansell	5 Jan 04*	5-10	–	–	5-10	5-10
Olu Olasode	5 Jan 04*	10-15	–	–	10-15	10-15
Beryl Seaman, CBE	5 Jan 04*	5-10	–	–	5-10	10-15
Peter Westland, CBE	5 Jan 04*	5-10	–	–	5-10	5-10

* The term of appointment of the Chair and Commissioners expired in 2008, but they were all re-appointed on 5 January 2008 until 31 March 2010 or the dissolution of the Commission, if earlier.

CSCI reimburses its Chair and Commissioners for expenses incurred during the course of business. For 2007-08, this amounted to £13.2k. CSCI meets the resulting tax liability under a settlement agreement with HM Revenue and Customs. During the year, CSCI also made a final settlement with HM Revenue and Customs for previous years expenses incurred by Commissioners and Independent Members. This amounted to £18.2k in total, £10k of which was paid in an interim settlement in 2006-07.

Payments to Independent Members

Details of the payments made to Independent Members are contained within Table 3.

Table 3 – Payments to Independent Members

		Year to 31 Mar 08	Year to 31 Mar 07
		£000	£000
Trevor Baker	Audit and Risk Committee	0-5	0-5
John Campbell	Remuneration Committee	0-5	0-5
Philippa Newsam	Audit and Risk Committee	0-5	0-5
Charles Nolda	Remuneration Committee	0-5	0-5

All Independent Members accepted an invitation from the Commission to be reappointed for a further term of office until 31 March 2010 or the dissolution of the Commission, if earlier.

The Independent Members received no benefits in kind.

Emoluments of Chief Inspector and Senior Managers

The Chief Inspector and all other members of the senior management team are employed under permanent employment contracts. The Chief Inspector and senior managers work for CSCI on a full time basis.

For the Chief Inspector and senior management team early termination, other than for misconduct, will be under the terms of the Principal Civil Service Pension Scheme (PCSPS), and Local Government Pension Scheme (LGPS).

Details of the remuneration of the Chief Inspector and Senior Managers for 2007-08 are contained within Tables 4 and 5.

Table 4 – Chief Inspector's Emoluments

	Date of Appointment	2007-08 Salary	2007-08 Bonus	2007-08 Compensation for loss of Office	Total 2007-08 Salary	Total 2006-07 Salary
		£	£	£	£	£
Paul Snell	29 Aug 06*	159,965	14,757	–	174,722	152,262

* appointed as senior manager within CSCI 1 Apr 04

Table 5 – Other Senior Manager's Emoluments

	Date of Appointment	2007-08 Salary	2007-08 Bonus	2007-08 Compensation for loss of Office	Total 2007-08 Salary	Total 2006-07 Salary
		£000	£000	£000	£000	£000
Hazel Parker-Brown Business Director Corporate Services	1 Mar 04	115-120	5-10	–	125-130	120-125
John Fraser Business Director Quality, Performance and Methods	1 Jan 07*	95-100	5-10	–	105-110	90-95
Mike Rourke Business Director Inspection, Regulation and Review	2 Oct 06*	100-105	5-10	–	110-115	100-105
Judith Thomas Business Director Communications, User and Public Involvement	2 Feb 04	100-105	5-10	–	110-115	105-110
David Walden Business Director Strategy	18 Feb 04	130-135	10-15	–	140-145	130-135

* Date appointed as senior manager for reporting purposes

Bonus Payments

Bonus payments are non-consolidated and are not pensionable. These can be up to 10% of salary based on performance (5% individual and 5% corporate).

The proportion of corporate bonus available is considered on an annual basis and based upon the achievement of CSCI's key objectives.

The amount of individual bonus available is dependent upon the individual's achievement of personal objectives as set out in the Learning and Performance Deal process.

All salary review recommendations will be subject to final approval by the Remuneration Committee.

Benefits in Kind

The Chair and Commissioners received no benefits in kind during the period.

A taxable benefit of £370 was payable to the Chief Inspector and Senior Managers in respect of travel allowances.

Pension Benefits

Pension Benefits of Chair and Commissioners

The Chair is not eligible to join CSCI's Pension Scheme.

Commissioners remuneration is not superannuable.

Pension Benefits of Chief Inspector and Senior Managers

Details of the pension benefits of the Chief Inspector and other Senior Managers are contained in Table 6.

Table 6 – Pension Benefits of Chief Inspector & Senior Managers

	Accrued Benefits				Cash Equivalent Transfer Values (CETV)		
	Real Increase in Year		Benefits as at 31 Mar 08		CETV at 31 Mar 07 (£000)	CETV at 31 Mar 08 (£000)	Real Increase in CETV (£000)
	Lump Sum (£000)	Pension (£000)	Lump Sum (£000)	Pension (£000)			
**Paul Snell Chief Inspector	20-22.5	5-7.5	180-185	60-65	763	925	133
*Hazel Parker-Brown Business Director Corporate Services	0-2.5	0-2.5	110-115	35-40	732•	849	14
*John Fraser Business Director Quality, Performance and Methods	10-12.5	2.5-5	110-115	35-40	669•	841	79
*Mike Rourke Business Director Inspection, Regulation and Review	7.5-10	2.5-5	95-100	30-35	583•	735	69
*Judith Thomas Business Director Communications, User and Public Involvement	2.5-5	0-2.5	40-45	10-15	179•	228	13
*David Walden Business Director Strategy	2.5-5	0-2.5	145-150	45-50	870•	1,020	22

* are all members of PCSPS and the Classic Scheme

** are members of Local Government Schemes

• Due to certain factors being incorrect in last years Cabinet Office CETV calculator, there may be a slight difference between the final period CETV for 2006-07 and the start of period CETV for 2007-08.

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 disclosure applies.

The CETV figures, and from 2003-04, the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their 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 takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Non-Cash Remuneration

There was no non-cash remuneration during the period.

Compensation Paid, Significant Awards to Former Senior Managers

No compensation or significant awards were paid to former senior managers during the period.

Amounts Payable to Third Party for Services as a Senior Manager

The Director of Corporate Development, David Clark, was seconded to CSCI from the Department of Health at a total cost of £173,721 (total cost of £156,562 in 2006-07). The total cost includes gross salary, a London weighting allowance, bonus, National Insurance and pension costs.

Payments for Loss of Office

There were no payments for loss of office during the period.

Local Government Pension Schemes

The Local Government Pension Scheme is a guaranteed, final salary pension scheme 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.

CSCI offers the Local Government Pension Scheme administered by Teesside Pension Scheme. However, because of legacy arrangements, we also have other Local Government Schemes, 17 in total. All schemes other than Teesside Pension Scheme are closed schemes. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

Employer contributions for 2007-08 were £6,957k in total (£8,345k in 2006-07), at rates ranging between 12.5% and 30.4% (12.5% and 30.4% in 2006-07). Employer contributions relating to Teesside Pension Fund were £5,788k (£6,921k in 2006-07) at a rate of 14.7% (14.7% in 2006-07).

During 2007-08, CSCI obtained triennial actuarial valuation results from Local Government Pension Funds, resulting in revised employer contribution rates for 2008-09, 2009-10 and 2010-11.

Contribution rates for 2008-09 are currently expected to range between 6.2% and 33.0% (13.7% for Teesside Pension Fund).

Principal Civil Service Pension Scheme (PCSPS)

CSCI offers the Local Government Pension Scheme administered by Teesside Pension Scheme. However, because of legacy arrangements we also have staff that are members of Civil Service Pension Schemes.

Some of the CSCI directors are members of the Civil Service Pension Scheme because they were allowed to transfer/maintain continuity.

Pension benefits are provided through the Civil Service Pension (CSP) arrangements.

From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The scheme is an unfunded multi-employer defined benefit scheme but CSCI is unable to identify its share of underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08, employers' contributions of £984k were payable to the PCSPS (£1,352k in 2006-07) at one of four rates in the range 17.1% to 25.5% of pensionable pay (17.1% to 25.5% in 2006-07), based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Salary bands for 2008-09 are to remain the same as those in 2007-08:

	New Salary Band (£)	Contribution (%)
Band 1	19,000 and under	17.1
Band 2	19,001 to 39,000	19.5
Band 3	39,001 to 66,500	23.2
Band 4	66,501 and over	25.5

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk

NHS Pension Scheme

Due to legacy arrangements, CSCI have staff that are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. 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 an organisation 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 the Commission of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

In 2007-08 CSCI employer's contributions were £647k (£716k in 2006-07), at a rate of 14% of pensionable pay (14% in 2006-07).

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

Scheme provisions as at 31 March 2008

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service. A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement, less pension already paid, subject to a maximum amount equal to twice the member's final year's pensionable pay less their retirement lump sum for those who die after retirement, is payable.


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 the income and expenditure account at the time the organisation commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

Scheme provisions from 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website

www.pensions.nhsbsa.nhs.uk

Signed: 
Name: Paul Snell
Position: Chief Inspector
Dated: 9 July 2008

Financial Statements

For Year 1 April 2007 to 31 March 2008

Statement of Accounting Officer's Responsibilities

Under the Health and Social Care (Community Health and Standards) Act 2003, the Secretary of State has directed CSCI 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 show a true and fair view of the state of affairs of CSCI and of its income and expenditure, recognised gains and losses and cash flow for the financial year.

In preparing the accounts CSCI is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis.

The responsibilities of an Accounting Officer's include responsibility for ensuring propriety, and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding CSCI's assets, are set out in *Managing Public Money* issued by HM Treasury.

Statement on Internal Control

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of CSCI's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

CSCI was established on 1 April 2004 and is a Non-Departmental Public Body of the sponsoring Department of Health, to whom we provide regular reports. The Commission has corporate responsibility for ensuring that it fulfils the objectives set by statute and agreed by the Secretary of State and for promoting the efficient and effective use of resources by the organisation. I, as the designated Accounting Officer, establish CSCI's Corporate and Business Plans in agreement with the Commission and the Department and advise the Commission on performance against those agreed aims and objectives.

The process of producing a Business Plan for 2007-08 and the regular review of performance and financial monitoring by the Commission, the Department of Health and Senior Management Board enable me to monitor and be accountable for the achievement of the Commission's aims and objectives.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the CSCI's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the CSCI throughout the year ended 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. The Capacity to Handle Risk

The Commission has overall responsibility for risk management within CSCI. The Audit and Risk Committee also plays a key role and has received regular updates on the key risks, in particular those associated with our ICT, Estates Strategies and the introduction of Quality Ratings for service providers. Risk management is led by the Business Director of Corporate Services, supported primarily by the Head of Finance and Strategy colleagues, who lead work on corporate and business planning and who have ensured that risk has been an integral element of the business planning and performance management processes through the development of risk registers in each directorate and by each programme board. The risk management process has been developed to ensure that

risks are adequately managed and that ownership and accountability are clear within this context. The Leadership Group, comprising the top 35 managers, led the business planning and associated risk management work collectively and individually in their regions, functional areas or directorates.

4. The risk and control framework

CSCI has established a continuous process for identifying, evaluating and managing significant risks, which has been in place and operating for the period to which this statement relates. Key elements of the risk management strategy are:

- The Commission meets regularly to consider its plans, performance and strategic direction.
- The Audit and Risk Committee receives regular reports on risk management, the corporate risk register and aspects of internal control. The Committee has approved the Risk Policy. The Committee formally reports to the Commission after each of its meetings and produces an Annual Report of its work.
- A programme management structure with programme and project board workstreams has been established and reviewed to enable CSCI to manage those programmes and projects that cut across the responsibilities of more than one Directorate. This includes the transition of CSCI to the Care Quality Commission. The structure provides the basis for our Programme Office management arrangements, which is monitored by the Strategy Directorate. Each programme is required to identify, evaluate and manage the risks to its success and to formally report on progress towards agreed milestones on a regular basis. Each programme board and project is also required to establish a risk register and to review its management of those risks. The Senior Management Board monitors the programme boards on a regular basis. The structure of these Boards was reviewed and amended during 2006-07 in response to the increasing importance and risks associated with the overall change programme.
- Risk management continues to be embedded throughout the organisation through the development of the corporate risk register, directorate risk registers, risk assessment of programmes and projects and review processes.
- Key risks are identified in the Commission's corporate risk register and the top ten are published in our corporate business plan. In 2007-08 the ten risks included "*significant resource constraints*" and "*our strategic ambition – too radical or not radical enough*".

The resource issues have been managed by securing viable revenue and capital budgets and transitional funding, reducing inspection workload by adopting a risk based approach to inspections and implementing ICT, Estates and Workforce Strategies, which are generating the savings required to meet our reducing resources, whilst still achieving our objectives. Regular monitoring of budgets and strategies has provided assurance that the risk is being managed.

The strategic direction of the Commission is set following robust consultation with stakeholders and we proactively contribute to consultations and debates on DH policy issues. We take assurance on

the risks from stakeholder feedback, regular discussions with the Chair and Commissioners in private sessions and monitoring of corporate programmes and the delivery of the business plan.

During the year some of the key issues were reviewed by Internal Audit and reported to the Audit and Risk Committee. Those included our work in developing Quality Ratings for service providers, transition planning and Data Protection. The reports provided recommendations, which resulted in improvements to the documentation of the transitions process and a clear understanding of the improved quality assurance process being established for inspectors' reports.

Our Data Protection Policy was implemented in March 2008 and we are increasing and recording the monitoring of systems to check compliance with policies.

The Commission introduced a comprehensive procedure for the central reporting of information security incidents in January 2008. There was no requirement for formal recording of issues before 2007-08 and therefore the Commission is unable to provide a complete, accurate and reliable account of protected personal data related incidents prior to this.

Since January 2008, there have been no reported security incidents involving protected personal data that would fall within the Cabinet Office guidelines for inclusion in the annual report.

All of the agreed actions resulting from reports to the Audit and Risk Committee are monitored by inclusion on a Tracking Report to every meeting, which provides an update on progress. Two recommendations have been outstanding for over 12 months. One is the development of an electronic document and records management system, which is now a joint project with the Healthcare Commission awaiting DH approval. The other recommendation was for the creation of historical functionality in databases. This has been rescheduled with the revised implementation of the ICAP project to early 2008-09.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the system of internal control is informed by the work of the internal auditors and the executive managers within CSCI who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Commission and the Audit and Risk Committee and plans to address weaknesses and ensure continuous improvement of the system are in place.

The effectiveness of the system of internal control is maintained by a wide range of activity:

- The Commission meets regularly to consider performance against a range of key indicators.
- The Audit and Risk Committee thoroughly reviews Internal Audit reports including continuous monitoring of the implementation of all improvement recommendations.

- Detailed monitoring and management of the performance of CSCI is carried out by fortnightly meetings of a Senior Management Board (SMB) comprising myself and all Business Directors. A Delegated Decision Making Group has also been established to deal with operational decisions that do not need to take the time of the full SMB.
- The Internal Audit service for 2007-08 was provided by KPMG, following a competitive tendering process, and is carried out as defined by the Government Internal Audit Standards.
- Internal Audit conduct a range of investigations to an annual plan following a review of the corporate risk register and discussions with myself, Business Directors and the Audit and Risk Committee.
- Everyone in the organisation, including myself and the Business Directors, operates under a performance management system called the Learning & Performance Deal. Personal objectives to deliver an individual's contribution to the business plan are agreed in one to one sessions between individuals and their line managers. Any learning necessary to enable delivery against these objectives is identified and actioned. These objectives are then monitored regularly throughout the year and action is taken, as necessary, to ensure that objectives are met, so that the totality of CSCI's objectives are delivered as planned. A formal appraisal of myself and Business Directors is undertaken at the year end and considered by the Remuneration Committee in May. These arrangements provide assurance as to the deliverability of the overall plan and engage all staff so that they all have a stake in the success of the organisation.
- At operational level, performance was monitored at national, regional and area level and quality checks are carried out on the output of Inspectors by local managers and externally by the Quality Manager in the QPM directorate. In addition, we are establishing Quality Boards from April 2008 which include external stakeholders and will provide additional quality assurance of Inspectors reports. The Business Director, (Inspection, Regulation and Review), regularly reviews performance against targets. Equivalent arrangements are in place in the other directorates to ensure that they too deliver to plan.

There are no significant control issues to report.

Signed: 
 Name: Paul Snell
 Position: Chief Inspector
 Dated: 9 July 2008

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Commission for Social Care Inspection for the year ended 31 March 2008 under the Health and Social Care (Community Health and Standards) Act 2003. These comprise the Income and Expenditure Account, the Statement of Recognised Gains and Losses, the Balance Sheet and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Commission, Chief Inspector and Auditor

The Commission and Chief Inspector as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Health and Social Care (Community Health and Standards) Act 2003 and directions made by the Secretary of State with the approval of HM Treasury and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Health and Social Care (Community Health and Standards) Act 2003 and directions made by the Secretary of State with the approval of HM Treasury. I report to you whether, in my opinion, the information, which comprises the Introduction to Accounts, the Management Commentary and the unaudited part of the Remuneration Report, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Commission's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Commission and Chief Inspector in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Health and Social Care (Community Health and Standards) Act 2003 and directions made by the Secretary of State with approval of HM Treasury, of the state of the Commission's affairs as at 31 March 2008 and of its net expenditure, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Health and Social Care (Community Health and Standards) Act 2003 and directions made by the Secretary of State with the approval of HM Treasury; and
- information, which comprises the Introduction to Accounts, the Management Commentary and the unaudited part of the Remuneration Report, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

T J Burr

Date: 11 July 2008

Comptroller and Auditor General

National Audit Office

151 Buckingham Palace Road

Victoria

London

SW1W 9SS

Income and Expenditure Account

for the year ended 31 March 2008

	Note	Year to 31 March 2008		Year to 31 March 2007		Total £'000
		Continuing Operations		Continuing Operations	Discontinued Operations	
		£'000	£'000	£'000	£'000	
Gross Income						
Income from activities	3	56,619		57,127	6,135	63,262
Income from disposal of fixed assets	8(c)	4		114	–	114
Total Income			56,623	57,241	6,135	63,376
Expenditure						
Staff costs	4(a)	82,275		88,617	12,361	100,978
Other operating charges	5	37,833		41,009	3,041	44,050
Depreciation and other amounts written off tangible and intangible fixed assets	8	13,938		16,163	–	16,163
Loss on revaluation of fixed assets	8	1,013		1,883	–	1,883
Total Expenditure			135,059	147,672	15,402	163,074
Net Operating Expenditure			(78,436)	(90,431)	(9,267)	(99,698)
Exceptional Items:						
– termination of employment	6a	(10,799)		(1,166)	–	(1,166)
– empty offices	6b	(10,018)		–	–	–
Interest receivable and other finance income	7	2,717		1,975	–	1,975
Notional cost of capital	1(e)	(701)		(168)	–	(168)
Net Expenditure for period on ordinary activities			(97,237)	(89,790)	(9,267)	(99,057)
Write back of notional cost of capital		701		168	–	168
Net Expenditure for the financial year			(96,536)	(89,622)	(9,267)	(98,889)

Statement of Recognised Gains and Losses

for the year ended 31 March 2008

	Note	Year to	Year to
		31 March 2008	31 March 2007
		£'000	£'000
Revaluation of tangible fixed assets not released to income and expenditure	8	419	182
Actuarial gain in pension schemes	4(c)vii	24,718	12,536
Gains recognised since last annual report		25,137	12,718

Balance Sheet

as at 31 March 2008

	Note	As at 31 March 2008		As at 31 March 2007		Total £'000
		Continuing Operations		Continuing Operations	Discontinued Operations	
		£'000	£'000	£'000	£'000	
Intangible Fixed Assets	8(a)		258	300	–	300
Tangible Fixed Assets	8(b)		33,848	29,657	–	29,657
			34,106	29,957	–	29,957
Current Assets:						
Debtors/Prepayments:						
Amounts falling due within one year	9(a)	5,679		5,433	258	5,691
Cash at bank and in hand	17	9,312		7,327	–	7,327
			14,991	12,760	258	13,018
Current Liabilities:						
Creditors/Accruals						
Amounts falling due within one year	10(a)		(9,477)	(10,843)	–	(10,843)
Net Current Assets			5,514	1,917	258	2,175
Long-term Liabilities:						
Amounts falling due after more than one year	10(b)		(141)	(160)	–	(160)
Provisions for liabilities and charges:						
Provisions	11		(13,017)	–	–	–
Total assets less liabilities excluding pension liabilities			26,462	31,714	258	31,972
Pension assets/(liabilities)	4(c)		2,083	(18,101)	(2,339)	(20,440)
Total assets less liabilities including pension liabilities			28,545	13,613	(2,081)	11,532
Financed by:						
Income and Expenditure Reserve	12		10,230	–	–	17,935
Pension Reserve	13		18,315	–	–	(6,403)
Total Reserves			28,545	–	–	11,532

Signed: Paul Snell

Name: Paul Snell

Position: Chief Inspector

Dated: 9 July 2008

Cash Flow Statement

for the year ended 31 March 2008

	Note	Year to	Year to
		31 March 2008	31 March 2007
		£'000	£'000
Operating Activities:			
Net cash outflow from operating activities	16	(68,025)	(74,086)
Returns on investment and servicing of finance:			
Interest received	7	278	223
Capital expenditure and financial investments:			
Payments to acquire fixed assets	8	(18,680)	(19,722)
Cash outflow from capital expenditure and financial investment		(86,427)	(93,585)
Financing:			
Grant in Aid received for capital expenditure	2	18,707	19,978
Grant in Aid received for revenue expenditure	2	69,705	79,645
Increase in cash in period	17	1,985	6,038

Net cash outflow from operating activities includes exceptional items of £10,799k (£1,166k year to 31 March 2007).

The notes on pages 99 to 120 form part of these accounts.

Notes to the Accounts

1) Accounting Policies

a) Accounting Convention

The Financial Accounts cover the period 1 April 2007 to 31 March 2008.

The financial statements have been drawn up in accordance with the Commission for Social Care Inspection Financial Memorandum, Accounts Direction issued by the Secretary of State, *Managing Public Money* and in accordance with applicable accounting standards and the accounting and disclosure requirements given in the *Financial Reporting Manual* (FReM) insofar as these are appropriate to CSCI and are in force for the financial year for which these statements are prepared. The financial statements are prepared under the modified historic cost convention by the inclusion of fixed assets at their value to the business by reference to current costs.

b) Fixed Assets

Fixed assets were capitalised in the Balance Sheet at their modified historic cost less depreciation or amortisation.

Fixed assets other than software licences were capitalised as tangible assets.

Fixed assets expenditure was defined as expenditure of £5,000 or more on land, new construction, extensions or alterations to existing buildings and the purchase of any other fixed assets e.g. IT equipment and vehicles with an expected working life of more than one year.

Purchased computer software was capitalised as an intangible asset where expenditure of £5,000 or more is incurred.

c) Depreciation and amortisation

Depreciation and amortisation on fixed assets was provided on a straight-line basis, at rates calculated to write off the cost, less any residual value, over their estimated useful lives as follows:

Estimated Useful Lives:	
Computer software	5 years
IT infrastructure	5 years
Furniture and fittings:	
– Office refurbishment	10 years
– Furniture	5 years
Office equipment	5 years
Information technology:	
– Computer equipment and website	3 years
– IT capital projects	5 years
Motor vehicles	4 years

Capital spend on redundant assets relating to the Estates Strategy is fully depreciated during the year in which the expenditure is incurred.

d) Operating Leases

Rental payable under operating leases was charged to the income and expenditure account on a straight-line basis over the lease term.

e) Notional Costs

A notional cost of capital has been charged in accordance with HM Treasury requirements at a rate of 3.5% on the average of capital employed during the year. The notional cost of capital for the year ended 31 March 2008 was £701k.

f) Value Added Tax

CSCI is not registered for Value Added Tax. All expenditure reported in these statements therefore includes VAT where this was charged. All irrecoverable VAT is charged to expenditure in the year in which it was incurred.

g) Income

Income from activities and proceeds in relation to the disposal of fixed assets are reflected in income. Government grant-in-aid received for revenue and capital expenditure is credited to the income and expenditure reserve.

h) Pension Costs

The majority of CSCI's employees (69%) are members of local authority pension schemes (78% in 2006-07). These are defined benefit schemes and are independent of CSCI. Contributions are paid to the schemes in accordance with the recommendations of independent actuaries to enable the administering bodies to meet from the schemes the benefits accruing in respect of current and future service.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The decrease in the present value of the liabilities of CSCI's defined benefit pension schemes expected to arise from employee service in the period is reflected in the operating deficit on continuing operations. The expected return on the schemes' assets and the increase during the period in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the Statement of Recognised Gains and Losses.

The pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

Some of CSCI's employees (7%) participated in the National Health Service Pension Scheme (7% in 2006-07) and (5%) participated in the Principal Civil Service Pension Scheme (PCSPS) (6% in 2006-07). The PCSPS is a statutory scheme under the Superannuation Act 1972. Both are defined benefit schemes and CSCI's contributions are charged to the Income and Expenditure Account as and when they are due so as to spread the cost of pensions over the employees' working lives within CSCI.

i) Provisions

CSCI provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2 per cent).

2) Government Grant in Aid

	Year to 31 Mar 08 £'000	Year to 31 Mar 07 £'000
Grant in Aid used for revenue expenditure (see note 12)	69,705	79,645
Grant in Aid used for capital expenditure (see note 12)	18,707	19,978
Grant in Aid received from Department of Health	88,412	99,623

3) Income from Activities

	Year to 31 Mar 08 £'000	Year to 31 Mar 07 £'000
Income from fees	56,367	62,994
Other Income	252	268
Total Income from Activities	56,619	*63,262

* includes discontinued operations – see Note 21.

4) Employee Information

a) Staff costs

Staff costs include:

	Year to 31 Mar 08 £'000	Year to 31 Mar 07 £'000
Salaries and Wages	60,686	75,289
Employers National Insurance	5,324	6,618
Employers Superannuation	8,481	10,454
External Consultants & Agency Staff	3,021	3,084
Secondments	(191)	(263)
Other staff costs	363	379
Increase in operating charge for pensions	4,591	5,417
Total Staff Costs	82,275	*100,978

* includes discontinued operations – see Note 21

Staff costs include external consultants and agency staff. These are disclosed separately in the table above. In addition to the above, £592k of staff costs were capitalised during 2007-08 (£1,054k during 2006-07). These costs included salary, National Insurance and pension costs. An additional £191k was capitalised in relation to staff expenses (£55k in 2006-07).

The increase in the operating charge for pensions relates to current service costs less employer contributions of £3,022k, past service costs of £558k and curtailment and settlement costs of £1,011k.

Termination of employment costs totalling £10,799k were incurred in 2007-08, (£1,166k in 2006-07). Termination of employment costs are reported as an exceptional item (note 6a) and are not included as staff costs.

Seven persons retired early on ill-health grounds during the year. The total additional accrued pension liabilities in the year amounted to £55k (Pension £12k, and Lump Sum £43k).

b) Average number of whole-time employees

The average number of whole-time equivalent (wte) employees during the year ended 31 March 2008, was 1,859 wte (2,397 wte 2006-07) analysed as follows:

	Contract		Outward Secondment		Inward Secondment		Agency		Total	
	07-08	06-07	07-08	06-07	07-08	06-07	07-08	06-07	07-08	06-07
	wte	wte	wte	wte	wte	wte	wte	wte	wte	wte
Senior Mgt	19	22	(2)	(1)	0	0	0	0	17	21
Management	361	440	(9)	(7)	5	4	1	1	358	438
Inspectors	911	1,237	(2)	(6)	1	4	5	12	915	1,247
Admin	487	619	0	(3)	3	4	79	71	569	691
Total	1,778	2,318	(13)	(17)	9	12	85	84	1,859	2,397

c) Pension Arrangements

CSCI operates a number of defined benefit pension schemes under which contributions are paid by the CSCI and employees.

i) The net pension asset/liability of each Local Government defined benefit scheme is as follows:

Pension Fund	Assets Year to 31 Mar 08 £'000	Liabilities Year to 31 Mar 08 £'000	Surplus/ (Deficit) Year to 31 Mar 08 £'000	Surplus/ (Deficit) Year to 31 Mar 07 £'000	Surplus/ (Deficit) Year to 31 Mar 06 £'000	Surplus/ (Deficit) Year to 31 Mar 05 £'000
Teesside	168,379	(159,489)	8,890	(14,180)	(19,268)	(25,337)
Essex	3,974	(4,990)	(1,016)	(923)	(1,283)	(1,229)
Merseyside	4,466	(5,089)	(623)	(12)	(285)	(850)
Greater Manchester	9,708	(9,535)	173	(789)	(1,468)	(1,225)
Derbyshire	3,076	(3,294)	(218)	74	(86)	(209)
Hampshire	3,640	(4,140)	(500)	(1,010)	(1,010)	(1,100)
West Yorkshire	6,506	(8,174)	(1,668)	(282)	(715)	(1,089)
Cheshire	2,223	(2,706)	(483)	(150)	(440)	(390)
Avon	3,551	(4,313)	(762)	(312)	(562)	(459)
Cumbria	2,483	(3,297)	(814)	(640)	(826)	(814)
Cambridgeshire	1,856	(1,867)	(11)	(115)	(268)	(231)
Suffolk	2,527	(2,577)	(50)	(314)	(549)	(524)
East Sussex	3,110	(2,962)	148	(260)	(480)	(342)
Surrey	3,431	(3,465)	(34)	(582)	(790)	(669)
West Sussex	2,107	(2,198)	(91)	(189)	(335)	(396)
Dorset	2,035	(2,401)	(366)	(254)	(293)	(327)
Shropshire	1,837	(2,329)	(492)	(502)	(622)	(669)
TOTAL	224,909	(222,826)	2,083	*(20,440)	(29,280)	(35,860)

* includes discontinued operations – see Note 21

The net pension asset reported in 2007-08 is due to the increase in discount rate for liabilities, triennial valuations of pension funds, and changes in assumptions such as mortality assumptions.

A summary of the FRS17 disclosure information is as follows:

ii) The range of major assumptions used by the actuaries are stated below:

	Teesside Pension Fund				Other Pension Funds			
	% per annum				% per annum			
	07-08	06-07	05-06	04-05	07-08	06-07	05-06	04-05
Price increases	3.7	3.3	3.0	2.9	3.6 to 3.7	3.1 to 3.3	2.9 to 3.1	2.9
Rate of increase in salaries	5.7	5.3	5.0	4.9	4.85 to 5.7	4.35 to 5.3	4.15 to 4.8	4.15 to 4.17
Rate of pension increases	3.7	3.3	3.0	2.9	3.6 to 3.7	3.1 to 3.3	2.9 to 3.1	2.9
Discount Rate	6.6	5.4	4.9	5.4	6.1 to 6.9	5.3 to 5.4	4.9	5.3 to 5.5

iii) The Net Pension Liability based on the share in respect of CSCI:

	As at 31 Mar 08 £'000	As at 31 Mar 07 £'000	As at 31 Mar 06 £'000	As at 31 Mar 05 £'000
Total market value of assets	224,909	234,342	208,372	147,476
Present value of scheme liabilities	(222,826)	(254,782)	(237,652)	(183,336)
Net Pension Asset/(Liability)	2,083	(20,440)	(29,280)	(35,860)

iv) The composition of assets in the scheme and the expected rate of return:

	Range of Long Term Rates Expected at 31 Mar 08 % per annum	Value at 31 Mar 08 £'000	Range of Long Term Rates Expected at 31 Mar 07 % per annum	Value at 31 Mar 07 £'000	Range of Long Term Rates Expected at 31 Mar 06 % per annum	Value at 31 Mar 06 £'000	Range of Long Term Rates Expected at 31 Mar 05 % per annum	Value at 31 Mar 05 £'000
Equities	7.1 to 7.7	161,776	7.2 to 7.8	175,086	7.0 to 7.4	156,285	7.5 to 7.7	106,998
Gilts	4.3 to 4.6	18,424	4.4 to 4.7	17,861	4.2 to 4.3	18,329	4.5 to 4.7	15,079
Bonds	5.4 to 6.8	7,838	4.9 to 5.4	8,710	4.6 to 4.9	7,757	4.7 to 5.4	5,954
Property	5.7 to 6.7	12,094	5.8 to 6.7	13,685	5.5 to 6.5	10,762	5.7 to 7.0	8,121
Cash	4.8 to 5.3	23,317	4.9 to 5.3	18,284	4.0 to 4.6	14,665	4.3 to 4.8	11,037
Other	6.0 to 7.5	1,460	5.6 to 7.5	716	7.0	574	7.5	287
Total Market Value of Assets		224,909		234,342		208,372		147,476

Split of assets between investment categories as at:				
	31 Mar 08	31 Mar 07	31 Mar 06	31 Mar 05
Equities	71.9%	74.7%	75.0%	72.6%
Gilts	8.2%	7.6%	8.8%	10.2%
Bonds	3.5%	3.7%	3.7%	4.0%
Property	5.4%	5.9%	5.2%	5.5%
Cash	10.4%	7.8%	7.0%	7.5%
Other	0.6%	0.3%	0.3%	0.2%

v) Analysis of the amount charged to Income and Expenditure:

	Year to 31 Mar 08 £'000	Year to 31 Mar 07 £'000	Year to 31 Mar 06 £'000	Year to 31 Mar 05 £'000
Current service cost	10,777	13,832	11,011	10,592
Past service cost	400	–	(692)	429
Curtailments and settlements	1,169	61	348	900
Changes in accounting methodology	–	–	–	400
Total Operating Charge	12,346	13,893	10,667	12,321

Analysis of amount credited to Other Finance Income:

	Year to 31 Mar 08 £'000	Year to 31 Mar 07 £'000	Year to 31 Mar 06 £'000	Year to 31 Mar 05 £'000
Expected return on pension scheme assets	15,383	13,770	10,626	8,348
Interest on pension scheme liabilities	(12,987)	(12,049)	(10,403)	(8,566)
Net return	2,396	1,721	223	(218)
Total charge to the Income and Expenditure Account:	9,950	12,172	10,444	12,539

vi) Movement of deficit during the year:

	Year to 31 Mar 08 £'000	Year to 31 Mar 07 £'000	Year to 31 Mar 06 £'000	Year to 31 Mar 05 £'000
Deficit at beginning of year	(20,440)	(29,280)	(35,860)	(37,963)
Effect of change in accounting methodology	–	–	–	(400)
Current service cost	(10,777)	(13,832)	(11,011)	(10,592)
Employer contributions	7,755	8,476	8,687	9,428
Past service costs	(521)	–	692	(429)
Impact of settlements and curtailments	(1,048)	(61)	(348)	(900)
Net return on assets	2,396	1,721	223	(218)
Actuarial gains	24,718	12,536	8,337	5,214
Surplus/(Deficit) at end of year	2,083	(20,440)	(29,280)	(35,860)

vii) Analysis of the amount recognised within the Statement of Recognised Gains and Losses:

	Year to 31 Mar 08 £'000	Year to 31 Mar 07 £'000	Year to 31 Mar 06 £'000	Year to 31 Mar 05 £'000
Difference between the expected and actual return on scheme assets	(19,588)	829	33,491	6,224
Experience losses and gains of scheme liabilities	10,226	340	(980)	3,791
Changes in financial assumptions underlying the present value of the scheme liabilities	34,080	11,367	(24,174)	(4,801)
Actuarial gains recognised in Statement of Recognised Gains and Losses	24,718	12,536	8,337	5,214

viii) History of experience gains and losses:

	2007-08	2006-07	2005-06	2004-05
Difference between expected and actual return on scheme assets:				
Amount (£000s)	(19,588)	829	33,491	6,224
Percentage of scheme assets	(8.7%)	0.4%	16.1%	4.2%
Experience gains and losses on scheme liabilities:				
Amount (£000s)	10,226	340	(980)	3,791
Percentage of the present value of scheme liabilities	4.6%	0.1%	(0.4%)	2.1%
Change in financial assumptions:				
Amount (£000s)	34,080	11,367	(24,174)	(4,801)
Percentage of the present value of scheme liabilities	15.3%	4.5%	(10.2%)	(2.6%)
Total amount recognised in statement of recognised gains and losses:				
Amount (£000s)	24,718	12,536	8,337	5,214
Percentage of the present value of scheme liabilities	11.1%	4.9%	3.5%	2.8%

The full requirement of FRS17 in relation to prior years disclosure has not been made as CSCI has only existed for four years.

FRS17 Disclosure information for each individual Pension Fund can be provided on request.

Requests for FRS17 disclosure information should be addressed to the Financial Controller, Commission for Social Care Inspection, St Nicholas Building, St Nicholas Street, Newcastle upon Tyne, NE1 1NB.

5. Other Operating Charges

	Year to 31 Mar 08 £'000	Year to 31 Mar 07 £'000
Operating Leases (Equipment)	249	419
Operating Leases (Premises)	6,272	8,082
Other Premises Costs	7,226	7,026
Recruitment & Staff Search	279	195
Travel and Subsistence	4,008	4,788
Training & Development Costs	2,079	2,066
Office Supplies	947	1,287
External Audit Fees	60	60
Losses and Special Payments (Bad Debt)	36	56
Losses and Special Payments (Other)**	65	–
Other Costs	16,612	20,071
Total Other Operating Costs	37,833	*44,050

* includes discontinued operations – see Note 21.

** Losses and Special Payments (Other) relates to compensation payments for loss of office for which CSCI has sought the necessary HM Treasury approval.

External audit fees include an estimated cost of £60k in relation to the audit of the 2007-08 Annual Report and Accounts. The external auditors performed no other work for CSCI.

6. Exceptional Items

a) Termination of Employment

During 2007-08 a total of £10,799k was incurred in relation to termination of employment. (£1,166k in 2006-07).

Fruitless payments relating to pay to lieu of notice totalled £514k (£489k in relation to redundancy), and redundancy costs payable to staff amounted to £6,683k. A total of £3,598k was payable to pension funds (£3,489k in relation to redundancy, and £109k in relation to other terminations). £4k was also incurred in relation to compromise agreements during the year.

Exceptional Items	Year to 31 Mar 08 £'000	Year to 31 Mar 07 £'000
Termination of Employment		
Redundancy payments	*6,683	267
Payments in lieu of notice	514	154
Payments to employees	7,197	421
Payments to Pension Funds	3,598	745
Compromise Agreements	4	–
Total	10,799	1,166

* includes backdated redundancy payments totalling £656k, made as a result of an amendment to the CSCI redundancy policy during the year.

b) Empty Offices

In 2007-08, CSCI has provided £10,018k for empty office costs. This represents the ongoing lease costs of vacant offices until the lease end date, or break date if earlier, some of which extend to 2017-18. As such, costs have been discounted at the HM Treasury rate of 2.2%, to reflect the time value of money.

In 2008-09, CSCI is due to receive £4.5m Grant in Aid funding from the Department of Health in relation to Empty Office expenses. CSCI has also embarked on a marketing campaign to transfer or sub-lease vacant properties to third parties.

7. Interest Receivable and Other Finance Income

	Year to 31 Mar 08 £'000	Year to 31 Mar 07 £'000
Net return on pension scheme assets and liabilities	2,396	1,721
Interest receivable	321	254
Total	2,717	1,975

Interest of £321k was receivable during the period (£254k in 2006-07). At 31 March 2008, £43k had not been received.

8. Fixed Assets

Depreciation and other amounts written off totalled £13,938k. The depreciation and amortisation charges against fixed assets for the year were £10,862k. The net book value of assets written off was £2,798k. Modified Historical Cost Accounting was applied to the tangible fixed assets resulting in a depreciation adjustment of £278k.

Loss on revaluation of fixed assets of £1,013k consists of a reduction in gross value of £1,906k, offset by a reduction in accumulated depreciation of £893k.

The indexation adjustment of £217k is made up of £209k reduction in depreciation, and £8k decrease on disposal of assets.

The indexation adjustment of £1,087k is made up of a loss on revaluation of £1,906k and an upward revaluation of £944k and a disposal of assets of £125k. The revaluation of tangible fixed assets not released to income and expenditure is £419k (as shown in the Statement of Recognised Gains and Losses).

CSCI's fixed assets had a net book value of £34,106k on 31 March 2008.

a) Intangible fixed assets

	Computer Software £'000
Cost/valuation:	
At 1 April 2007	1,458
Additions	108
At 31 March 2008	1,566
Amortisation:	
At 1 April 2007	1,158
Charge for the year	150
At 31 March 2008	1,308
NBV at 1 April 2007	300
NBV at 31 March 2008	258
Decrease in NBV	[42]

b) Tangible fixed assets

	IT Infrastructure £'000	Furniture and Fittings £'000	Information Technology £'000	Motor Vehicles £'000	Totals £'000
Cost/Valuation:					
At 1 April 2007	8,308	29,392	32,905	21	70,626
Additions	1,199	5,772	11,601	–	18,572
Disposals	–	(6,079)	(585)	(9)	(6,673)
Indexation	(339)	581	(1,329)	–	(1,087)
At 31 March 2008	9,168	29,666	42,592	12	81,438
Depreciation:					
At 1 April 2007	7,976	15,466	17,507	21	40,970
Charge for the year	397	2,864	7,450	1	10,712
Disposals	–	(3,281)	(585)	(9)	(3,875)
Indexation	(325)	1,317	(1,208)	(1)	(217)
At 31 March 2008	8,048	16,366	23,164	12	47,590
NBV at 1 April 2007	332	13,926	15,398	–	29,656
NBV at 31 March 2008	1,120	13,300	19,428	–	33,848
Increase/(Decrease) in NBV	788	(626)	4,030	–	4,192

c) Disposal of Fixed Assets

	IT Infrastructure £'000	Furniture and Fittings £'000	Information Technology £'000	Motor Vehicles £'000	Totals £'000
NBV at 31 March 2008	–	2,798	–	–	2,798
Proceeds – exceeding NBV	–	–	–	(4)	(4)
Loss on Disposal of Fixed Assets	–	2,798	–	(4)	2,794

9. Debtors

a) Total Debtors

Debtors	As at 31 Mar 08 £'000	As at 31 Mar 07 £'000
Prepayments and accrued income	2,378	2,392
Amounts falling due within one year*	3,407	3,436
Taxation and social security	4	–
Less: provision for bad and doubtful debts	(110)	(137)
Total Debtors	5,679	**5,691

* Advance payments on salary and staff loans total £102k (£135k in 2006-07). Staff can apply for advance payments on salary and loans up to a maximum of £3k for rail season tickets, annual travel cards, and car, motorcycle or bicycle purchases.

** includes discontinued operations – see Note 21

b) Disclosure of intra-government balances

Debtors	As at 31 Mar 08 £'000	As at 31 Mar 07 £'000
Balances with central government bodies	213	316
Balances with Local Authorities	416	397
Balances with NHS Trusts	12	26
Balances with bodies external to Government	5,038	4,952
Total	5,679	5,691

10. Creditors

a) Current Liabilities

	As at 31 Mar 08 £'000	As at 31 Mar 07 £'000
Creditors	3,415	2,512
Accruals	3,818	6,207
Taxation and social security	2,244	2,124
Total	9,477	10,843

b) Long-Term Liabilities – Principal Civil Service Pension Scheme

The liability split for CSCI's £271k 2007-08 PCSPS creditor (£271k in 2006-07) is as follows:

	As at 31 Mar 08 £'000	As at 31 Mar 07 £'000
Total PCSPS liability	271	271
Amounts falling due within one year	130	111
Amounts falling due after one year:		
Due within two to five years	136	151
Due after five years	5	9
Total Long-Term Liability	141	160

c) Total Creditors

	As at 31 Mar 08 £'000	As at 31 Mar 07 £'000
Total creditors including Long-Term Liabilities	9,618	11,003

d) Disclosure of intra-government balances

Creditors	As at 31 Mar 08 £'000	As at 31 Mar 07 £'000
Balances with central government bodies	2,819	634
Balances with Local Authorities	1,790	1,369
Balances with NHS Trusts	426	195
Balances with bodies external to Government	4,583	8,805
Total	9,618	11,003

11. Provisions for liabilities and charges

	As at 31 Mar 08	As at 31 Mar 07
Provision for Empty Offices	10,018	–
Redundancies agreed before 31 Mar 08	2,999	–
Total	13,017	–

To comply with the detailed requirements of FRS12 CSCI has made a provision for ongoing future lease liabilities as at 31 March 2008 associated with its empty offices. This is based on an estimate of possible future lease costs until the leases expire, some of which extend to 2017-18, discounted to reflect the time value of money. Future actual costs are uncertain as at 31 March 2008, as CSCI has embarked on a marketing campaign to transfer or sub-lease vacant properties to third parties. In addition, the work of CSCI will transfer to a new social care and health inspectorate by April 2009. The Department of Health has allocated £4.5m Grant in Aid to CSCI in 2008-09 to cover the expected cost associated with empty offices in that year.

CSCI has also made a provision for costs in relation to redundancies. All redundancies under the 2007-08 redundancy programme were agreed by 31 March 2008, although some staff will not actually leave CSCI until 2008-09. At 31 March 2008, the related liability is estimated as £2,999k. This includes estimated payments to staff and pension funds, for which the actual liability will not be known until staff leave.

12. Income and Expenditure Reserve

	Year to 31 Mar 08 £'000	Year to 31 Mar 07 £'000
Opening Balance	17,935	17,017
Net expenditure for the financial year	(96,536)	(98,889)
Grant in Aid – revenue (see note 2)	69,705	79,645
Grant in Aid – capital (see note 2)	18,707	19,978
Surplus on revaluation	419	182
Rounding adjustment from prior year	–	2
Closing Balance	10,230	17,935

13. Pension Reserve

	Year to 31 Mar 08 £'000	Year to 31 Mar 07 £'000
Deficit at beginning of the year	(6,403)	(18,939)
Recognition of pension liability actuarial gains [see note 4 vi]]	24,718	12,536
Closing Balance	18,315	(6,403)

14. Capital Commitments

CSCI's capital spend was controlled by the Department of Health for the year to 31 March 2008.

CSCI had outstanding commitments of £164k, based on orders in place as at 31 March 2008 (£14k as at 31 March 2007).

15. Contingent Liabilities

CSCI identified the following contingent liabilities at the balance sheet date:

Care Standards Tribunals (CST):	There are 32 tribunals currently being defended by CSCI. These may involve non-recoverable costs of attendance, and additional complexity may arise as evidence is investigated further. The possible liabilities arising are estimated cumulatively at £480k.
Prosecutions:	There are 2 prosecutions presently being conducted by CSCI. Our own costs are estimated to be in the region of £10k in each matter.

16. Reconciliation of operating deficit to net cash outflow from operating activities

	Year to 31 Mar 08 £'000	Year to 31 Mar 07 £'000
Net Operating Expenditure	(78,436)	(99,698)
Termination of Employment	(10,799)	(1,166)
Empty Offices	(10,018)	–
Depreciation and amortisation	11,140	12,606
Loss on disposal of fixed assets	2,798	3,557
Loss on revaluation of fixed assets	1,013	1,883
Pension liability	4,591	5,417
Decrease in debtors	11	852
Bank interest debtor	43	31
(Decrease)/Increase in creditors	(1,385)	2,432
Increase in provision	13,017	–
Net cash outflow from Operating Activities	(68,025)	(74,086)

17. Analysis of changes in cash during the period

	Period to 31 Mar 08 £'000	Period to 31 Mar 07 £'000
Increase in cash for the period	1,985	6,038
Opening net funds	7,327	1,289
Closing net funds	9,312	7,327

18. Financial Commitments

The CSCI was committed to make the following operating lease payments during the next financial year.

	2008-09 £'000	2007-08 £'000
Land and buildings		
Leases which expire within one year	*301	11
Leases which expire within two to five years	*1,841	2,747
Leases which expire after five years	*3,978	4,459
Other leases		
Leases which expire within one year	36	76
Leases which expire within two to five years	3	104

*The following sub-let arrangements are included:

Land and buildings	£'000
Leases which expire within one year	5
Leases which expire within two to five years	110
Leases which expire after five years	52

19. Related Party Transactions

CSCI is a Non-Departmental Public Body sponsored by the Department of Health.

The Department of Health is regarded as a related party. During the year CSCI made a number of material transactions with the Department and other entities for which the Department was regarded as the parent Department. In addition CSCI has had a small number of transactions with other government bodies. Balances as at 31 March 2008 are shown in notes 9 and 10.

The following Commissioners of the CSCI were associated with organisations that were deemed related parties of the CSCI:

Mr Peter Westland, CBE was a board member and trustee of the charity Action on Elder Abuse. During the year £8,346 (£3,382 in 2006-07) was paid to Action on Elder Abuse in relation to conference and learning and development expenses.

Prof. Jim Mansell is Professor of the Applied Psychology of Learning Disability at the Tizard Centre at the University of Kent, and a trustee of United Response. During the year £25,108 (£1,200 in 2006-07) was paid to the University of Kent in relation to training, qualification and consultancy expenses. In 2007-08 CSCI charged United Response £22,205 (£25,647 in 2006-07) in relation to service provider fees.

John Knight is the Head of Policy and Campaigns with the Leonard Cheshire Foundation. In 2007-08 CSCI charged Leonard Cheshire Foundation £23,312 (£32,572 in 2006-07) in relation to service provider fees. John is also a Trustee of the National Council of Voluntary Organisations and is an external member of the Office for Disability Issues (ODI) Management Board at the Department for Work and Pensions.

Olu Olasode is Chief Executive of TL First Consulting, an audit and public service productivity practice. He is also a member of Communities and Local Government Beacon Panel and Chair of its General Performance Panel. Olu further serves as a non-executive Director of Bromley NHS PCT and Chairs its Audit Committee.

Beryl Seaman, CBE is Chair of the Charity Voluntary Action Sheffield, and a trustee of the Camelot Foundation. In July 2005 she was appointed a Commissioner of the Legal Services Commission and in January 2007 she became a Governor of Sheffield Hallam University.

CSCI Chair, **Dame Denise Platt DBE**, is also Chair of the National AIDS Trust, a trustee of the NSPCC, a member of the Committee on Standards in Public Life, Governor of the University of Bedfordshire, and a member of the Independent Review Board of Cheshire Fire and Rescue Service. Dame Denise is also a board member of the Family Planning Association, and the Audit Commission. CSCI charged the Audit Commission £317,410 during 2007-08 in relation to Supporting People Inspections (£298,476 in 2006-07).

20. FRS13 Financial Instruments

FRS13

Derivatives and other Financial Instruments require disclosure of the role, which financial instruments have had during the period increasing or changing the risks CSCI faces in undertaking its activities.

Interest Rate Risk

Interest rate risk is not significant, as CSCI has no borrowings or material interest bearing deposits.

Liquidity Risk

CSCI is not exposed to significant liquidity risk, as it has no borrowing facilities, and cash requirements are met by Department of Health.

Currency Risk

Currency risk is not significant, as CSCI does not hold foreign currency assets or liabilities.

Credit Risk

CSCI is not exposed to credit risk.

21. Discontinued Operations

On 1 April 2007, all CSCI children's work, with the exception of the in-year monitoring of local council performance, and our domiciliary care services that look after children, transferred to a new Office for Standards in Education, Children's Services and Skills (new Ofsted).

This represents discontinued operations of an estimated £6,135k in relation to income from activities (fee income), £12,361k in relation to staff costs, and £3,041k in relation to other operating charges, as well as £258k of assets (debtors). Incorporated within the pension liability stated for 2006-07, it is estimated that approximately £2,339k relates to Ofsted.

22. Post Balance Sheet Events

The financial statements were authorised to be issued on 11 July 2008 by Paul Snell, Accounting Officer/Chief Inspector. There are no other post balance sheet events that would require reporting under Financial Reporting Standard 21.

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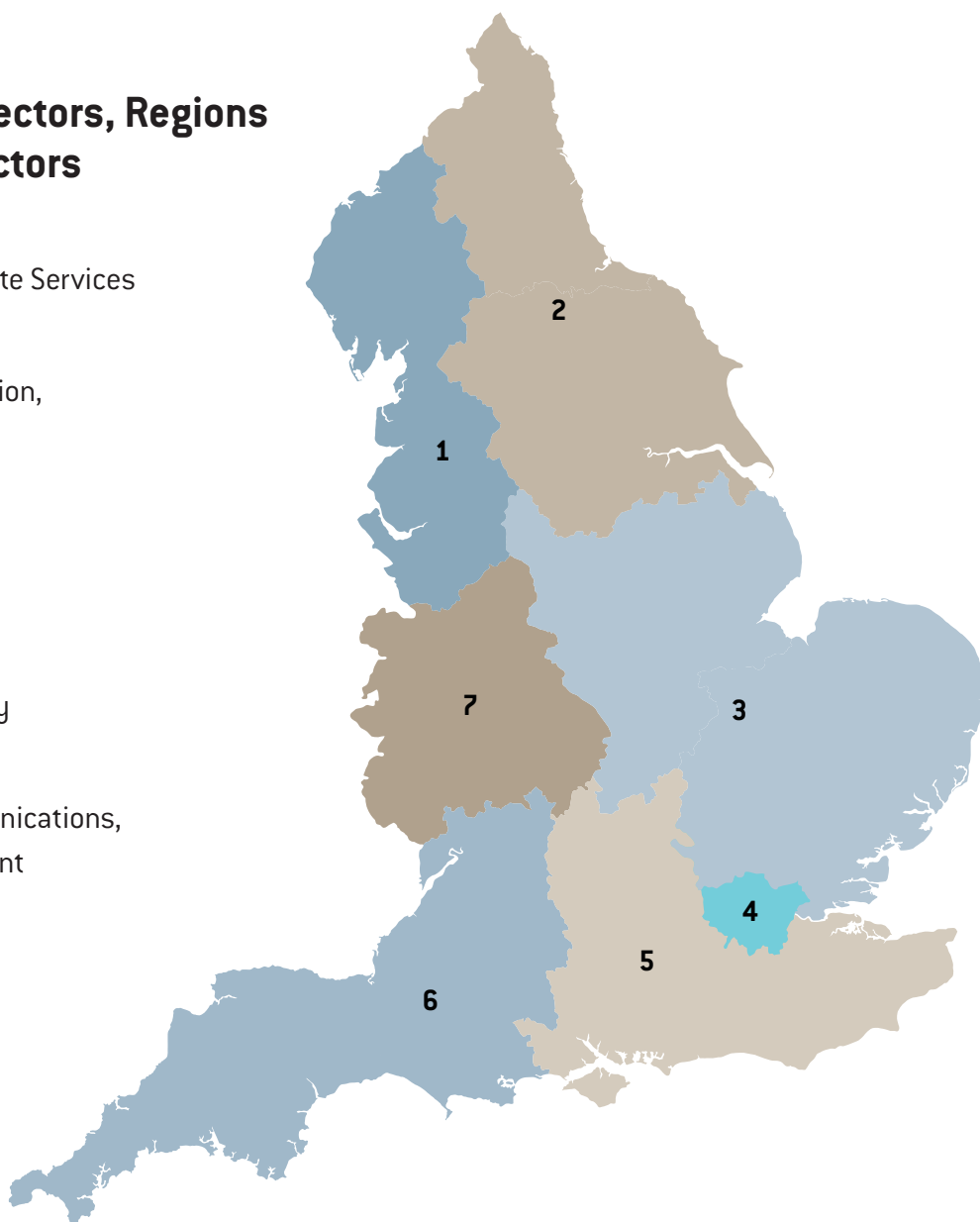
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