

Commission
for Social Care
Inspection

csci

Making Social Care
Better for People



**Annual Report
and Accounts
2008-09**

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Commission for Social Care Inspection

Annual Report and Accounts 2008-09

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Foreword



Dame Denise Platt
DBE



Paul Snell

This is the Commission for Social Care Inspection's fifth and final annual report. It sets out details of the Commission's activities and achievements in 2008-09, before we handed over responsibility for regulating and inspecting adult social care services to the Care Quality Commission in April 2009.

CSCI's focus in 2008-09 remained unchanged: to improve social care services for people who use and rely on them. We involved people who use services and their carers in all aspects of our work, from contributing to inspections to developing policy. We took a rights-based approach, rooted in our belief that protecting and promoting the human rights of individuals lies at the heart of good social care. We delivered our objectives, completing – for the fifth consecutive year – our programmes of assessing councils' social care performance and inspecting regulated care services using the risk-based, outcomes-focused approach that we developed since 2004.

CSCI published a number of key reports on many aspects of social care, including a Government-commissioned review of the criteria used by councils to assess people's eligibility for council-funded social care. This review highlighted the problems faced by people who fall below the eligibility thresholds set by councils. Our annual 'State of Social Care' report, which offered a comprehensive overview of social care in England across the public, private and voluntary

sectors, focused in particular on the experiences of people with multiple and complex needs. The report concluded that many councils are struggling with the challenge of implementing the personalisation agenda.

We took seriously our duty to promote improvement in social care services. Our experience showed that making information such as inspection reports and quality ratings publicly available is a powerful lever for improvement, and has proved to be a strong incentive for care providers to improve the quality of the service they offer. CSCI introduced quality ratings to make it possible to differentiate between services that are 'excellent' and those that only just meet the minimum standards, and to enable people to make informed decisions about their care.

CSCI has seen social care services improve each year, but as the Care Quality Commission takes up its new responsibilities much still remains to be done to ensure that people who need social care services receive the personalised care and support to which they are entitled. We wish the new Commission well for the future.

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 2008-09 and how it performed against its objectives.

The Commission was a non-departmental public body which had a statutory duty to encourage improvement in the quality of social care services in England. CSCI regulated all adult social care services irrespective of whether they were provided by councils or by the private and voluntary sectors.

CSCI licensed providers of services through its registration work; inspected and reported on the quality of services through proportionate inspection activity; encouraged poorer services to improve through enforcement activity; and helped ensure council social care services delivered value for money through its review and assessment activity.

People who use social care services, their families and carers were at the heart of all our work. In undertaking our work, we aimed

to ensure that all services were safe, met the needs of the people who used them, and were of good quality.

More details of our statutory duties and functions are in the Management Commentary on page 63. Changes to the future of social care regulation from April 2009 are set out in Chapter 6 (page 42).

“The people who need social care should be seen as individuals, first and foremost. The support they receive should be tailor-made, allowing people to live their lives as they choose.”

Dame Denise Platt DBE, Chair of the Commission



The organisational structure

Chair and Commissioners



Dame Denise Platt
DBE

Dame Denise Platt DBE was the Chair of the Commission. Dame Denise is currently Chair of the National Aids Trust (NAT), a trustee of the NSPCC, the fpa (Family Planning Association) and the Adventure Capital Fund, a

Governor of the University of Bedfordshire and a member of the Independent Review Board of the Cheshire Fire and Rescue Service. She is also a Commissioner of the Audit Commission, and a member of the Committee on Standards in Public Life.

Five Commissioners worked with the Chair to set the organisation's strategic direction and approve its annual priorities and work plans:



John Knight
(Commissioner)

John Knight is the Assistant Director of Policy & Campaigns at Leonard Cheshire Disability. John was 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; a lay member of the General Social Care Council and member of the Third Sector Advisory Board at the Office for the Third Sector (OTS) in the Cabinet Office.



Professor Jim Mansell
(Commissioner)

Professor 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.



Olu Olasode
(Commissioner)

Olu Olasode is a public service productivity and finance consultant, and Chief Executive of TL First. He is also a Board member of the Cabinet Office's Capacitybuilders and Chairman of its audit committee, and

Non-Executive Director of the Community Action Network (CAN). Olu has been appointed a Commissioner of the new Care Quality Commission (CQC) and Chairman of CQC's Audit and Risk Committee. Olu trained as a Chartered Accountant with Ernst & Young and has a range of executive director and chief executive experience across the private, public and third sectors. In addition to his role as a Commissioner with CSCI, Olu was appointed Chairman of the Audit and Risk Committee.



Beryl Seaman CBE JP 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. In October 2008 she became an independent member of South Yorkshire Police Authority.



Peter Westland CBE is a board member and a trustee of the charity Action on Elder Abuse. He is a board member of Grenfell Housing Association.

Peter Westland CBE
(Commissioner)

The Commission held regular public meetings and published minutes and papers from these meetings on our website.



Chief Inspector and staff



Paul Snell

Paul Snell was the Chief Inspector of the Commission. He led a team of six Business Directors who together planned and delivered CSCI's work programme for the year. Details of our Business Directors are on the inside back cover.

National, regional and local structure

CSCI Headquarters functions were spread between three offices in London, Leeds and Newcastle. The majority of our operational and support staff worked in seven regional offices across England and a network of 16 local offices. Regional Directors managed delivery of activity within their Region. Details of Regional Directors are on the inside back cover.

Organisation and resources

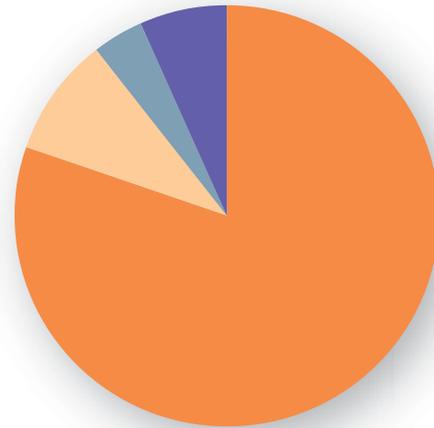
Our staffing in 2008-09 and in previous years is set out in Table 1 below:

Table 1: CSCI staff levels 2004-2009

Year	2004-05	2005-06	2006-07	2007-08*	2008-09
Whole-time equivalent contracted staff	2,422	2,389	2,318	1,778	1,560

* 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.

Figure A: CSCI'S expenditure by function 2008-09



- Social care regulation (£92.8m)
- Performance assessment of councils (£10.5m)
- Inspection of council services (£4.5m)
- Other national functions (£7.6m)

Our initial budget for operating costs in 2008-09 was £103.890 million. This was 14% smaller than in 2007-08 due to the continuing significant reductions in staff and building costs. We also received additional funding for the costs of running vacated offices and for employment terminations. Figure A above shows how we used our resources.

The Financial Statements from page 89 show a detailed breakdown of our expenditure in this financial year.

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 continued to engage and involve people who use services in our work. We have also focused on quality, not only in the services we regulate, but in how we act as an effective regulator. Details are in Chapter 2.

Chapter 3 sets out how we performed against our objectives this year and how we worked with partners in inspections to form a rounded view of council performance. It also describes the introduction of our new system of rating care services according to their quality.

People who use social care services are at the heart of everything we do. Chapter 4 sets out how we reflect to Government people's views and experiences of social care, such as on the important issue of accessing care services, and what happens when people do not meet eligibility thresholds. This chapter also sets out highlights from our major reports issued this year.

Chapter 5 sets out how we have practised what we preach, taking forward work on equalities and diversity within the Commission and how we supported staff through the transition period to the new regulator; and the introduction of a new information system.

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



2

Putting people who use social care first



Objectives for 2008-09

- Continue to engage and involve people who use social care services in our regulation, assessment, reporting and influencing work.
- Ensure that equalities, diversity and human rights dimensions underpin all our work.
- Effectively use new tools we have developed to ensure people who use services have a voice.

Experts by experience

We involved people who use services in our inspection programmes of councils and social care services as experts by experience. Experts have a distinct perspective of the services we inspect and can help our inspectors gain a fuller view of a service by encouraging people using those services to talk about their experience. Experts also observe how staff in a service interact with people they are providing care for. The views of experts helped inform our inspectors' judgements about a service.

Our experts have all received guidance, training and support from voluntary organisations to help them in their role. The organisations help match people to the needs of the inspection and make practical arrangements such as Criminal Records Bureau checks and paying wages.





We reviewed the programme this year, its second full year of operation, to help refine and improve it and learn lessons for the future to pass on to the new regulator. We found information and support to be crucial elements in ensuring experts had the appropriate time, knowledge and expectations to contribute fully to our inspections and complete the necessary work.

The programme has been very successful. All involved – experts, inspectors, providers, care staff – have increased their understanding of engagement and communication – including non-verbal communication – with people who use services and have been made more aware of their own practices. Inspectors have gained different insights they might not have considered and these have confirmed their findings. People using services and service providers have responded positively to the programme and this has helped raise standards.

“CSCI followed a very important but generally very ignored golden rule of involvement: they made changes as a result of what was said, and reported back on those changes.”

**Equalities and Diversity
Expert by Experience**

Service improvement boards

We were committed to involving people who use services, their carers, families and other stakeholders in our work. One very important way of doing this was through our service improvement boards, a series of meetings

covering five thematic areas: carers; learning disability; mental health; older people; physical and sensory disability. The boards discussed key areas of our work and we involved stakeholders to comment on, have a say in and help influence what we did in a range of activities. For example, we sought views on our work plans and external consultations about policy, such as the review of the adult safeguarding framework; and we reflected members' and other stakeholders' views to Government through our influential reports and publications, such as our report on dementia (see page 35).

Quality boards

Quality is an essential element of effective and personalised care services and people who use services have the right to expect a good level of quality. This also applies to how we performed our work as a public body. Quality boards were therefore established this year to give people who use services and commissioners of services

the opportunity to help us ensure we produced quality work. There was one national quality board and six regional boards.

The boards involved people to give external input to make sure that:

- quality ratings were fair, accurate and based on sound evidence
- guidance, policies and procedures were fairly applied
- practice was consistent and of a high standard
- people who use regulated services experienced quality outcomes.

Regional boards, which were independent of the national board, also focused on the quality of inspection reports and how the quality ratings system was applied locally. Regional boards contributed reports to the national board so that we could form a national overview. This in turn was reported to senior management and Commissioners.



Complaints about CSCI

Improving our own practice is a key element of being an effective regulator with a focus on quality and outcomes. We therefore took very seriously complaints about how we performed our work. This year, the Complaints Review Service handled 370 cases. After considering these carefully, we found the majority of these, 242, to be enquiries or requests for advice rather than complaints. A further 82 did not concern CSCI and were about regulated services or inspection reports. The Complaints Review Service reviewed the remaining 46 complaints.

In all cases we explained our regulatory role to the complainant. In 45 of the cases we reviewed, we concluded that these had been dealt with appropriately at the first stage of our two-stage procedure, or concerned our judgments, which include an appeals or representation process. These cases were therefore closed.

In the single remaining case, the review upheld the complaint, which involved the Commission investigating a complaint when it had no statutory role to do so. We offered the complainant a consolatory payment for raising their expectations, for the time and trouble in pursuing the complaint and for any inconvenience caused. We fed the complaint findings back to the relevant Regional Director to inform future activity.

In addition to the 370 cases mentioned above, we referred a further 35 complaints to the region to deal with under the first stage of our complaints, concerns and safeguarding procedure.

Four cases are subject to monitoring by the Care Quality Commission.

Lessons from the complaints we dealt with related mainly to information handling, delays and communication issues. Following the outcome of an independent review and audit into CSCI's complaints handling, we tracked all referrals to the Complaints Review Service to ensure that complainants received a timely response to their complaint; and ensured that recommendations arising from Stage 2 reviews were formally fed back to the region and Regional Director.

We also dealt with 13 enquiries from the Parliamentary Ombudsman. After providing information to the Ombudsman, none of these cases required any further action by CSCI. In addition, no investigations have been undertaken by the Ombudsman's office with regard to CSCI in this business year.



3

Improving standards and stamping out bad practice



Objectives for 2008-09

- Deliver the regulatory programme and performance assessment of councils' adult care services efficiently and effectively, including new performance measures where appropriate.
- Work with key partners to prepare a methodology for assessing councils' adult social care performance in 2008-09 and beyond as part of the new Comprehensive Area Assessment.
- Successfully introduce a new system of quality ratings for regulated services and monitor the impact on people who use services, providers, commissioners and the care market.
- Build on the drive for consistent enforcement activity through regional enforcement teams, implementing enforcement pathways and an enforcement communications strategy.

Performance assessment of councils

CSCI made an independent judgement of the performance of the 150 councils in England with a statutory responsibility for adult social care services. The overall assessment took the form of a performance rating on a scale of zero to three stars. Ratings were based on a continuous, rigorous and structured assessment process using evidence from a wide range of sources, including directly from people who use services, performance indicators, inspections and reviews.

This year, there was a particular focus on a number of policy areas and developments:

- the work councils had undertaken to prepare a joint strategic needs assessment for its area, and preparations made for implementation
- evidence councils could provide to show an understanding of the Putting People First agenda and supporting guidance on transforming social care to make it more personalised
- data and findings from registration and inspection of regulated services in councils' areas.



The 2008 ratings showed that, overall, for the sixth year running, councils with social services responsibilities improved their performance. Also, the rate of improvement had increased on the previous year. As per 2007, no councils are rated at the lowest level of no stars. Twenty-eight councils improved their rating on the previous year, whilst 11 councils fell back.

Assessments also showed an improvement in the performance of the 21 councils identified in 2007 as Priority for Improvement Councils (PICs): in addition to the nine PICs which improved sufficiently in 2007 to move out of this category, this year saw a further seven PICs move upwards. The Care Quality Commission will continue to review progress on the remaining five PICs.

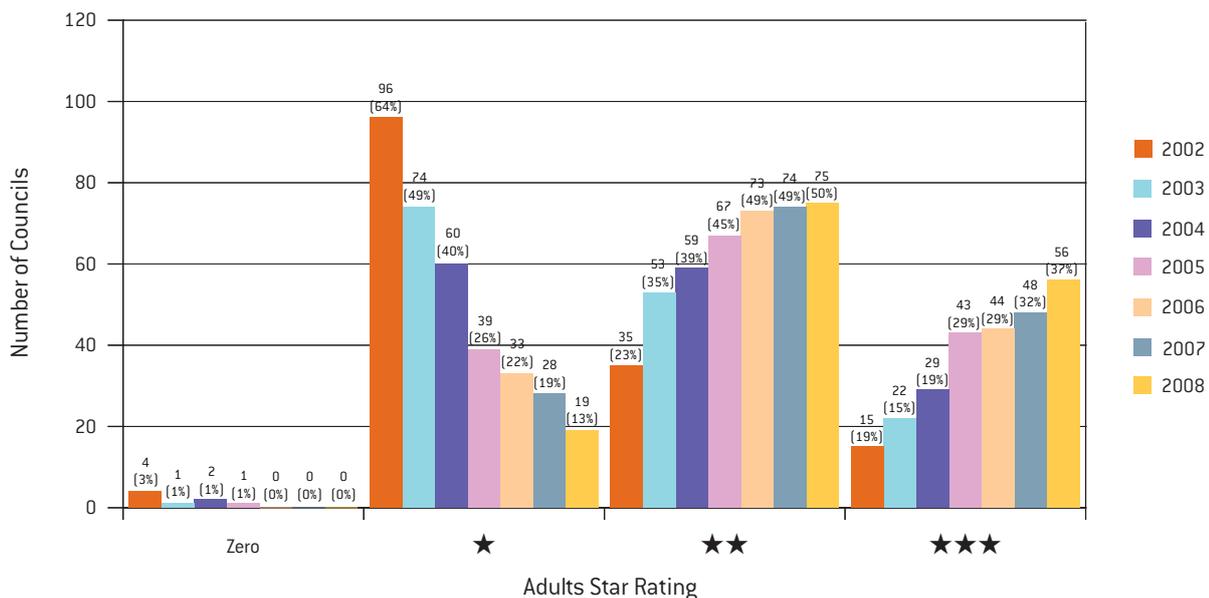
The figure below shows council adult social services performance ratings from 2002 to 2008. This displays the gradual trend of continual improvement over time. In 2008, 131 councils were rated in the two highest categories. This represents 87% of councils.

Examples of characteristics of good performance are set out below.

For people in areas where councils performed well, councils demonstrated the following characteristics:

- increased emphasis on personalisation, choice and control for people using services
- service development fully involving people using services, carers and staff
- prompt and effective use of aids and adaptations, equipment and modern communications technology
- good intermediate care services which respond rapidly to prevent avoidable hospital admissions, helping people regain independence, and a greater emphasis on reablement in people's own homes
- support for carers that enables them to continue in their caring capacity and supports them in returning to work.

Figure 1: Distribution of performance ratings between 2002 and 2008



The 56 best performing councils assessed as three stars also displayed strong managerial and organisational characteristics, including:

- strong management and leadership and a political commitment to social care
- effective engagement with the local care market
- robust financial and performance management
- effective strategic planning based on a robust needs analysis
- working with other agencies such as health, social care and police to improve adult safeguarding
- joint commissioning of services with health.

To maintain the highest rating, councils need to demonstrate they are able to translate the capacity to improve into excellent outcomes for the people who use social care services. Where this does not happen, the council's rating may fall.

Comprehensive Area Assessment

From 2009, a new assessment regime – Comprehensive Area Assessment – will replace the current range of means of assessing the performance of councils and other local services. The Comprehensive Area Assessment will ensure councils and other services are held to account for the outcomes they achieve – such as in adult social care – for people in the local community. The focus will be on the needs and priorities of individual areas and how these are addressed and met. Seven inspectorates – including the adult social care regulator – will work in partnership to deliver rounded assessments of performance.

CSCI continued to work with partners this year to help develop the assessment framework, consulting with and taking into account views of people who use adult social care services, carers and other stakeholders to help influence its design.

Service inspections

Service inspections are the method we used to assess how well councils were delivering social care services to people in their community. We looked at how the council was using its resources and what the outcomes were for people in their area. Our assessments involved conducting our own themed inspections and also working with partners.

For example, our Independence, Wellbeing and Choice inspections considered in every case how people were supported to stay safe. They also looked at two or three additional themes from the following about people:

- being well informed about services in their area and how to access them
- receiving services that are personalised to their needs
- having access to preventative services
- being involved in planning, design and delivery of services
- having equal access to services; benefiting from effective partnership working.

This year we conducted 35 service inspections based on the above criteria.

In addition, we worked with the Audit Commission and HM Inspectorate of Probation in undertaking 12 inspections focused on Supporting People. Also, we were involved in a further nine joint learning disability reviews with partners from the Healthcare Commission and the Mental Health Act Commission, leading on four of these.

The information from all 51 inspections fed in to the evidence base used in our annual performance assessment of councils.



Good practice example

Working with partners to lever improvement

CSCI conducted a joint review with the Healthcare Commission and the Mental Health Act Commission which focused on the commissioning of services and support for people with learning disabilities and complex needs in a council and primary care trust area in the West Midlands. The review report highlighted a number of areas where practice needed to improve, including:

- improving person-centred plans
- ensuring safeguarding activity took into account lessons from previous referrals, investigations and outcomes
- making sure that people with learning disabilities and complex needs and their family carers were included in the monitoring of services
- putting people at the centre of commissioning, including meeting the needs of lesbian, gay, bisexual and transgender people.

The council and PCT produced a realistic and achievable outcome-based action plan to address issues raised in the report. For example, people using services are being given more say in care planning and service development; the safeguarding board will have full representation of people with learning disabilities and complex needs; and the local learning disability strategy and commissioning strategy are being revised and are subject to consultation with people using services and their carers, taking into account equalities and diversity issues. The resulting improvements should lead to improved outcomes for people with learning disabilities and complex needs and their family carers, including increased quality of life, better involvement in service development and better access to community resources.

CSCI's statutory registration and inspection programme

To operate in the adult care services market, services must first be registered with the Commission. We also registered managers of services or made changes to an existing service's registration. Before we registered new services, we checked that both the service and the people running it were safe and suitable to do so, and that the service could meet the needs of the people who would use it.

We made available to the public the register of the number and type of services registered plus the number of places they provided. This was accessible on our website and could be searched by type of service, within a certain distance of a location or by postcode.

The registration activity this year compared with the two previous years is shown in Table 2 below.

Details of the number of services and places registered, compared with the previous four years, is set out in Table 3.



Table 2: Registrations 2006-07 to 2008-09

	2006-07	2007-08	2008-09
Number of registrations completed	10,699	7,278	6,541
Number processed within target* period	84%	84%	86.2%
Number processed within seven months	95%	99%	99.6%

* The target period was tightened from four months for all registration types in 2006-07 to four months for service registrations, three months for major variations, two months for manager registrations and one month for minor variations in 2007-08.

Table 3: Services and places registered 2005-2009

Adult care home services and places	31 March 2005	31 March 2006	31 March 2007	31 March 2008	31 March 2009
Services registered	19,210	18,952	18,709	18,541	18,378
Places available	451,288	450,549	448,757	448,065	453,472
Adult placement schemes	47	123	133	135	131
Domiciliary care services	4,111	4,632	4,729	4,897	5,134
Nursing agencies	918	864	762	716	731

Inspections

For the fifth consecutive year, we completed a full planned inspection programme of 15,072 key inspections of adults' services. Details are in Table 4 below.

Inspections were planned using a risk-based framework, so that we could focus our attention on helping the poorest performing services improve and provide better outcomes for people using them. We collected evidence about better performing services, conducting an annual service review. This took into account a range of factors, including what people who used the service said about it, information from the service's annual quality assurance assessment, details of any concerns about the service or how it was run and any other relevant information. Where we found a reduction in quality in a service, we would conduct an inspection and then publish a report of our findings.

Table 4 shows inspection details throughout the lifetime of CSCI (2004 to 2009) and its predecessor regulator (2002 to 2004). This reflects the move away from statutorily imposed inspection frequencies irrespective of the quality of a service to having the vast majority of inspections being unannounced and based on assessments of risk and quality. Last year over 97% of inspections were unannounced.

Inspection reports

Reports of our inspections provided very useful information about the performance and quality of a particular care service. They could be a very helpful source of information for people who used a service or who were looking for a service to meet their needs or those of a family member. Almost every council used our inspection reports extensively when commissioning or purchasing services for people in their areas. This year, over two million reports were accessed on our website, an increase of over 10% from last year.

Table 4: Planned and completed inspections 2002-03 to 2008-09

	2002-03*	2003-04*	2004-05	2005-06	2006-07**	2007-08***	2008-09
Inspections scheduled	50,184	48,285	48,062	47,341	26,676	19,059	15,072
Inspections completed	41,434	46,768	48,062	47,341	26,676	19,059	15,072
Percentage completed	82.6%	87%	100%	100%	100%	100%	100%
Percentage of inspections which were unannounced	38.2%	48.2%	47.5%	70.8%	93.5%	96.7%	97.5%

*refers to the 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 the transfer of children's services to Ofsted from 1 April 2007

Quality Ratings

From May 2008, we rolled out a ratings system for all services we regulated, based on their quality. The ratings are in the form of stars, in the range of zero to three stars. Zero stars represents poor quality, one star is adequate, two stars is good and three stars is excellent. We arrived at our judgements using evidence from a range of sources such as from information collected during inspections, from complaints and from a service's self assessment. We published each service's rating on our website.

The ratings will help people compare services and will help increase information about the quality of services. They will also help individuals and councils to choose, commission or purchase services as they bring the key factors of cost and quality closer together. We challenged councils which were commissioning services rated poor or adequate. To ensure individual's needs could be met, we encouraged people to look below the headline rating to the specific nature of the service provided.

We conducted research into the impact of quality ratings on people's choices about care services. This showed that the ratings were being used by individuals, carers and commissioners. The report, *CSCI Quality Ratings Market Research Report*, can be found on the Publications section of the website www.cqc.org.uk



There is also evidence that ratings are being used by service providers as a tool in staff appraisals and development to help drive improvement in practice and outcomes for people using the service.

Ministers have confirmed that the system of quality ratings will continue with the new regulator.

Table 5 below shows the breakdown of quality ratings across England at 31 March 2009.

Table 5: Breakdown of quality ratings in England, 31 March 2009

0 Stars – Poor	1.8%
1 Star – Adequate	16.7%
2 Stars – Good	59.6%
3 Stars – Excellent	17.1%
Not Yet Rated	4.7%
Rating Suspended	0.1%
Total	100%

Over 76 per cent of all services are rated at 2 stars or better, with less than 2 per cent of services rated poor.

Table 6: Breakdown of quality ratings within regions, 31 March 2009

	0 Stars – Poor	1 Star – Adequate	2 Stars – Good	3 Stars – Excellent	Not Yet Rated	Rating Suspended	Total
Eastern	1.9%	20.0%	58.7%	14.0%	5.3%	0.1%	100%
East Midlands	2.8%	18.1%	57.2%	16.4%	5.4%	0.1%	100%
London	0.7%	17.8%	60.2%	16.6%	4.6%	0.2%	100%
North East	1.1%	15.3%	60.0%	18.5%	5.1%	0.0%	100%
North West	1.7%	13.6%	58.8%	21.0%	4.9%	0.1%	100%
South East	1.7%	13.8%	64.2%	16.5%	3.7%	0.1%	100%
South West	1.8%	16.8%	62.0%	15.7%	3.7%	0.1%	100%
West Midlands	2.7%	20.8%	52.3%	18.0%	6.2%	0.0%	100%
Yorkshire and Humberside	1.5%	16.5%	58.9%	18.3%	4.8%	0.0%	100%

Table 6 shows that the North West is the region with the highest percentage of its services rated excellent, 21 per cent, and that East Midlands has the highest percentage of its services rated poor, 2.8 per cent. The South East region has the highest percentage of good and excellent services, with a total of 80.7 per cent of its services rated in these categories. In every region, at least 70 per cent of services are rated good or excellent.

Enforcement

We used enforcement methods proportionately to help lever improvement in the quality of services or to remove or reduce risks or threats of harm to people using services. Where risks were persistent or serious to the health and wellbeing of people who used a service, we could prosecute or take action to close the service.

This year, there was a stronger focus on prosecution as a regulatory tool, particularly against unregistered providers and areas which

posed a high risk to people using services. Where appropriate, this ran in tandem with civil action to cancel registration or impose conditions on registration. Table 7 below shows our enforcement activity over the last three years.



Table 7: Enforcement activity 2006-07 to 2008-09

	Requirement notices	Statutory notices	Urgent cancellations	Prosecutions
2006-07*	2,645	557	4	5
2007-08	1,205	493	11	1
2008-09	874	465	9	12

* Note that the 2006-07 figures show only enforcement against adult services, allowing comparison to be made with 2007-08 and 2008-09, after the regulation of children's services passed to Ofsted on 1 April 2007.

Appeals to the Care Standards Tribunal

The Care Standards Tribunal deals with appeals made against formal regulatory decisions we make. This year, 46 appeals were concluded, and details are in the table below.

Table 8: Appeals to Care Standards Tribunal in 2008-09

Outcome	Number
Allowed	8
Withdrawn by appellant	17
Struck out	8
Dismissed	8
CSCI opposition withdrawn	3
Stayed	1
Part upheld	1
Total	46



At 31 March 2009, 20 appeals were ongoing and will be carried forward to be dealt with by the Care Quality Commission.

Good practice example

Enforcement action improving safety

Inspectors in the North East discovered a care home with nursing employing a number of staff without first conducting Criminal Records Bureau checks or seeking references to ensure they were safe to work there. The provider told inspectors that the staff concerned would be suspended until checks were carried out, then wrote to the Commission to confirm the suspensions had taken place. When inspectors returned the following week, they found the unchecked staff were still working. As this posed a potential threat to the safety and wellbeing of people using the service, and was a breach of regulations, CSCI prosecuted the provider, who was fined after pleading guilty.

Complaints and concerns about regulated services

Details of complaints and concerns which people had about a regulated service helped us to assess how that service was performing, what the experience of the service was for people who used it and whether it had breached legislative requirements. Although we had no statutory complaints investigation function, we took into account evidence from concerns and complaints to inform our regulatory activity, whilst ensuring concerns were directed to the appropriate body to deal with: the police, the council, or the provider.

There has been a reduction in the number of issues raised in almost all categories, although percentages for most categories have risen for the reasons set out in the note below the table. Percentages for 2008-09 should therefore not be directly compared with those of previous years.

The reasons for the reduction in issues raised are not clear, however. This could be because of greater awareness of the process for handling complaints and concerns, resulting in people referring issues directly to the relevant bodies such as the care provider or the council without referring the issue through CSCI.

Table 9: Number, percentage and type of issues raised 2004-05 to 2008-09

Reason for contact	2004-05		2005-06		2006-07		2007-08		2008-09	
	Number	%	Number	%	Number	%	Number	%	Number	%
Care Practice	6,317	24.9	5,177	25.1	3,298	23.1	2,603	21.4	1,030	22.7
Staffing	6,237	24.6	5,104	24.7	3,391	23.8	2,818	23.2	1,247	27.4
Abuse	3,514	13.9	2,764	13.4	2,352	16.5	2,810	23.1	382	8.4
Premises	1,953	7.7	1,631	7.9	1,035	7.3	796	6.5	420	9.2
Registration	1,556	6.1	1,270	6.2	1,131	7.9	878	7.2	387	8.5
H&S	1,311	5.2	1,030	5	737	5.2	536	4.4	221	4.9
Other	1,085	4.3	865	4.2	655	4.6	474	3.9	193	4.3
Food	1,020	4	929	4.5	600	4.2	412	3.4	232	5.1
Incidents	702	2.8	608	2.9	298	2.1	229	1.9	100	2.2
Facilities	519	2.1	440	2.1	243	1.7	164	1.4	95	2.1
Activity	484	1.9	360	1.7	227	1.6	227	1.9	123	2.7
Access	407	1.6	306	1.5	147	1	104	0.9	66	1.5
Admission	257	1	177	0.9	149	1	120	1	49	1.1
Unknown	–	–	–	–	2	0	0	–	1	0
Total	25,362		20,661		14,265		12,171		4,546	

Note: Since the end of April 2008, allegations of abuse have been entered on safeguarding alert forms and are not contained within the complaints and concerns database. Some complaints and concerns have, however, been classified under the category of abuse during 2008-09. The figures for abuse shown here are nevertheless not comparable with previous years.



4

Being an expert voice on social care



Objectives for 2008-09

- Deliver the full publications programme, including CSCI's statutory reports and a report on eligibility criteria for social care.
- Amplify the voice of the diverse range of people who use social care services, ensuring that their views are incorporated in CSCI's planning and are reflected in CSCI's publications.

The state of social care report 2007-08

The state of social care report was the Commission's main annual statutory report to Parliament which set out what we found in our council assessment and regulatory inspection work. The report for 2007-08 was published in January 2009.

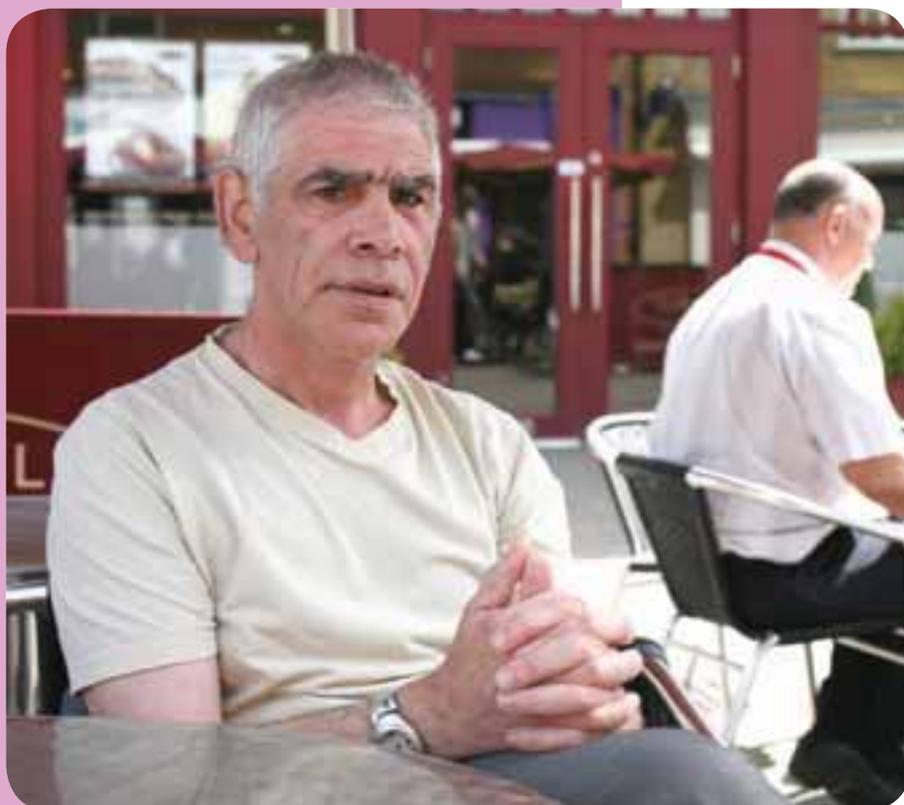
This year's report included a focus on people with multiple and complex needs and an examination of how the policy of personalisation – putting people at the centre of the design and delivery of services – was affecting their experience of services. Whilst we found some good examples of excellent support for some people, too few people were receiving the support they needed that matched their specific needs.

We also reported the general steady improvement in the overall performance of councils and regulated care services. Tensions still remain, however, around resourcing support

for people with the highest levels of need and investing in a broad range of services which can help people maintain their independence and improve their quality of life.

The full report can be accessed on the Publications section of the Care Quality Commission website:

www.cqc.org.uk



“The state of social care report over the last couple of years has put the plight of certain social care users, or people who should be able to access the system, into the public spotlight in a way I have never seen before in social care.”

Expert by Experience

Safeguarding

Keeping people safe from the risk of abuse and harm is a fundamental aspect of the services we regulated and inspected. This report on safeguarding looked at how effective current arrangements are and what support is available to those who experience abuse. We used evidence from our assessment and inspection work, a range of thematic inspections and from speaking with people using social care services as the basis for our report. We found uneven progress in developing effective safeguarding arrangements across England. Also, there was a wide margin between the best and poorest performing councils and services; and more needs to be done to ensure people directing their own support receive individually tailored safeguards.

The full report can be accessed on the Publications section of the website:

www.cqc.org.uk

Good practice example

Improving safeguarding through teamworking

In 2008, a team of CSCI inspectors, pharmacists and the Business Relationship Manager worked together to improve the performance of an inner London council-run care home, and safeguard the welfare of the people using its services. Inspection activity had identified a number of weaknesses regarding the handling and administration of medication: medication was not given to people in the home when it should have been; it was also given in error; and there were concerns over the handling of the particularly complex drug warfarin.

The lead inspector, pharmacist inspector and Business Relationship Manager all worked closely with the council adult safeguarding team, the directors of social services, the primary care trust and CSCI's enforcement team to focus on action for improvement.

CSCI staff drove improvement by helping change the culture of the home, increasing transparency and openness in how it operated, partly through facilitating self-auditing processes. The resulting improvements were confirmed in follow-up inspections which found that safe practices were being implemented, medication was being handled appropriately and the health of people in the care home was being properly maintained.

“There is significant variation in the degree of priority shown to safeguarding adults, and more work is required to bring all services up to the standard of the best.”

Paul Snell, Chief Inspector

Cutting the cake fairly

The Government commissioned this report from CSCI to explore in more detail the issue of the impact on individuals and their families of increasingly tightening thresholds for help, set by councils. This issue had been flagged up in CSCI's state of social care report 2006-07, published in January 2008.

To find out people's views and experiences, CSCI conducted a large consultation, in which almost 3,000 people using services, carers and interested stakeholders completed an online survey. A further 100 submissions were sent in and over 100 people took part in a consultation event.



Cutting the cake fairly reports CSCI's findings from its evidence base and from information people fed in to the consultation. It shows that people want a fairer and clearer system which promotes their wellbeing, whilst accepting that not everything can be provided by the State. People also want to be empowered to make informed decisions about available options for care, but are concerned about the lack of fairness and transparency in the current system.

The report found that, overall, people looking for support often do not have their needs fully taken into account; and those who do not meet the eligibility criteria manage as best they can, often at great personal, financial and emotional cost.

The report makes a number of recommendations, including the need for:

- better arrangements that offer universal support
- improvements to responses to people who need assistance
- the introduction of a national resource allocation formula
- replacing the existing Fair Access to Care Services allocation criteria with a system

that makes clear distinctions between assessing a person's need and their financial means.

The full report can be accessed on the Publications section of the website: www.cqc.org.uk

See me, not just the dementia

This report focuses on the experience of people with dementia who are living in care homes. Using a new inspection tool – the Short Observational Framework for Inspection – it presents findings from thematic inspections of over 100 care homes and the experience of over 400 people with moderate to advanced dementia. The report presents findings about how well services are meeting individuals' needs:

- the quality of life for people with dementia living in care homes is affected significantly by how care staff communicate and empathise with them

- care home leadership and ethos have a large impact on quality and outcomes, as do the quality of staff training and support
- care homes need to develop ways to assess the well-being of people with dementia who live there.

The full list of national reports we issued in 2008-09 is below.

National reports issued in 2008-09

Making social care better for people CSCI 2004–2009	Mar 2009
Quality ratings market research report	Mar 2009
In Focus: Equality and Diversity 3: Achieving disability equality in social care services	Feb 2009
Key issues in social care regulation and inspection	Feb 2009
The state of social care in England 2007-08	Jan 2009
Performance ratings for adult social services in England 2008	Nov 2008
Safeguarding adults	Nov 2008
Cutting the cake fairly	Oct 2008
Council self-assessment survey report	Oct 2008
The benefit of experience	Oct 2008
In Focus: Equality and Diversity 2: Providing appropriate services for black and minority ethnic people	Aug 2008
Annual Report 2007-08	Jul 2008
See me, not just the dementia	Jun 2008
Raising voices: views on safeguarding adults	Apr 2008

All the above reports are available on the Care Quality Commission website: www.cqc.org.uk or from the CQC Customer Service helpline: 03000 616 161



5

Practising what we preach



Objectives for 2008-09

- Ensure work on equalities, diversity and human rights is disseminated across the Commission.
- Deliver the Winter training programme and any necessary supplementary training.
- Support the change programme and ensure effective staff engagement in the change management process.

Equalities, diversity and human rights

Equalities, diversity and human rights have been the cornerstone of CSCI's approach to working with people who use social care, families, carers, providers, commissioners and other stakeholders. They have also been key to helping invest in developing our staff. We recognised how important it was for our staff to appreciate and understand equality, diversity and human rights and to embed them in their daily activities.

The Commission had three staff diversity networks to enable staff to share experiences and support each other: the Black Workers' Group; the Lesbian, Gay, Bisexual and Transgender Group and the Disability at Work Group. Each group had a 'champion' who was a member of the Senior Management Board. The networks aimed to increase the understanding of equality issues within the Commission as well as to promote equality, cultural understanding, positive attitudes and good relations both inside and outside the Commission.



The Stonewall Workplace Equality Index identifies the top 100 employers in Britain for lesbian, gay, bisexual and transgender people. It is based on evidence of policy and practice within organisations. CSCI has participated in the Index for three years, each year improving markedly on the year before. In 2009, we moved up from 78 to 28. We used the Index as a benchmark to assist us in identifying best practice and how we could improve further.

To support staff who perceived themselves to be victims of harassment or bullying, we introduced dignity at work advisors. The advisors worked in partnership with the victim to help achieve resolutions to any problems and prevent them escalating. Our staff survey in 2008 showed a reduction of more than 50% of staff stating they had been subject to bullying, harassment and discrimination – from 353 in 2007 to 170 in 2008.

Supporting our staff

We were committed to helping support and develop our staff. We responded to feedback in last year's staff survey by developing an action plan to tackle issues staff raised. For example, we increased resources for our operational work to help ease pressure on business services staff and help deliver the regulatory programme.

Transition to the new Commission required us to reinforce support to staff. We briefed all managers on the need to agree a support plan with their staff; we issued staff with a personal transition plan they could adapt for their particular circumstances; and we set up a transition staff reference group to raise issues and have these addressed by senior managers. In addition, we undertook a number of telephone and online surveys of home-based staff, introducing a number of improvements in response to feedback and passing on the results to the new regulator. We continued to use a regular e-bulletin to staff, arranged regular team briefings on the latest transition and other issues and kept staff up to date with developments on our intranet site.

Estates strategy

During the year we continued to implement our estates strategy, which, coupled with the introduction of homeworking and the changes to business service arrangements, resulted in a reduction of the estate to 16 offices by the end of March 2009. This compares to 84 offices when CSCI came into operation in 2004.

New technology

Following a period of intensive piloting and testing last year, this year we introduced a new IT system to support our regulatory business processes. The ICT Core Applications Project (ICAP) aims to support staff such as inspectors who work from home in planning risk-based inspections or council performance assessments. ICAP went live in all regions in a stepped programme through to September 2008. Initial problems of slow running were addressed, although further work is necessary to improve system effectiveness. CQC reviewed the issues around ICAP and also took into account the new Registration requirements and the changing landscape since ICAP's implementation by CSCI. CQC concluded that its value and functionality was less than originally anticipated. Further details are in the accounts on page 73.

Corporate governance

Effective policy and risk management were key factors to our work as a proportionate and efficient regulator. We had two committees which oversaw work in this area: the Audit and Risk Committee and the Remuneration Committee. The annual reports of these committees are on pages 44 and 47 respectively.



6

The future



Objectives for 2008-09

- Prepare for and contribute to the creation of the Care Quality Commission and work to influence the policy framework which shapes it so that it fully reflects the nature of social care, gives full weight to the experience of people who use social care services and best serves their interests.
- Ensure that CSCI's values and findings continue to influence policy and practice in relation to adult social care, particularly in relation to personalisation.
- Maintain and enhance CSCI's good relationships with Government and Parliament, responding to and influencing key developments in policy related to CSCI's regulatory responsibilities.

The future of regulation: transition to the Care Quality Commission

On 31 March 2009, CSCI was abolished. From 1 April, a new regulator, the Care Quality Commission, took over its regulatory responsibilities, combining them with those of the Healthcare Commission and the Mental Health Act Commission, which were also abolished at the same time. Information about the new Commission can be found on its website: www.cqc.org.uk

Throughout 2008-09, CSCI prepared for the transition to the new Commission. Staff were seconded to the Department of Health and the new Commission and worked closely with people in the new body and with the other Commissions whose functions transferred to CQC on 1 April 2009. Our staff contributed their knowledge and experience to help in the development of policies, procedures and the new registration regulations which will cover healthcare services as well as adult social care services from 2010.



Parliamentary work

We were closely involved in Parliamentary work which laid the foundations for the creation of the new Care Quality Commission. We submitted evidence to the Public Bill Committee which highlighted, amongst other things, our hope that the new body would:

- retain a strong social care focus
- build on existing progress
- take a rights-based approach to all its activities
- retain independence.

In addition, we provided peers with a briefing note with evidence on these points as the Health and Social Care Bill was progressing through Parliamentary stages.

In July 2008, we held a reception in the House of Lords for Parliamentary stakeholders, ministers, representatives from the voluntary sector and people who use services. Over 100 stakeholders attended. Speakers included Baroness Valerie Howarth and Dame Denise Platt.

Adult social care system reform

The Government is expected to issue a Green Paper in June 2009 about a new care and support system, which will set out the debate on transforming adult social care. This will require a radical rethink of how care and support services are paid for and delivered. In effect, this will result in a new deal between the individual and the State about how care is funded in a sustainable way.



“I believe that retaining user involvement in the shaping, delivering and evaluating of services is essential to maintain user focus and engagement. Society is forever changing and needs and aspirations are always evolving; therefore it is critical that a connection needs to be nurtured at all levels – something at which CSCI was a leading exponent.”

Person using care services

Annual Report on the work of the Audit and Risk Committee 2008-09

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

Peter Westland *Commissioner*

Trevor Baker *Independent Member*

Philippa Newsam *Independent Member*

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

Paul Snell *Chief Inspector*

Hazel Parker Brown *Business Director*
(Resigned *Corporate Services*
3 December 08)

David Clark *Business Director*
Corporate Development

Terry McCrady *Head of Finance*

Claire Rollo *NAO – External Auditors*

Kevin Suttie

Helen Feetenby

Andrew Jackson

David Moorhouse *KPMG – Internal Auditors*

Tara Stonehouse

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 Support Manager provides the secretarial function for the Committee.

Meetings held

2. The Committee met five times during 2008-09:
 - 22 May 2008
 - 26 June 2008
 - 7 October 2008
 - 29 January 2009
 - 10 March 2009
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.

5. In addition to items relating to the key drivers, every agenda of the Committee included a review of the following critical issues:

- ICT Strategy/ICAP
- Estates Strategy
- HR
- CQC Transition Programme

In addition to the special attention given by the Committee to these critical issues, the Committee would particularly note the significant resource reductions during 2008-09 to meet the DH/Better Regulation Executive target, whilst transforming the Commission into a modern regulator with a risk-based approach to inspection and regulation, and the scale of the IT, HR and Estates change programmes being implemented and the Audit and Risk Committee's continual review of these key activities. In addition to the Commission's moderation programme the Committee also kept under review the significant issues and risks arising from the transition of our functions, assets and people to the new CQC.

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 2008-09.

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.
10. Final Comments. The Committee has reviewed the process in place to complete the Commission's Statutory Accounts for 2008-2009 and the internal control arrangements for the year. As the Commission will not be in existence beyond March 2009, responsibility for completing the Accounts and confirming the Statement on Internal Control has been passed by the Department of Health to the Care Quality Commission. The Committee has, however, satisfied itself with regards to the arrangements in place up until 31 March 2009, whilst acknowledging that full assurance cannot be given until such time as the work is complete in the future. The Committee has relied on assurances received from the Accounting Officer and internal auditors that satisfactory internal control arrangements have been in place up until 31 March 2009.
11. I express my appreciation and thanks to all the members of the Committee and to all the officers that supported the Committee over the past five years for their commitment and contributions in making the Audit and Risk Committee very effective.
12. The Commission is asked to note the report.

Olu Olasode
Chair

Annex 1

Reports considered by the Audit and Risk Committee during 2008-09

1. Internal Audit

- Audit Reports
 - Complaints Procedure
 - Finance Systems
 - Outsourced Payroll Service
 - Registration Process
 - Estates Strategy Management
 - ICAP
 - Organisational Integration
 - Inspection Process
 - Risk Management and SIC
 - Prior Year Follow Up
 - Corporate Governance
 - IT Security – Data Handling
- Annual Report 2007-08 and 2008-09
- Internal Audit Strategy
- Progress Reports

2. Annual Accounts/NAO

- Draft and Final Accounts and Statement on Internal Control 2007-08
- Report to those charged with Governance 2007-08 (NAO)
- Audit Strategy 2007-08 and 2008-09 (NAO)
- 2008-09 Annual Report and Accounts Process

3. Standing and Regular Items etc

- Annual report on the work of the Committee
- Gifts and hospitality declarations
- Budget 2008-09 and updates
- CSCI Leaver Information – redundancy/early retirement
- Scheme of Delegation amendments
- Corporate Risk Register
- Information Security

4. Transition/Change Matters

- ICT Strategy
- Estates Strategy
- HR
- CQC Transition Programme

Annual Report on the work of the Remuneration & HR Committee 2008-09

Foreword – Beryl Seaman

1. This is the final report of the HR & Remuneration Committee of CSCI and I would like to thank all the staff who have supported our work; John Knight, my fellow Commissioner on the Committee, and especially our two independent members, Charles Nolda and John Campbell, who have added an extra element of knowledge and challenge from their different perspectives which has been greatly valued by all.

In the way we have worked we have followed the vision and values of CSCI and have sought to be an excellent employer, enhancing the benefits to our staff, where possible, whilst balancing this with our duty to ensure the best value for a public service.

It has been a privilege to chair this Committee throughout the whole lifetime of CSCI.

Membership

2. 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

3. Dame Denise Platt, Chair, participated in the Committee's consideration of the Chief Inspector's pay. The Chief Inspector has attended all meetings, the Director of Corporate Services attended meetings of the Committee until her departure from the Commission in December, the Interim Head of People Development has attended since her appointment in June 2008, and other officers do so as appropriate. The Secretary to the Committee took the minutes of all the meetings.

Meetings held

4. The Committee met three times in London and once in Newcastle during 2008-09:
 - 4 April 2008 Newcastle
 - 13 May 2008 London
 - 7 October 2008 London
 - 11 February 2009 London

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

Method of operation

5. 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.
6. The Committee agendas regularly include the following items:
 - The Pay Award
 - Reward Strategy for Leadership Group
 - Moving Forward – People Development
 - Transition to the Care Quality Commission
 - Supporting Staff Through Change
 - Workforce statistics, including equalities and diversity profile
 - HR Policies
7. Other reports and briefings on key issues are considered as appropriate.
8. The Committee's agendas and supporting papers are private to the Commission.

Pay award 2007-08

9. Following negotiations, settlement of the pay award was agreed and paid in the December 2008 salary.

Workforce reporting

10. The Committee has continued to receive reports analysing the profile of the workforce. These have become progressively more tailored to the Committee's requests throughout the year. Reports to the Committee during the year 2008-09 included annual comparisons and data in relation to the Learning and Development Programme.

Senior staff reward and performance

11. The Committee's May meeting considered the performance element of the salaries of the Chief Inspector and the Business Directors for the year 2007-08. The performance element of salaries for 2008-09 will be considered on 11 February 2009. 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.

Employee relations

12. Over the course of the year, the Committee received regular updates in relation to our employee relations.
13. Despite the uncertainty for a number of staff, our employee relations continue to be positive with monthly meetings providing a forum for consultation and exchange of dialogue.

Review of the People Development function

14. During the year, the Committee monitored progress made in Moving Forward People Development as a team in response to the recommendations detailed by KPMG following their review of the function. An action plan was developed to implement the recommendations. This was reviewed by the Committee in July and October 2008. The action plan was supported by detailed reports and a position statement of the function was considered in February 2009. Staff within People Development have responded positively to strong leadership and are now committed to delivering a professional customer-focused support service. The Senior Management Team has been restructured, budget and headcount reductions have been achieved and the team has demonstrated that it is fit for purpose in its outputs to support a smooth and efficient transition to CQC.

Staff Survey and Support Through Change programme

15. In its October meeting, the Committee received a summary of the responses to the 2008 Staff Survey. Results from this survey showed that the Support Through Change Programme had impacted positively on people's experiences of working for CSCI. A detailed action plan has been put in place to address the main issues identified in the feedback. These are:
 - Workload
 - Support through transition
 - Home-based working
 - ICT
 - Communications and engagement

HR policies

16. During the year, the Committee approved amendments to the following:
 - a. Discretionary Benefits Policy
 - b. Recruitment Policy
 - c. Redundancy Policy

HR implications of transition

17. Regular update reports have been provided to advise Committee members of staffing issues in relation to transition. Whilst the majority of staff have been transferred or matched to a post in the new CQC, uncertainty continues for a number of individuals. Senior management and People Development are in regular dialogue with the CQC and existing Commissions to agree process and timelines. People Development staff are supporting colleagues and working collaboratively with CQC to effect the transition as smoothly as possible.

Conflicts of interest

18. A number of the issues considered by the Committee related to matters where the Chief Inspector, Director of Corporate Services, and 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 11.

This Annual Report was prepared by the Committee Chair and the Interim Head of People Development and was endorsed by the Remuneration Committee members at their meeting on 11 February 2009.

**Beryl Seaman CBE
Chair**





Financial Accounts

For Year 1 April 2008 to 31 March 2009



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Introduction to Accounts

For Year 1 April 2008 to 31 March 2009

The Commission for Social Care Inspection (CSCI) was established by Government under the Health and Social Care (Community Health and Standards) Act 2003 as a non-departmental public body to operate as the lead social care inspectorate in England, with effect from 1st April 2004.

CSCI ceased operations on 31st March 2009 and its staff, duties, assets and liabilities were transferred to the Care Quality Commission (CQC) or to the Department of Health (DH). This report covers the final year of CSCI's activities.

The Commission

The Chair and Commissioners at the 31 March 2009, 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 until the 31 March 2009, when all Commissioner appointments were terminated.

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

In 2007-08 all four Independent Members accepted an invitation from the Commission to be reappointed for a further term of office until the dissolution of the Commission on 31 March 2009.

Commission representation on the Audit and Risk and Remuneration Committees in 2008-09 was as follows:

Audit and Risk Committee

Olu Olasode
Peter Westland CBE
Trevor Baker
Philippa Newsam

Remuneration & Human Resource Committee

Beryl Seaman CBE

John Knight

John Campbell

Charles Nolda

Business Directors

The Chair of the Commission during the year was Dame Denise Platt, DBE. The Commissioners had 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 (left 3 December 2008)	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 (left 29 August 2008)	Judith Thomas
Director of Corporate Development (seconded from the Department of Health)	David Clark

The Business Directors resigned on the 31 March 2009 with the dissolution of the Commission.

Register of Interests

The Commission maintained a Register of Interests for Commissioners and Independent Members. Where any decisions were taken which could give rise to a possible or perceived conflict of interest, the Commissioner or Member concerned would declare the same and would not vote on the item on the agenda. At the Chair's discretion he or she would 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 2008 to 31 March 2009, and declarations of conflict of interest were made at the relevant meeting and were minuted.

Commissioner Responsibilities

The following were 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 endorse 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 was no relevant information of which CSCI's auditors (National Audit Office) were unaware. The Accounting Officer has taken all reasonable steps that she ought to have taken to make herself aware of any relevant audit information, and did establish that the CSCI's auditors were 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 Act 2008 [Commencement No 9 Consequential Amendments and Transitory, Transitional and Saving Provisions] Order 2009; the Financial Reporting Manual (FRoM) 2008-09; and Managing Public Money.

Financial Results and Review

The results for the year ended 31 March 2009 are set out in the Financial Statements on pages 89 to 126.

CSCI's management accounts show an under spend of £0.960m. This reflects the position before year-end accounting adjustments, as included in the Income and Expenditure (I&E) account, on page 98, which shows net expenditure for the financial year of £123.868m.

The difference between the under spend and the net expenditure is £124.828m and is analysed as follows:

	£m	£m
2008-09 Grant in Aid (not classified as Income)		(64.573)
Grant in Aid drawn 07-08 for payments made in 08-09		(2.999)
Capital Charges introduced into the I&E account (note 8)	(25.889)	
	(2.345)	
	(14.388)	(42.622)
FRS17 Adjustments		
Increase in operating charge for pensions (note 4a)		(3.549)
Net return on pension scheme assets and liabilities (note 7)		2.082
Provision for Empty Offices (note 6b)		(10.714)
Provision for Dilapidations (note 11)		(2.454)
Roundings		0.001
		(124.828)

Principal Risks and Uncertainties

CSCI had a Risk Management Strategy approved by the Audit and Risk Committee, and a Risk Management Policy (as detailed in the Statement on Internal Control on pages 90 to 94). CSCI's key risks were set out in its corporate risk register. Each of the directorates and programme boards monitored and managed its own risk register, which was mapped to the corporate risk register. The risk management process was embedded within the business planning cycle and process, was 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 104; in the Salaries and Wages note to the Financial Statements (note 4 page 106), and in the Remuneration Report on pages 77 to 88.

Employment and Health & Safety Policies

Health and safety

CSCI was committed to ensuring the health, safety and welfare of all employees, visitors, contractors and others, who may be affected by the organisation's work. The organisation actively sought continual improvement in health and safety performance and worked diligently to identify and quantify risk and prevent potential injury or ill health to staff.

A range of policy documents and guidance was available on the CSCI Intranet system allowing staff access to up to date Health and Safety advice when required. This included self-assessment checklists to allow individual staff to monitor their particular work location. This resource was revised and updated to meet the organisation's legal obligations and the identified needs of staff.

Comprehensive advice for home workers had been developed which covered all aspects of their work and was readily accessible both electronically and also as a reference manual. Where required, external specialists were engaged to carry out risk assessments and provided specialist advice to ensure that the well being of staff was maintained.

Regular audits of all office premises were undertaken and health and safety action plans were implemented to rectify any deficiencies highlighted by formal audits and routine workplace inspections.

Employee information and consultation

CSCI formally recognised UNISON, PROSPECT, RCN, and UNITE. Regular meetings were scheduled with all recognised trade unions to consult on all issues that affected employees, including policy development, supporting staff through change, transition related matters and the reward strategy.

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

- Team Talk – monthly discussions held by senior managers, to discuss and feed back on key issues with all staff.
- E-connect – a weekly electronic newsletter was sent to all staff.
- Re-connect – a summarised monthly newsletter was sent to staff with their payslip.
- Intranet – this was kept up to date by the Communications team and held information on each Directorate and detailed CSCI initiatives and achievements.
- Regular bulletins – were sent to staff on long term sick, maternity leave and secondment, to keep them updated about CSCI's work.
- A National Transition Staff Reference Group, developed out of the Chief Inspector's Forum and comprised a representative spread of staff from across the organisation, acted as a sounding board and source of information on management of the transition to the Care Quality Commission (CQC).

The 2008 Staff Survey results showed that the Support Through Change programme (introduced to address key issues in the 2007 survey results) had improved people's experiences of working for CSCI, although the generally positive response showed some areas were improved from a relatively low base. Our response to the 2008 survey therefore consolidated the Support Through Change programme and built upon it to ensure that we continued to support staff right through the transition period to 31st March 2009.

Employment of disabled persons

The average number of disabled persons employed by CSCI was 107 (122 in 2007-08).

CSCI followed good practice in the employment of disabled employees and adhered to the following five 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 followed the 'Code of Practice for the Elimination of Discrimination in the Field of Employment against Disabled Persons or Persons who have had a Disability'.

Staff, via the CSCI intranet, could access a full set of policies.

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

Better Payment Practice Code

CSCI was committed to the Better Payment Practice Code, and aimed to pay 90% of undisputed invoices within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever was the later. In 2008-09, CSCI paid 93.92% based on volume within 30 days (92.25% in 2007-08), and 93.84% of invoices based on value within 30 days (90.53% in 2007-08). Following guidance from the Department of Health in October 2008, CSCI attempted to pay all our suppliers within 10 days.

Post Balance Sheet Events

CSCI was dissolved on 31st March 2009 and, with effect from 1st April 2009, most of its functions have been combined with those of the Healthcare and Mental Health Act Commissions, but not all e.g. NHS complaints went to the Parliamentary and Health Service Ombudsman (PHSO), in the creation of a new social care and health body called the Care Quality Commission (CQC).

Auditors

The Comptroller and Auditor General (C&AG) 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 total amount due to the National Audit Office (NAO), the organisation that undertakes the services on behalf of the C&AG was £62,500 (£60,000 in 2007-08) plus an additional £9,000 was charged for the audit of the restated balance sheet as at 1 April 2008 under International Financial Reporting Standards (IFRS) and the 2008-09 shadow 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 conveyed powers on CSCI to conduct studies and review research. CSCI reported annually to Parliament on the State of Social Care in England. The fourth and final *State of Social Care in England 2007-08* found that whilst the performance of councils and care providers had improved, councils were at an early stage in transforming social care to meet the agenda of *Putting People First*.

In response to last year's report on the state of social care Government asked CSCI to review the current eligibility criteria for social care that councils use to make decisions about the allocation of resources. In its recommendations CSCI emphasised the need for everyone looking for social care support to be entitled to information, advice and a proper opportunity to have their needs assessed. CSCI also recommended a clearer, simpler framework for determining which individuals are a priority for publicly funded support.

CSCI also undertook a number of other studies, including two thematic inspections; one that focused on the experiences of people living with dementia in care homes and the other on safeguarding adults. This examined the effectiveness of arrangements to safeguard adults from abuse and reported on arrangements that are in place to help prevent abuse and to support people who experience abuse.

Other studies that contributed to its expert voice on social care during 2008-09 included two good practice bulletins on providing appropriate services for black and minority ethnic people and disabled people and an in-depth study on supporting disabled parents and their families. CSCI also produced a joint report with the Healthcare Commission on commissioning services for people with learning disabilities.

CSCI's final report, *Making Social Care Better for People – CSCI 2004-2009*, was published in March 2009.

No research and development activities were capitalised in the financial statements.

Freedom of Information

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

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

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

The Commission was 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 was 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 did consider requests for any information that we held, and would seek to be as open as we could in providing information.

The right of access to information did 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 would consider requests for a licence to commercially re-use information that we have published or disclosed.

Management Commentary

For Year 1 April 2008 to 31 March 2009

Principal activities

CSCI was England's single regulator of adult social care services. It was 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 was 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 and regulations made under these Acts formed CSCI's legislative framework for assessing adult social care services. Service-specific National Minimum Standards guided service providers on what was expected of them and assisted inspectors in making assessments.

Duties and functions

CSCI's principal duties and functions were 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 2008-09 was defined in the legislation quoted above. This related 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. The vision and commitment to transform social care, set out in *Putting People First*, (Department of Health, 2007), is being actively pursued by central and local government, professional leaders and providers. This encompasses existing initiatives to help people who use social care services achieve greater independence, choice and control about how they live their lives the way they want. For example, direct payments and individual budgets are increasingly being used to help people choose the services they want in their communities. Service provision continues to evolve and innovate to meet individuals' particular needs. The future of adult social care, including how it should be funded, will be the subject of consultation; with a draft Bill expected to be published in summer 2009.

Future of local government

The Government continues with its policies of empowering individuals and communities and supporting local government to deliver high quality services efficiently. The emphasis is on locally tailored

approaches to meeting the needs of local communities, with increased citizen involvement and influence within a revitalised local democracy. Local Strategic Partnerships – the council and partners working voluntarily together – provide the forum for collectively reviewing and steering public resources by identifying priorities in Sustainable Community Strategies (which set out longer-term ambitions) and Local Area Agreements (which set out goals over a three-year period). Local Area Agreements set out the “deal” between central and local government and their partners to improve services for local people.

Performance assessment for councils changed in 2009 with the introduction of the Comprehensive Area Assessment (CAA). This is a new framework for assessing performance of local services in meeting outcomes for local citizens whilst providing value for money. There is a particular focus on people whose circumstances lead them to be vulnerable, at risk of harm, or at risk of social exclusion. The CAA will highlight notable practice and innovation as well as shortfalls in performance. Led by the Audit Commission, these will replace Annual Performance Assessments, Joint Area Reviews and CSCI performance ratings for social care. CSCI was closely involved in work to bring about the changes necessary to deliver the CAA in 2009. This included working on revising the proposed Annual Performance Assessment for 2009 – seeking and gaining Ministerial approval for this – and being involved with partner inspectorates in pilot trials. CQC will contribute to this through its work in assessing council performance in delivering adult social care to the people in its area. The first reports will be issued in autumn 2009.

Future of social care regulation

The Health and Social Care Act 2008 established a new body to take over the regulation of health and adult social care: the Care Quality Commission. This brought together CSCI’s adults’ social care regulatory functions with most of those of the Healthcare Commission and Mental Health Act Commission but not all e.g. NHS complaints went to the Parliamentary and Health Service Ombudsman (PHSO). The new single regulator became fully operational on 1 April 2009, having had preparatory functions from 1 October 2008.

Objectives and strategies for achieving activities

Driving Forward, our Corporate Business Plan for 2008-09 focused on finalising the architecture of proportionate, risk-based regulation and delivering it well and economically, whilst preparing for transition to the new regulator:

- Delivering our current programme of statutory and other priority work on time and on target;
- putting a greater emphasis on the need to safeguard and promote people’s human rights and diversity;
- continuing to challenge local councils to improve the way they support all those who may need social care, including those for whom they organise care services;

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

To help deliver our objectives, each Directorate in CSCI had its own business plan with objectives for individuals and teams to deliver CSCI's overall work programme, help drive improvement in social care in England and help achieve better outcomes for people using social care services. Delivery was 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 2008-09

The KPIs outlined in the tables below have been internally set and are not subject to audit.

Registered Care Services

Registrations:	2007-08	2008-09
Number of registrations completed	7,278	6,541
Number processed within target period	84%	86.2%
Number processed within 7 months	99%	99.6%

Inspections of regulated care services

	2002-03*	2003-04*	2004-05	2005-06	2006-07**	2007-08***	2008-09
Inspections scheduled	50,184	48,285	48,062	47,341	26,676	19,059	15,072
Inspections completed	41,434	46,768	48,062	47,341	26,676	19,059	15,072
Percentage completed	82.6%	96.9%	100%	100%	100%	100%	100%
Percentage of adult inspections which were unannounced	38.2%	48.2%	47.5%	70.8%	93.5%	96.7%	97.5%

Note: *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.

In 2008-09, CSCI consolidated its proportionate inspection programme, Inspecting for Better Lives. Risk-based assessment led to inspections being focused on the poorest services. All services completed annual self assessments to inform inspection activity, however, which also took into account evidence from a range of other sources, including complaints. General improvement in the quality of services resulted in fewer inspections overall.

Inspection reports

	2005-06	2006-07	2007-08	2008-09
Percentage of draft reports issued within target (4 weeks)	81.8%	85.3%	87.5%	74.4%
Percentage of final reports issued within target (10 weeks)	79.6%	86.6%	85.4%	73.9%

Inspections of council services

Council inspections	2005-06	2006-07	2007-08*	2008-09
Target	82	120	70	51
Completed	82	120	70	51
% Completed	100%	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	2007-08	2008-09
Supporting People inspections	33	12
Older People Inspections	9	0
Learning disability inspections	6	0
Physical and sensory impairment inspections	2	0
Independence Wellbeing and Choice	20	35
Joint Learning Disability Commissioning Reviews	0	4
TOTAL	70	51

These include the following inspections with partners:

Type of inspection	Partner	2007-08	2008-09
Supporting People inspections	Audit Commission	33	12
Joint Learning Disability Commissioning Review	Healthcare Commission and MHAC	0	*9
TOTAL		33	21

*CSCI took the lead on just 4 of the 9 JLDCR that took place. However a CSCI inspector was present at each.

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.

Enforcement:

	2007-08	2008-09
Requirement Notices	1205	874
Statutory Notices	493	465
Urgent Cancellations	11	9
Prosecutions	1	12

Appeals:

	2005-06	2006-07	2007-08	2008-09
Number of appeals to Care Standards Tribunal	69	62	58	66
Number ongoing	12	37	32	20
Number of appeals concluded:				
– dismissed	19	13	14	8
– withdrawn	34	4	26	17
– allowed	1	2	1	8
– settled	1	0	1	0
– partially upheld	1	0	0	1
– withdrawn opposition	0	4	2	3
– struck out	1	2	2	8
– stayed	0	0	0	1
Total number of appeals concluded:	57	25	46	46

Complaints, concerns and allegations:

This year, we identified 4,546 concerns about regulated services from 1,712 letters, emails and other communications. Of the concerns dealt with this year, 99% received a response within 28 days. We exceeded our target of 80%. In addition, the Commission received 3,917 safeguarding alerts during the period June 2008 to March 2009.

Financial performance and position

The detail of our financial performance is shown within the Income and Expenditure Account on page 98, and in the other financial statements and associated notes.

CSCI's staff costs and other operating charges totalled £127.962m and were within our approved budget.

Total capital expenditure on ICT and buildings during 2008-09 was £15.6m compared to our budget allocation of £15.6m.

Going Concern

In March 2005 the Chancellor of the Exchequer announced that CSCI's functions would be combined with most of the Healthcare and Mental Health Act Commissions' and a new social care and health body would be created. Subsequently, under the Health and Social Care Act 2008, the CSCI was dissolved on 31st March 2009 and, with effect from 1st April 2009, its functions were transferred to the Care Quality Commission (CQC).

Ongoing lease costs of vacant offices and offices which CQC will not require in the long term, until the lease end date, together with the provision raised for such liabilities have transferred to the Department of Health.

All other assets and liabilities were transferred to the CQC on 1st April 2009 and, as the transfer of activities was between the Department of Health's Arms Length Bodies, they are not considered to be "discontinued". It has accordingly been considered appropriate to adopt a "going concern" basis for the preparation of the CSCI final financial statements as its functions are continuing.

Contractual Obligations

CSCI operated a contracts register, which showed the contracts let for CSCI.

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

Mouchel Business Services provided the payroll service to CSCI.

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

As CSCI ceased operations on 31st March 2009, all contracts were transferred to the CQC until they expired.

New developments to the scope of our work

In September a Transition Team was created. They oversaw, managed and co-ordinated CSCI's input into the creation of the new Care Quality Commission. An action plan was prepared which included all work in progress and any data, records or files. Matters relating to the legal shutdown of CSCI, estates closure and rationalisation, Finance, IT, Comprehensive Area Assessment development and 2008-09 Commissioning assessments, procurement and contracts were also included and had closure and/or continuity plans drawn up.

The plan identified any risks for CSCI and any emerging issues which were relevant to CQC. Risks for CSCI were more associated with the possibility of any non-completion of statutory work programmes and the steps CSCI intended to take to mitigate against this.

Our resources

CSCI employed an average of 1,694 (1,560 whole-time equivalent) contract staff throughout 2008-09 (1,913 and 1,778 whole-time equivalent respectively for 2007-08), the majority of whom worked 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 CSCI's strategy i.e. more efficient processes, rationalisation of office accommodation and modernisation and proportionality in the targeting of inspection activity on the poorest services and also a recognition of the potential needs of CQC during the final transition year.

In 2008-09, our resources totalled £137m (£145m in 2007-08), including £16m capital grant in aid funding (£19m in 2007-08), £57m income from activities (£57m in 2007-08) and £65m revenue grant in aid funding (£70m in 2007-08). Most of this was spent on our work to regulate registered care services, and on work with local councils and our other responsibilities.

CSCI had adopted a three-year financial strategy, which would see reductions in financial, staff, and estate resources. This was supported through capital expenditure of £15.6m 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 function of the Audit and Risk Committee was 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 carried out its work by reviewing and challenging the assurances which were available to the Accounting Officer, the way in which these assurances were developed, and the management priorities and approaches on which the assurances were premised.

Specifically, the Audit and Risk Committee provided advice by:

- reviewing the preparation of the 2007-08 annual accounts for the approval of the Commission;
- reviewing the draft Audit Strategy for producing the 2008-09 annual accounts;
- reviewing 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.

Sustainability duty

In July CSCI published a Sustainable Development Action Plan (SDAP). In view of the short lifespan that remained for CSCI, the SDAP had concentrated on a few key areas such as energy reduction and staff awareness.

In September 2008 we launched the sustainability intranet zone as part of our campaign to raise awareness in staff and serve as a central point of information. It offered staff the chance to find out more on the subject and to sign up personally to a more sustainable way of life.

All CSCI offices entered into our campaign to reduce energy use and to start other initiatives. We have worked closely with our facilities management contractors to set baselines for energy use at 2007/8 levels and in October we published our first batch of energy use and carbon emission statistics for our larger offices. Within all offices, CSCI continued to recycle paper, plastic, cans and print cartridges.

In October the Senior Management Board reviewed its business processes to ensure that sustainability was fully embedded. A procurement questionnaire on sustainability was considered in tender exercises and used as a management monitoring tool for all our suppliers. Sustainability considerations were a mandatory part of all proposed business cases and board papers.

Our people

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 Support Through Change programme included a number of successful Springboard Women's development programmes and its brother, the Navigator Men's development programmes, which were delivered in house.

A considerable investment was made in supporting home based staff during 2008-09. This included the following:

- Managing a Virtual Team and Working in a Virtual Team Training Module
- Team Toolkit developed to help staff work effectively and efficiently in a virtual team environment
- Action learning sets and mentoring/coaching arrangements established

CSCI Employment Policies

Equality Impact Assessments were carried out on all existing HR policies and procedures. A robust process was in place to ensure that new policies and procedures were impact assessed at all stages of development. HR worked closely with the Staff Diversity Groups and others to ensure that employment policies received critical assessment from a diverse range of staff groups. All agreed Policies appeared on the CSCI intranet.

Equality and Diversity

CSCI valued the diversity of its employees and the people and communities that it served, and was committed to promoting equality and to tackling discrimination. It sought to ensure that no individual or group received less favourable treatment on the grounds of race, gender, disability, religion, gender reassignment, sexual orientation or use of mental health services, or was disadvantaged by conditions or requirements which could not be seen to be justifiable.

CSCI had an Equalities and Diversity Programme Board which was chaired by the Chief Inspector. CSCI also supported 3 staff diversity groups: the Black Workers' Group; the Lesbian, Gay, Bisexual and Transgender workers' Group; and the Disability At Work Group. The Commission's Race Equality Scheme, Gender Equality Scheme and Disability Equality Scheme have informed the basis of much work over the past year. Equality and Diversity training has been central to organisational development and this has been cascaded through both inspector and management training modules. Corporate services have co-ordinated and supported the Dignity at Work Advisor group, which offered advice, and support to individual staff who experienced dignity at work related issues in the workplace.

Through extensive consultation with staff members and management teams, we developed a robust system of support planning to enable us to implement support mechanisms for individual staff, both in terms of personal and physical needs.

The CSCI Equality and Diversity intranet was updated to include a list of all policies as well as information on the Dignity at Work Scheme, links to other sites and details of the key staff members responsible for various aspects of Equality and Diversity.

Sickness Absence

During 2008-09, a total of 21,088 days were lost due to sickness of which 65.01% was due to long term illness. An average of 12 working days were lost per person.

Proportion lost to	
All Others	23.57%
Cold/Viral/Ingestion	16.17%
Mental Health	23.93%
Muscular/Skeletal	13.94%
Respiratory	2.90%
Unknown/ill defined	19.49%
Grand Total	100.00%

Estates Strategy – office closures

During 2008-09 CSCI continued to reduce the number of offices as part of our Estates Strategy. In 2008, Regulatory Inspectors and Regulation Managers working to the interim home working arrangements were encouraged to accept full home working. This enabled 12 offices to be closed during the year. 39 empty offices have been transferred to DH as part of the transition programme leaving CSCI with 5 sites. As CSCI ceased operations on 31st March 2009, these have been transferred to CQC and DH.

In accordance with the provisions of FRS 12 Provisions and contingencies, provision has been made for any remaining lease commitments deemed to be onerous (see note 6).

ICT Core Applications Project (ICAP)

ICAP was a CSCI project tasked with delivering a new ICT system to support their new, risk based regulatory process, Inspecting for Better Lives. The first stage of implementation took place in late summer 2008, during which a number of major malfunctions and workflow issues were experienced. These problems resulted in significant extra resource being temporarily required to ensure the fee income from service registrations and variations which are processed through ICAP was accurately reported at 31 March 2009 and that the statutory Regulatory duties were delivered. CQC were not aware of the true severity of the systems issues being experienced by users and it is independently assessed that, at the date of handover to CQC and at the date of this report, a number of the core problems in ICAP remained unresolved. CQC commissioned an independent review of ICAP by the Department of Health internal auditors to clarify the real inheritance shortfalls and has now agreed a strategy to mitigate the shortfalls to enable CQC to fulfil its regulatory requirements in respect of social care. It is anticipated that this will require significant investment that was not envisaged at the date of handover. Following further assessment of the issues surrounding ICAP an impairment review of the carrying value of the asset has been performed. As a result of this an impairment charge of £14.4m has been made leaving a revised book value of £3.1m at 31 March 2009. This impairment charge has been treated as an exceptional item within operating costs and disclosed in note 6 to the accounts.

Business Services

Business services worked through 2008-09 to consolidate and build on the considerable changes to structure and ways of working introduced in 2007.

The teams had established themselves as a competent and committed customer focused service. They achieved success in delivering against all activity and resource milestones that had been established.

National leadership with a regional focus had enabled a flexible yet consistent model of business service to be embedded into the core work of the commission.

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

The Health and Social Care Act 2008, which established CQC, was granted Royal Assent in late July 2008. CQC was created as a legal entity in October 2008 and commenced up its regulatory responsibilities from April 2009. The new organisation has been set up by the Department of Health but will be independent of Government with the purpose to promote improvements across health, adult social care and mental health sectors. It will encompass most of the work currently undertaken by CSCI, the Healthcare Commission and the Mental Health Act Commission but not all e.g. NHS complaints went to the Parliamentary and Health Service Ombudsman (PHSO).

Personal Data Related Incidents

In accordance with the Cabinet Office Data Handling Requirements, implemented in 2008, the Commission was required to report a summary of incidents involving the security of personal data during 2008-09.

Incidents, the disclosure of which would in itself create an unacceptable risk of 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.

TABLE 1: SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2008-09

Statement on information risk	<p>The Commission has built upon the work of previous years to continue to improve our management of information risk.</p> <p>In particular, we developed our information management practices to move towards complying with the new requirements and standards introduced by the Cabinet Office since March 2008. Where appropriate, we introduced new procedures (including an improved information risk management policy and reporting mechanism) in order to meet these requirements. KPMG have audited our data handling procedures and assessed them to be satisfactory, and we have reported progress to the Department of Health.</p> <p>There are two individual requirements that the Commission was unable to fully comply with, because the level of IT investment that would have been required precluded completion within the lifetime of CSCI. We notified the Department of Health of these shortfalls and also reported them to our Board and Audit and Risk Committee on our Information Risk Register. We did not consider that these shortfalls represented a risk to the security of personal data.</p> <p>The Commission recognised the importance of protecting the information that we held, especially in relation to personal and confidential information about individuals. The Commission's information security risk management and data handling mechanisms were appropriate for the information that we held.</p>			
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
-	-	-	-	-
Further action on information risk	<p>No protected personal data related incidents were reported to the Information Commissioner's Office in 2008-09.</p> <p>The Commission for Social Care Inspection ceased to exist on 31st March 2009, therefore CSCI will take no further steps in relation to information risk management. Records held by CSCI have been transferred to the Care Quality Commission.</p>			

TABLE 2: SUMMARY OF OTHER PROTECTED PERSONAL DATA RELATED INCIDENTS IN 2008-09

Incidents reported centrally to the Department of Health, but deemed by the Department of Health not to fall within the criteria to report to the Information Commissioner's Office. Small, localised incidents are not reported and 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.	1
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises.	1
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents.	0
IV	Unauthorised disclosure.	0
V	Other.	0
Summary of reported incidents	<p>Category I incident: The Commission was unable to locate a file of documents relating to a former children's service – or find evidence that the file had been transferred in April 2007 when responsibility for the regulation of these services passed to Ofsted. It is not known whether the file contained protected personal data. After investigation, the Commission concluded that the records had, most likely, been destroyed or misfiled at the time of transfer, and that it is highly unlikely that they have been subject to unauthorised access or disclosure.</p> <p>Category II incident: Approximately 10 floppy disks were stolen in the burglary of the home of a member of CSCI staff. The disks contained correspondence relating to the regulation and inspection of several adult care services between 1998 and 2002 (several years prior to the establishment of CSCI). It is not known whether the disks contained any protected personal data, although it is unlikely that they contained any data of a sensitive nature.</p>	

Remuneration Report

For Year 1 April 2008 to 31 March 2009

This report for the year ended 31 March 2009 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 & Human Resource Committee

The remuneration of the Chief Inspector and Business Directors was set by the Remuneration & Human Resource Committee and was reviewed annually.

The Remuneration & Human Resource Committee considered all general remuneration issues relating to staff, together with other people development issues. It also reviewed and approved all Human Resource Policies.

At each committee meeting, a range of people development statistics and data was considered. For example, staff establishment statistics, equalities and diversity data, and learning and development statistics. An update on the People Development function and our employee relations was received at each committee meeting.

The Committee also received regular updates on supporting staff through change, staffing issues in relation to transition to the Care Quality Commission and the annual staff survey.

The Remuneration & Human Resource Committee met 4 times during 2008-09 and comprised:

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

Also in attendance:

Paul Snell	Chief Inspector
Carol Proudfoot (from June 2008)	Interim Head of People Development
Hazel Parker-Brown (to October 2008)	Business Director—Corporate Services
Jerina Brown	Secretary to the Committee

In reaching its recommendations, the Remuneration & Human Resource Committee considered:

- 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 & Human Resource Committee advised CSCI's Commissioners on all pay and remuneration issues affecting staff.

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

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

All senior managers had agreed objectives.

The Chief Inspector and Business Directors' performance was 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 were subject to final approval by the Remuneration & Human Resource Committee.

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

Service Contracts

It was our policy to recruit senior managers on the basis of fair and open competition. Such appointments were 'open-ended' until they reached the CSCI normal retirement age of 65. For some individuals, earlier retirement was possible dependent upon the conditions of the pension scheme. However, the Remuneration & Human Resource and Audit and Risk Committees would approve any requests for early retirement, unless they were the result of the transition to CQC.

There were no new senior management appointments in 2008-09.

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 appraised the Commissioners and copies were sent to the NHS Appointments Commission. The Chair of the NHS Appointments Commission completed the Chair's appraisal. Any issue arising in connection with individual performance including termination of appointment was dealt with within this context.

The following sections provide details of the remuneration (including any non-cash remuneration) and pension interests of 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 2008-09 are contained within Tables 1 and 2.

Table 1 – Chair's Emoluments

	Date of Appointment	Salary	Bonus	2008-09 Total	2007-08 Total
		£	£	£	£
Dame Denise Platt, DBE	5 Jan 04*	85,554	–	85,554	85,554

Table 2 – Commissioners Emoluments

	Date of Appointment	Salary	Bonus	2008-09 Total	2007-08 Total
		£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	5-10
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 the 31 March 2009, when all Commissioner appointments were terminated.

CSCI reimbursed its Chair and Commissioners for expenses incurred during the course of business. For 2008-09, this amounted to £19.9k (£13.2k 2007-08) CSCI met the resulting tax liability under a settlement agreement with HM Revenue and Customs.

Payments to Independent Members

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

Table 3 – Payments to Independent Members

		2008-09 £000	2007-08 £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 were reappointed for a further term of office until the Commission was dissolved on 31 March 2009.

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 worked for CSCI on a full time basis.

Details of the remuneration of the Chief Inspector and Senior Managers for 2008-09 are contained below.

Table 4 – Chief Inspector's and Other Senior Manager's Emoluments

	Date of Appointment	Salary	Bonus re 2007-08	Bonus re 2008-09	2008-09 Total	2007-08 Total
		£000	£000	£000	£000	£000
Paul Snell Chief Inspector	29 Aug 06*	170-175	10-15	15-20	200-205	170-175
Hazel Parker-Brown Business Director Corporate Services	1 Mar 04 until 3 Dec 08	80-85 Full year Equivalent 120-125	5-10	5-10	95-100	125-130
John Fraser Business Director Quality, Performance and Methods	1 Jan 07**	105-110	5-10	5-10	125-130	105-110
Mike Rourke Business Director Inspection, Regulation and Review	2 Oct 06**	110-115	5-10	5-10	130-135	110-115
Judith Thomas Business Director Communications, User and Public Involvement	2 Feb 04 until 29 Aug 08	40-45 Full year Equivalent 105-110	5-10	0-5	50-55	110-115
David Walden Business Director Strategy	18 Feb 04	130-135	10-15	10-15	150-155	140-145

* Appointed as Senior Manager within CSCI 1 Apr 04

** Date appointed as Senior Manager for reporting purposes

Bonus Payments

Bonus payments were non-consolidated and were not pensionable. These could be up to 10% of salary based on performance (5% individual and 5% corporate 2007-08, 4% corporate 2008-09).

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

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

All salary review recommendations were subject to final approval by the Remuneration & Human Resource Committee.

Due to the closure of CSCI, the bonus payment shown in table 4, comprised two bonus payments awarded separately for performance delivered in the financial years 2007-08 and 2008-09.

Payments for Loss of Office

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

Paul Snell, the Chief Inspector, left under CSCI's compulsory redundancy terms on 31st March 2009. He was paid a compensation payment of £345 – 350K. Under LGPS, he is entitled to immediate payment of his pension (£65-70k) and lump sum (£190-195K). In accordance with CSCI's redundancy policy an additional payment of £10-15k was paid to him regarding his untaken holiday entitlement.

Under the terms of the PCSPS scheme, other Senior Managers are not eligible for a redundancy payment. However they do receive an immediate compensation lump sum from the pension fund, the amount of which is dependent upon their age and length of reckonable service. The compensation lump sum is additional to the lump sum paid to the individual when accessing their pension benefits.

John Fraser, Michael Rourke and David Walden therefore left under Compulsory Early Retirement Terms on 31st March 2009. The total compensation paid to them from PCSPS was as follows:

	John Fraser	Michael Rourke	David Walden
	£000	£000	£000
Lump sum compensation payment at date of leaving	40-45	55-60	65-70
Annual compensation payment payable until the age of 60	45-50	40-45	60-65

Benefits in Kind

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

A taxable benefit of £400 was payable to the Chief Inspector and Senior Managers in respect of travel allowances. No additional benefits in kind were awarded.

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 £151,635 (£173,721 in 2007-08). This includes gross salary, a London weighting allowance, bonus, National Insurance and pension costs. David's time at CSCI was reduced while he returned to the Department of Health to work part time on the transition to CQC between June and December 2008.

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 09		CETV at 31 Mar 08	CETV at 31 Mar 09	Real Increase in CETV
	Lump Sum	Pension	Lump Sum	Pension			
	£000	£000	£000	£000	£000	£000	£000
**Paul Snell Chief Inspector	10-12.5	5-7.5	190-195	65-70	925	1,428	456
*Hazel Parker-Brown Business Director Corporate Services (left 3 Dec 08)	0-2.5	0-2.5	120-125	40-45	808•	832	12
*John Fraser Business Director Quality, Performance and Methods	7.5-10	2.5-5	130-135	45-50	819•	955	69
*Mike Rourke Business Director Inspection, Regulation and Review	7.5-10	2.5-5	125-130	40-45	713•	844	65
*Judith Thomas Business Director Communications, User and Public Involvement (left 29 Aug 08)	0-2.5	0-2.5	45-50	15-20	210•	230	7
*David Walden Business Director Strategy	0-2.5	0-2.5	170-175	60-65	979•	1,070	1

* are all members of PCSPS and the Classic Scheme

** are members of Local Government Schemes

- Due to the Cabinet Office changing the transfer factors that came into force on 1 October 2008, there is a reduction of 4.83% between the final period CETV for 2007-08 and the start of the period CETV for 2008-09.

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 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.

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 offered the Local Government Pension Scheme administered by Teesside Pension Scheme. However, because of legacy arrangements, we also had other Local Government Schemes, 17 in total. In 2008-09 all schemes other than Teesside Pension Scheme are closed schemes. Going forward to 2009-10, Teesside too will be a closed scheme. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

Employer contributions for 2008-09 were £5,916k in total (£6,957k in 2007-08), at rates ranging between 6.2% and 33.0% (12.5% and 30.4% in 2007-08). Employer contributions relating to Teesside Pension Fund were £4,903k (£5,788k in 2007-08) at a rate of 13.7% (14.7% in 2007-08).

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 2009-10 are currently expected to range between 6.2% and 35.5% (13.7% for Teesside Pension Fund).

Principal Civil Service Pension Scheme (PCSPS)

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

Some of the CSCI directors were 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 2008-09, employers’ contributions of £896k were payable to the PCSPS (£984k in 2007-08) at one of four rates in the range 17.1% to 25.5% of pensionable pay (17.1% to 25.5% in 2007-08), 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.

Staff, with PCSPS pensions, who are transferring to CQC will have to transfer their pension to the NHS Pension Scheme in 2009-10.

NHS Pension Scheme

Due to legacy arrangements, CSCI had staff that were covered by the provisions of the NHS Pension Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. 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 2008-09 CSCI employer's contributions were £523k (£647k in 2007-08), at a rate of 14% of pensionable pay (14% in 2007-08).

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 2009, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2009, 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 2009, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2009 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 prior to 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.

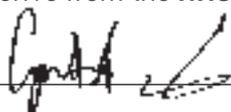
Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year’s pensionable pay for death in service, and five times their annual pension for death 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 significant changes were made to the NHS Pension Scheme contribution rates and benefits, which largely affected new members to the NHS. Legacy CSCI members will now find that their benefits derive from the **NHS Pension Scheme (Amended April 2008)**.

Signed:  _____

Name: Cynthia Bower

Position: Chief Executive, CQC

Dated: 9 July 2009

Financial Statements

For Year 1 April 2008 to 31 March 2009

Statement of Accounting Officer's Responsibilities

Under the Health and Social Care Act 2008 (Commencement No 9 Consequential Amendments and Transitory, Transitional and Saving Provisions) Order 2009, the Secretary of State for Health has directed CSCI to prepare for 2008-09 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 a going concern basis unless it is inappropriate to presume that CSCI will continue in operation. In this case, the functions and responsibilities of CSCI have transferred to CQC and so it has been considered appropriate to adopt a "going concern" basis for the preparation of the CSCI final financial statements.

The responsibilities of an Accounting Officer 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

As the Chief Executive of the Care Quality Commission (CQC) I have been designated Accounting Officer for the purposes of signing the Commission for Social Care Inspection (CSCI) Annual Report and Accounts for the year to 31st March 2009. The Chief Inspector of the Commission for Social Care Inspection was the Accounting Officer for CSCI during the year ending 31 March 2009.

1. Scope of responsibility

The CSCI Chief Inspector as Accounting Officer for the year to 31 March 2009 had responsibility for maintaining a sound system of internal control that supported the achievement of CSCI's policies, aims and objectives, whilst safeguarding the public funds and assets for which the Accounting Officer was personally responsible, in accordance with the responsibilities assigned in Managing Public Money.

The process of producing a Business Plan for 2008-09 and financial monitoring by CSCI, the Department of Health and CSCI Senior Management Board enable the CSCI Accounting Officer to monitor and be accountable for the achievement of the Commission's aims and objectives.

CSCI was dissolved on 31 March 2009 and its functions transferred to the Care Quality Commission (CQC).

2. The purpose of the system of internal control

The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control was 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 was in place in the CSCI throughout the year ended 31 March 2009 and in CQC from 1 April 2009 to ensure that internal control was maintained through to the date of approval of the annual report and accounts and accords with guidance from HM Treasury.

3. The capacity to handle risk

The Commission had overall responsibility for risk management within CSCI. The CSCI Audit and Risk Committee also played a key role and received regular updates on the key risks, in particular those associated with CSCI's ICT, Estates Strategies and the impact of the transition to CQC. Risk management was led by the Business Director of Corporate Services, supported primarily by the Head of Finance and Strategy colleagues, who work on corporate and business planning and who ensured that risk was 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 was developed to ensure that risks were adequately managed and that ownership and accountability were 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 established a continuous process for identifying, evaluating and managing significant risks, which was in place and operating for the period to which this statement relates. Key elements of the risk management strategy were:

- The Commission met regularly to consider its plans, performance and strategic direction.
- The Audit and Risk Committee received regular reports on risk management, the corporate risk register and aspects of internal control. The Committee approved the Risk Policy. The Committee formally reported to the Commission after each of its meetings and produced an Annual Report of its work.
- A programme management structure with programme and project board workstreams was 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 provided the basis for Programme Office management arrangements, which were monitored by the Strategy Directorate. Each programme was 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 was also required to establish a risk register and to review its management of those risks. The Senior Management Board monitored the programme boards on a regular basis.

In 2008/9, the programme structure was reviewed to reflect the change in focus in the last year of the Commission as it moved from methodological and systems change to a period of consolidation and embedding the changes. Two of the programme boards became internally managed directorate project groups, but with their work monitored and reported to the Senior Management Board and Commission. In the latter part of the year, a process of closing down programme boards and directorate project groups was begun. The Senior Management Board received reports reviewing progress against the Programme boards' original objectives and success criteria, and on any 'lessons learned'. The boards were responsible for reviewing individual project performance and signing off their projects. This included ensuring transferred ownership of any unfinished business or outstanding issues.

- The risks and issues associated with transition to the Care Quality Commission were clearly identified and managed. This included ensuring the effective handover of key processes (baton handling) and a clear identification of liabilities and assets in a Resource Allocation Document.

- Risk management continued 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 were identified in the Commission's corporate risk register and published in a corporate business plan. In 2008-09 the risks included "inability to resource CSCI business plan" and "loss of key staff, retention and recruitment difficulties due to the transition to CQC."

The resource issues were managed by securing viable revenue and capital budgets and transitional funding, reducing inspection workload and implementing ICT, Estates and Workforce Strategies, which generated the savings required to meet reducing resources, whilst still achieving objectives. Regular monitoring of budgets and strategies provided assurance that the risk was being managed.

Staff issues were managed by active engagement with CQC, increased investment in staff through a Support Through Change initiative and actions taken in response to the 2008 staff survey.

During the year some of the key issues were reviewed by Internal Audit and reported to the Audit and Risk Committee. Those included work on Estates Strategy Management and the Registration Process. The reports provided recommendations, which resulted in improvements to the consistency of performance indicators for registrations and the quality of data published to potential lessees of vacant office space.

CSCI's Audit and Risk Committee monitored the risks and progress of CSCI's ICT Strategy, and in particular the implementation of "ICAP" (the IT Core Applications Project). In late summer 2008 when the rollout of ICAP nationally gave rise to a range of significant operational issues including backlogs of work and a large number of unresolved systems malfunctions, the Senior Management Board of CSCI instituted a recovery project and reported to the CSCI Audit and Risk Committee on the project's progress. In early 2009 Internal Audit conducted a post-implementation review of ICAP and found that risk management and governance processes were satisfactory. However, they highlighted that significant levels of duplication were being experienced by users and there was no clear view, at regional level, of the decision making process. Significant operational issues continue at the date of this report. CQC has commissioned an independent review of ICAP by Department of Health Internal Audit to clarify the real inherited shortfalls of the system. A strategy has now been agreed to mitigate the shortfalls to enable CQC to fulfil its regulatory requirements in respect of social care. It is anticipated that this will require significant investment that was not envisaged at the date of handover. Following further assessment of the issues surrounding ICAP an impairment review of the carrying value of the asset has been performed. As a result of this an impairment charge of £14.4m has been made leaving a revised book value of £3.1m at 31 March 2009.

The Commission built upon the work of previous years to continue to improve our management of information risk.

In particular, CSCI had developed information management practices to move towards complying with the new requirements and standards introduced by the Cabinet Office since March 2008. Where appropriate, they introduced new procedures (including an improved information risk

management policy and reporting mechanism) in order to meet these requirements. Our Internal Auditors, KPMG, audited data handling procedures and assessed them to be satisfactory, and CSCI have reported progress to the Department of Health.

There were two individual requirements that the Commission were unable to fully comply with, because the level of IT investment that would have been required precluded completion within the lifetime of CSCI. The Department of Health were notified of these shortfalls and they were reported to the Board and Audit Committee on our Information Risk Register. CSCI did not consider that these shortfalls represented a risk to the security of personal data.

The Commission recognised the importance of protecting the information that it held, especially in relation to personal and confidential information about individuals. The Commission's information security risk management and data handling mechanisms were appropriate for the information that it held.

All of the agreed actions resulting from reports to the CSCI Audit and Risk Committee were monitored by inclusion on a Tracking Report to every meeting, which provided an update on progress. One recommendation has been outstanding for over 12 months. This was the implementation of a historical interrogation facility for databases. Although this has been provided the introduction of new systems created some instability which needed to be kept under review.

Financial risk management policy is discussed in note 19 to the Financial Statements.

5. Review of effectiveness

The CSCI Accounting Officer was responsible for reviewing the effectiveness of the system of internal control. This was informed by the work of the internal auditors and the executive managers within CSCI who had 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. The CSCI Accounting Officer had been advised on the implications of the result of the 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 were in place.

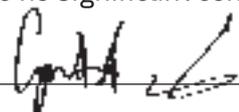
The effectiveness of the system of internal control was maintained by a wide range of activity;

- The Commission met regularly to consider performance against a range of key indicators.
- The Audit and Risk Committee thoroughly reviewed Internal Audit reports including continuous monitoring of the implementation of all improvement recommendations.
- Detailed monitoring and management of the performance of CSCI was carried out by fortnightly meetings of a Senior Management Board (SMB) comprising the Chief Inspector and all Business Directors. A Delegated Decision Making Group was also established to deal with operational decisions that did not need to take the time of the full SMB.

- The Internal Audit service for 2008-09 was provided by KPMG, following a competitive tendering process, and is carried out as defined by the Government Internal Audit Standards.
- Internal Audit conducted a range of investigations to an annual plan following a review of the corporate risk register and discussions with the Chief Inspector, Business Directors and the Audit and Risk Committee.
- Everyone in the organisation, including the Chief Inspector and the Business Directors, operated under a performance management system called the Learning and Performance Deal. Personal objectives to deliver an individual's contribution to the Business Plan were agreed in one to one sessions between individuals and their line managers. Any learning necessary to enable delivery against these objectives was identified and actioned. These objectives were then monitored regularly throughout the year and action was taken, as necessary, to ensure that objectives were met, so that the totality of CSCI's objectives were delivered as planned. A formal appraisal of the Chief Inspector and Business Directors was undertaken at the year end and considered by the Remuneration Committee. These arrangements provided assurance as to the deliverability of the overall plan and engaged all staff so that they all had a stake in the success of the organisation.
- At operational level, performance was monitored at national and regional level and quality checks were carried out on the output of Inspectors by local managers and externally by the Quality Manager in the QPM directorate. In addition, Quality Boards were established from April 2008 which included external stakeholders and provided additional quality assurance of Inspectors reports. The Business Director, (Inspection, Regulation and Review) regularly reviewed performance against targets. Equivalent arrangements were in place in the other directorates to ensure that they too delivered to plan.

I have obtained assurance from the CSCI Chief Inspector, who was responsible as Accounting Officer for the activities relating to the period up to 31 March 2009. I will also take into account the annual report of CSCI's Internal Auditors, National Audit Office Reports, a handover tracking report from CSCI's Audit and Risk Committee, an interim Statement on Internal Control signed by the Accounting Officer for CSCI and covering the year to 31st March 2009 and any other information I become aware of in the period 1st April to the date of signing these accounts. Additionally I have requested an independent review of these accounts to support my role as Accounting Officer from 1 April 2009.

There were no significant control issues to report or data handling issues during this final period.

Signed:  _____
 Name: Cynthia Bower
 Position: Chief Executive, CQC
 Dated: 9 July 2009

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 2009 under the Health and Social Care Act 2008 (Commencement No.9, Consequential Amendments and Transitory, Transitional and Saving Provisions) Order 2009. 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 Act 2008 (Commencement No.9, Consequential Amendments and Transitory, Transitional and Saving Provisions) Order 2009 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 Act 2008 (Commencement No.9, Consequential Amendments and Transitory, Transitional and Saving Provisions) Order 2009 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 and Management Commentary, 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 opinions

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 Accounting Officer 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 Act 2008 (Commencement No.9, Consequential Amendments and Transitory, Transitional and Saving Provisions) Order 2009 and directions made by the Secretary of State with the approval of HM Treasury, of the state of Commission's affairs as at 31 March 2009 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 Act 2008 (Commencement No.9, Consequential Amendments and Transitory, Transitional and Saving Provisions) Order 2009 and directions made by the Secretary of State with the approval of HM Treasury; and
- information, which comprises the Introduction to Accounts and the Management Commentary, 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.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS
16 July 2009

Income and Expenditure Account

for the year ended 31 March 2009

	Note	Year to		Year to	
		31 March 2009		31 March 2008	
		£'000	£'000	£'000	£'000
Gross Income					
Income from activities	3	57,172		56,619	
Income from disposal of fixed assets	8(c)	2		4	
Total Income			57,174		56,623
Expenditure					
Staff costs	4(a)	(76,881)		(82,275)	
Other operating charges	5				
– Other		(34,239)		(37,833)	
– Exceptional	6	(16,842)			
Total operating charges		(51,081)		(37,833)	
Depreciation	8	(12,654)		(11,140)	
Disposal of Fixed Assets	8(c)	(13,235)		(2,798)	
Loss on revaluation of fixed assets	8	(2,345)		(1,013)	
Total Expenditure			(156,196)		(135,059)
Net Operating Expenditure			(99,022)		(78,436)
Restructuring exceptional items:					
– termination of employment	6		(16,370)		(10,799)
– empty offices	6		(10,714)		(10,018)
Interest receivable and other finance income	7		2,238		2,717
Notional cost of capital	1(g)		(51)		(701)
Net Expenditure for period on ordinary activities			(123,919)		(97,237)
Write back of notional cost of capital	1(g)		51		701
Net Expenditure for the financial year			(123,868)		(96,536)

Income and operating expenditure derived entirely from continuing operations.

Statement of Recognised Gains and Losses

for the year ended 31 March 2009

	Note	Year to	Year to
		31 March 2009	31 March 2008 RESTATED
		£'000	£'000
Revaluation of tangible fixed assets not released to income and expenditure	8	(732)	419
Actuarial (loss)/gain in pension schemes	4(c)vii	(6,123)	24,718
Adjustment to plan assets due to amendment in FRS17 (note 1)	1(j)		(1,805)
Recognised (Losses)/Gains related to the year		(6,855)	23,332
Prior year adjustment (as explained in note 4)	4(c)i	(1,805)	–
Total Gains/(Losses) recognised since last annual report		(8,660)	–

Cash Flow Statement

for the year ended 31 March 2009

	Note	Year to 31 March 2009	Year to 31 March 2008
		£'000	£'000
Operating Activities:			
Net cash outflow from operating activities	16	(60,692)	(68,025)
Returns on investment and servicing of finance:			
Interest received	7	156	278
Capital expenditure and financial investments:			
Payments to acquire fixed assets	8	(15,681)	(18,680)
Cash outflow from capital expenditure and financial investment		(76,217)	(86,427)
Financing:			
Grant in Aid received for capital expenditure	2	15,600	18,707
Grant in Aid received for revenue expenditure	2	64,573	69,705
Increase in cash in period	17	3,956	1,985

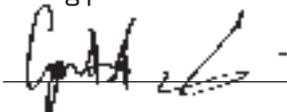
Net cash outflow includes exceptional items of £16,370k (£10,799k year to 31 March 2008).

Balance Sheet

as at 31 March 2009

	Note	31 March 2009		31 March 2008 RESTATED	
		£'000	£'000	£'000	£'000
Intangible Fixed Assets	8(a)		123		258
Tangible Fixed Assets	8(b)		6,310		33,848
			6,433		34,106
Current Assets:					
Debtors/Prepayments:					
Amounts falling due within one year	9	5,071		5,679	
Cash at bank and in hand	17	13,268		9,312	
			18,339		14,991
Current Liabilities:					
Creditors/Accruals					
Amounts falling due within one year	10(a)		(14,412)		(9,477)
Net Current Assets			3,927		5,514
Long-term Liabilities:					
Amounts falling due after more than one year	10(b)		(101)		(141)
Provisions for liabilities and charges:					
Provisions	11		(26,757)		(13,017)
Total assets less liabilities excluding pension liabilities			(16,498)		26,462
Pension (liabilities)/assets	4(c)		(7,312)		278
Total assets less liabilities including pension liabilities			(23,810)		26,740
Financed by:					
Income and Expenditure Reserve	12		(34,197)		10,230
Pension Reserve	13		10,387		16,510
Total Reserves			(23,810)		26,740

The accounting policies and notes on pages 102 to 126 form part of these accounts.

Signed: 

Name: Cynthia Bower

Position: Chief Executive, CQC

Date: 9 July 2009

Notes to the Accounts

1) Accounting Policies

a) Statement of Accounting Policies

The Financial Accounts cover the period 1 April 2008 to 31 March 2009.

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.

b) Accounting Convention

The financial statements were prepared under the modified historic cost convention by the inclusion of fixed assets at their value to the business by reference to current costs.

c) Impact of new Accounting Standards

During the year, CSCI adopted FRS 25 'Financial Instruments: Disclosure and Presentation', FRS 26 'Financial Instruments: Measurement', and FRS 29 'Financial Instruments: Disclosures'. The main impact is that FRS 26 requires financial instruments to be measured in a way that reflects the fair value of the asset or liability, usually by discounting.

As permitted by the FReM, prior year adjustments were not made to the balance sheet at 31 March 2008 or to the income and expenditure account for that year.

The adoption of this standard did not have a significant impact on the financial statements.

d) Fixed Assets – Tangible and Intangible Assets

Fixed assets were capitalised in the Balance Sheet at their modified historic cost (MHC) less depreciation or amortisation. MHC was calculated using the relevant indices from the Retail Price Index. Upward revaluations were charged to the Revaluation Reserve while downward revaluations were charged to the Income and Expenditure Account (to the extent that there is no credit on the Revaluation Reserve to offset the loss).

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 was incurred.

Management reviewed the carrying value of the fixed assets for any indicators of impairment and where there was evidence that this may exist an impairment review was performed and an adjustment processed in the accounts where necessary.

e) 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 was fully depreciated during the year in which the expenditure incurred.

f) Operating Leases

Rental payable under operating leases was charged to the income and expenditure account on a straight-line basis over the lease term. There were no finance leases.

g) Notional Costs

When calculating the surplus or deficit for the year, the Commission was required to include as expenditure a notional cost of capital, to the extent that there was no real charge for this. In accordance with HM Treasury requirements, a rate of 3.5% was calculated on the average of capital employed during the year.

h) Value Added Tax

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

i) Income

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

j) Pension Costs

The majority of CSCI's employees (69%) were members of local authority pension schemes (69% in 2007-08). 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.

Due to an amendment to FRS17 pension scheme assets are measured using bid value rather than previously stated mid 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 (6%) participated in the National Health Service Pension Scheme (7% in 2007-08) and (5%) participated in the Principal Civil Service Pension Scheme (PCSPS) (5% in 2007-08). 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.

k) Provisions

CSCI provided for legal or contractual obligations that were 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.

l) Financial Instruments

Because of the non-trading nature of CSCI's activities and the way in which Government Departments are financed, the Commission was not exposed to the degree of financial risk faced by business entities.

CSCI had no borrowings and relied on the grants from the Department of Health for its cash requirements and was therefore not exposed to liquidity risks. All material assets and liabilities are denominated in sterling so it was not exposed to interest rate risk or currency risk.

Trade debtors do not carry any interest and are stated at their nominal value less any provision for impairment.

Trade creditors are not interest bearing and are stated at their nominal value.

Longer term debtors and creditors are discounted when the time value of money is considered material.

m) Going Concern

The balance sheet at 31 March 2009 indicates more liabilities than assets. The functions of CSCI were transferred to the CQC on 1 April 2009. As the functions and assets and liabilities have been transferred and ongoing funding for CQC has been confirmed by the Department of Health it has been considered appropriate to prepare the CSCI final financial statements on the going concern basis.

2) Government Grant in Aid

	Year to 31 Mar 09	Year to 31 Mar 08
	£'000	£'000
Grant in Aid received from Department of Health and used for revenue expenditure (see note 12)	64,573	69,705
Grant in Aid used for capital expenditure (see note 12)	15,600	18,707
Grant in Aid received from Department of Health	80,173	88,412

3) Income from Activities

	Year to 31 Mar 09	Year to 31 Mar 08
	£'000	£'000
Income from fees	57,082	56,367
Other Income	90	252
Total Income from Activities	57,172	56,619

4) Employee Information

a) Staff costs

	Year to 31 Mar 09	Year to 31 Mar 08
	£'000	£'000
Salaries and Wages	56,080	60,686
Employers National Insurance	4,727	5,324
Employers Superannuation	7,167	8,481
External Consultants & Agency Staff	5,290	3,021
Secondments	(227)	(191)
Other staff costs	295	363
Increase in operating charge for pensions	3,549	4,591
Total Staff Costs	76,881	82,275

Staff costs include payments made to the Chair, Commissioners and Chief inspector. In addition to the above, £519k of staff costs was capitalised during 2008-09 (£592k during 2007-08). These costs included salary, National Insurance and pension costs. An additional £203k was capitalised in relation to staff expenses (£191k in 2007-08).

The increase in the operating charge for pensions relates to current service costs less employer contributions of £337k (£3,022k in 2007-08), past service costs of £1,139k (£558k in 2007-08), curtailment and settlement costs of £2,073k (£1,011k in 2007-08).

Termination of employment costs totalled £16,370k in 2008-09, (£10,799k in 2007-08). This is reported as an exceptional item (note 6) and is not included as staff costs.

Six persons retired early on ill-health grounds during the year. The total additional accrued pension liabilities in the year amounted to £18k (Pension £18k, and Lump Sum nil).

b) Average number of whole-time employees

The average number of whole-time equivalent (wte) employees during the year ended 31 March 2009, was 1,670 wte (1,859 wte 2007-08) analysed as follows:

	Contract		Outward Secondment		Inward Secondment		Agency		Total	
	08-09	07-08	08-09	07-08	08-09	07-08	08-09	07-08	08-09	07-08
	wte	wte	wte	wte	wte	wte	wte	Wte	wte	wte
Senior Managers	4	6	0	0	1	1	0	0	5	7
Other Managers	13	13	(1)	(2)	0	0	0	0	12	11
Management	326	361	(7)	(9)	0	4	0	1	319	357
Inspectors	794	911	(1)	(2)	1	1	4	5	798	915
Admin	423	487	0	0	2	3	111	79	536	569
Total	1,560	1,778	(9)	(13)	4	9	115	85	1,670	1,859

c) Pension Arrangements

CSCI offered the Local Government Pension Scheme administered by Teesside Pension Scheme. However, because of legacy arrangements contributions by CSCI and employees were also made to a number of other defined benefit schemes.

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

Pension Fund	Assets Year to 31/3/09 £'000	Liabilities Year to 31/3/09 £'000	Surplus/ [Deficit] Year to 31/3/09 £'000	Surplus/ [Deficit] Year to 31/3/08 RESTATED £'000	Surplus/ [Deficit] Year to 31/3/07 £'000	Surplus/ [Deficit] Year to 31/3/06 £'000	Surplus/ [Deficit] Year to 31/3/05 £'000
Teesside	141,645	(135,834)	5,811	7,206	(14,180)	(19,268)	(25,337)
Essex	3,196	(4,213)	(1,017)	(1,020)	(923)	(1,283)	(1,229)
Merseyside	3,540	(4,312)	(772)	(632)	(12)	(285)	(850)
Greater Manchester	8,124	(9,462)	(1,338)	173	(789)	(1,468)	(1,225)
Derbyshire	1,842	(2,227)	(385)	(225)	74	(86)	(209)
Hampshire	2,820	(4,510)	(1,690)	(500)	(1,010)	(1,010)	(1,100)
West Yorkshire	5,188	(6,829)	(1,641)	(1,684)	(282)	(715)	(1,089)
Cheshire	1,759	(2,671)	(912)	(492)	(150)	(440)	(390)
Avon	2,954	(3,673)	(719)	(766)	(312)	(562)	(459)
Cumbria	1,946	(2,739)	(793)	(819)	(640)	(826)	(814)
Cambridgeshire	1,519	(1,841)	(322)	(20)	(115)	(268)	(231)
Suffolk	1,970	(2,559)	(589)	(62)	(314)	(549)	(524)
East Sussex	2,551	(2,896)	(345)	134	(260)	(480)	(342)
Surrey	2,639	(3,407)	(768)	(34)	(582)	(790)	(669)
West Sussex	1,572	(2,089)	(517)	(101)	(189)	(335)	(396)
Dorset	1,174	(1,946)	(772)	(386)	(254)	(293)	(327)
Shropshire	1,005	(1,548)	(543)	(494)	(502)	(622)	(669)
Total	185,444	(192,756)	(7,312)	278	*(20,440)	(29,280)	(35,860)

* includes CSCI children's work which was transferred to the new Office for Standards in Education, Children's Services and Skills (Ofsted) on 1 April 2007.

There have been a few changes to FRS17 since last year. Asset values as at 31 March 2009 are at bid value whereas in previous accounting periods, the value of assets may have been reported as mid-market value. As such the figures previously disclosed as at 31 March 2008 have been adjusted for the estimated bid value of assets at that date. The financial impact of this change is £1.8m.

The opening balance sheet has been restated to take account of this change in accounting policy [see note 1(j)].

Prior year net assets are reduced by £1.8m resulting from the amendment in FRS17 to change the value pension assets from mid to bid value.

The net pension deficit has not been restated for the year ended 31st March 2007 for the amendment to FRS 17, as this information was not available. The overall reserves at the end of 2008 are materially correct with the impact recognised in the prior year reserve movement.

The net pension liability reported in 2008-09 is due to the deterioration in the investment markets, resulting in much lower than expected returns and hence producing a negative impact.

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				
	% per annum				
	08-09	07-08	06-07	05-06	04-05
Price increases	3.0	3.7	3.3	3.0	2.9
Rate of increase in salaries	4.5	5.7	5.3	5.0	4.9
Rate of pension increases	3.0	3.7	3.3	3.0	2.9
Discount Rate	6.7	6.6	5.4	4.9	5.4

	Other Pension Funds				
	% per annum				
	08-09	07-08	06-07	05-06	04-05
Price increases	3 to 3.6	3.6 to 3.7	3.1 to 3.3	2.9 to 3.1	2.9
Rate of increase in salaries	4.5 to 5.1	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 to 3.6	3.6 to 3.7	3.1 to 3.3	2.9 to 3.1	2.9
Discount Rate	6.6 to 7.1	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	As at	As at	As at	As at
	31 Mar 09	31 Mar 08	31 Mar 07	31 Mar 06	31 Mar 05
	RESTATED				
	£'000	£'000	£'000	£'000	£'000
Total market value of assets	185,444	223,104	234,342	208,372	147,476
Present value of scheme liabilities	(192,756)	(222,826)	(254,782)	(237,652)	(183,336)
Net Pension Asset/ (Liability)	(7,312)	278	(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 09	Value at 31 Mar 09
	% per annum	£'000
Equities	6.8 to 7.5	130,279
Gilts	4 to 4	19,753
Bonds	5.4 to 6.5	6,878
Property	4.9 to 6.6	10,369
Cash	0.5 to 4	16,492
Other	1.6 to 7.5	1,673
Total Market Value of Assets		185,444

	Range of Long Term Rates Expected at 31/3/08	Value at 31/3/08 RESTATED	Range of Long Term Rates Expected at 31/3/07	Value at 31/3/07	Range of Long Term Rates Expected at 31/3/06	Value at 31/3/06	Range of Long Term Rates Expected at 31/3/05	Value at 31/3/05
	% per annum	£'000	% per annum	£'000	% per annum	£'000	% per annum	£'000
Equities	7.1 to 7.7	160,449	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	13,733	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	12,352	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	12,006	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	23,106	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	1,458	5.6 to 7.5	716	7.0	574	7.5	287
Total Market Value of Assets		223,104		234,342		208,372		147,476

	Split of assets between investment categories as at:				
	31/3/09	RESTATED 31/3/08	31/3/07	31/3/06	31/3/05
Equities	70.3%	71.9%	74.7%	75.0%	72.6%
Gilts	10.6%	6.2%	7.6%	8.8%	10.2%
Bonds	3.7%	5.5%	3.7%	3.7%	4.0%
Property	5.6%	5.4%	5.9%	5.2%	5.5%
Cash	8.9%	10.4%	7.8%	7.0%	7.5%
Other	0.9%	0.6%	0.3%	0.3%	0.2%

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

	2008-09 £'000	2007-08 £'000	2006-07 £'000	2005-06 £'000	2004-05 £'000
Current service cost	8,912	10,777	13,832	11,011	10,592
Past service cost	1,139	400	–	(692)	429
Curtailments and settlements	2,073	1,169	61	348	900
Changes in accounting methodology	–	–	–	–	400
Total Operating Charge	12,124	12,346	13,893	10,667	12,321

Analysis of amount credited to Other Finance Income:

	2008-09 £'000	2007-08 £'000	2006-07 £'000	2005-06 £'000	2004-05 £'000
Expected return on pension scheme assets	14,821	15,383	13,770	10,626	8,348
Interest on pension scheme liabilities	(12,739)	(12,987)	(12,049)	(10,403)	(8,566)
Net return	2,082	2,396	1,721	223	(218)
Total charge to the Income and Expenditure Account:	10,042	9,950	12,172	10,444	12,539

vi) Movement of deficit during the year:

	2008-09	2007-08 RESTATED	2006-07	2005-06	2004-05
	£'000	£'000	£'000	£'000	£'000
Deficit at beginning of year	278	(20,440)	(29,280)	(35,860)	(37,963)
Effect of change in accounting methodology	–	–	–	–	(400)
Current service cost	(8,912)	(10,777)	(13,832)	(11,011)	(10,592)
Employer contributions	8,575	7,755	8,476	8,687	9,428
Past service costs	(1,139)	(521)	–	692	(429)
Impact of settlements and curtailments	(2,073)	(1,048)	(61)	(348)	(900)
Net return on assets	2,082	2,396	1,721	223	(218)
Actuarial gains	(6,123)	22,913	12,536	8,337	5,214
Surplus/(Deficit) at end of year	(7,312)	278	(20,440)	(29,280)	(35,860)

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

	2008-09	2007-08	2006-07	2005-06	2004-05
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets	(52,514)	(19,588)	829	33,491	6,224
Experience losses and gains of scheme liabilities	8,856	10,226	340	(980)	3,791
Changes in financial assumptions underlying the present value of the scheme liabilities	37,535	34,080	11,367	(24,174)	(4,801)
Actuarial gains (losses) recognised in Statement of Recognised Gains and Losses	(6,123)	24,718	12,536	8,337	5,214
Adjustment to plan assets due to amendment in FRS17 (note 1(j))	–	(1,805)	–	–	–
Recognised (losses)/gains related to the year	(6,123)	22,913	12,536	8,337	5,214

viii) History of experience gains and losses:

	2008-09 £'000	2007-08 £'000	2006-07 £'000	2005-06 £'000	2004-05 £'000
Difference between expected and actual return on scheme assets:					
Amount (£000s)	(52,514)	(19,588)	829	33,491	6,224
Percentage of scheme assets	(28.3%)	(8.7%)	0.4%	16.1%	4.2%
Experience gains and losses on scheme liabilities:					
Amount (£000s)	8,856	10,226	340	(980)	3,791
Percentage of the present value of scheme liabilities	4.6%	4.6%	0.1%	(0.4%)	2.1%
Change in financial assumptions:					
Amount (£000s)	37,535	34,080	11,367	(24,174)	(4,801)
Percentage of the present value of scheme liabilities	19.5%	15.3%	4.5%	(10.2%)	(2.6)%
Total amount recognised in statement of recognised gains and losses:					
Amount (£000s)	(6,123)	22,913	12,536	8,337	5,214
Percentage of the present value of scheme liabilities	(3.2%)	10.3%	4.9%	3.5%	2.8%

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

Requests for FRS17 disclosure information should be addressed to the Head of Finance, Care Quality Commission, St Nicholas Building, St Nicholas Street, Newcastle upon Tyne, NE1 1NB.

5. Other Operating Charges

	Year to 31 Mar 09 £'000	Year to 31 Mar 08 £'000
Operating Leases (Equipment)	88	249
Operating Rents (Premises)	3,886	6,272
Other Premises Costs	8,046	7,226
Other Premises Costs – Exceptional	2,454	–
Impairment - Exceptional	14,388	–
Recruitment & Staff Search	219	279
Travel and Subsistence	4,577	4,008
Training & Development Costs	1,180	2,079
Office Supplies	858	947
External Audit Fees – Statutory Work	63	60
External Audit Fees – Adoption of IFRS	9	–
Losses and Special Payments (Bad Debt)	105	36
Losses and Special Payments (Other)	91	65
Other Costs	15,117	16,612
Total Other Operating Costs	51,081	37,833

6. Exceptional Items

Included in Other Operating Charges	Year to 31 Mar 09 £'000	Year to 31 Mar 08 £'000
Dilapidation provision (see note 11)	2,454	–
Impairment of Tangible Fixed Assets (see note 8)	14,388	–
Total Exceptional Items	16,842	–

Dilapidation costs relate to making good the offices that are due to be closed in 2009-10, while the impairment charge has resulted from the issues surrounding the ICAP project.

Non Operating Exceptional Items	Year to 31 Mar 09	Year to 31 Mar 08
	£'000	£'000
Termination of Employment		
Redundancy payments	7,176	6,683
Payments in lieu of notice	391	514
Payments to employees	7,567	7,197
Payments to Pension Funds	8,803	3,598
Compromise Agreements		4
Total	16,370	10,799
Empty Office		
Ongoing lease costs of vacant offices	10,714	10,018
Total Exceptional Items	27,084	20,817

The empty office costs 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.

7. Interest Receivable and Other Finance Income

	Year to 31 Mar 09	Year to 31 Mar 08
	£'000	£'000
Net Return on Pension Scheme Assets and Liabilities	2,082	2,396
Interest Receivable	156	321
Total	2,238	2,717

8. Fixed Assets

a) Intangible fixed assets

	Computer Software
	£'000
Cost/valuation:	
At 1 April 2008	1,566
Additions	(3)
At 31 March 2009	1,563
Amortisation:	
At 1 April 2008	1,308
Charge for the year	132
At 31 March 2009	1,440
NBV at 1 April 2008	258
NBV at 31 March 2009	123

b) Tangible fixed assets

	IT Infrastructure £'000	Furniture and Fittings £'000	Information Technology £'000	Motor Vehicles £'000	Totals £'000
Cost/Valuation:					
At 1 April 2008	9,168	29,666	42,592	12	81,438
Additions	152	3,703	11,829	–	15,684
Disposals	–	(20,596)	(15,331)	(11)	(35,938)
Indexation	(766)	(1,428)	430	–	(1,764)
At 31 March 2009	8,554	11,345	39,520	1	59,420
Depreciation:					
At 1 April 2008	8,048	16,366	23,164	12	47,590
Charge for the year	407	2,664	9,743	–	12,814
Disposals	–	(10,157)	(13,379)	(11)	(23,547)
Indexation	(726)	292	2,300	(1)	1,865
Impairment	–	–	14,388	–	14,388
At 31 March 2009	7,729	9,165	36,216	–	53,110
NBV at 1 April 2008	1,120	13,300	19,428	–	33,848
NBV at 31 March 2009	825	2,180	3,304	1	6,310

c) Disposal of Fixed Assets

	IT Infrastructure £'000	Furniture and Fittings £'000	Information Technology £'000	Motor Vehicles £'000	Totals £'000
NBV at 31 March 2009	–	10,438	1,953	–	12,391
Proceeds – exceeding NBV	–	–	–	(2)	(2)
Loss on Disposal of Fixed Assets	–	10,438	1,953	(2)	12,389

Depreciation and other amounts written off totalled £25,889k. The depreciation and amortisation charges against fixed assets for the year were £12,946k to which Modified Historical Cost Accounting was applied to the tangible fixed assets resulting in a depreciation adjustment of £292k giving a total of £12,654k. The net book value of the assets written off was £12,391k. Modified Historical Cost Accounting was applied which resulted in an adjustment of £844k giving a total of £13,235k.

Loss on revaluation of fixed assets of £2,345k consists of a reduction in gross value of £4,303k, offset by a reduction in accumulated depreciation of £1,958k.

The indexation adjustment of £1,865k is made up of £2,006k reduction in depreciation, and £3,871k increase on disposal of assets.

The indexation adjustment of £1,764k is made up of a loss on revaluation of £4,303k and an upward revaluation of £368k and a gain on disposal of assets of £2,171k. The revaluation of tangible fixed assets not released to income and expenditure is £732k (as shown in the Statement of Recognised Gains and Losses).

CSCI's fixed assets had a net book value of £6,433k on 31 March 2009.

Capital spending on IT systems during 2008-09 was £8.8m. Of this £2.3m related to work required within the ICAP system to correct defects and as such did not add any real value to the system. It was therefore decided that these costs should be written off in 2008-09. Following further assessment of the issues surrounding ICAP an impairment review of the carrying value of the asset has been performed. As a result of this an impairment charge of £14.4m has been made leaving a revised book value of £3.1m at 31 March 2009.

All the above assets have been transferred to CQC with effect from 1st April 2009 at their net book value.

9. Debtors

Analysis by type	As At 31 Mar 09 £'000	As At 31 Mar 08 £'000
Trade Debtors	2,804	2,809
Other Debtors*	266	488
Prepayments and accrued income	2,001	2,378
Taxation and social security	–	4
Total Debtors	5,071	5,679

*Advance payments on salary and staff loans total £79k (£102k in 2007-08). Staff could 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.

Debtors – Intra-Government Balances	As At 31 Mar 09 £'000	As At 31 Mar 08 £'000
Balances with Central Government Bodies	1,812	213
Balances with Local Authorities	284	416
Balances with NHS Trusts	5	12
Balances with Bodies External to Government	2,970	5,038
Total	5,071	5,679

10. Creditors

a) Current Liabilities

Amounts falling due within one year	As At 31 Mar 09 £'000	As At 31 Mar 08 £'000
Trade Creditors	860	968
Other Creditors	1,005	2,447
Accruals	9,791	3,818
Taxation and social security	2,756	2,244
Total	14,412	9,477

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

Amounts falling due after more than one year	As At 31 Mar 09 £'000	As At 31 Mar 08 £'000
Due within two to five years	100	136
Due after five years	1	5
Total	101	141

As CSCI ceased operations on 31st March 2009, the long term pension liabilities will be transferred to the CQC.

Creditors – Intra-Government Balances	As At 31 Mar 09 £'000	As At 31 Mar 08 £'000
Balances with central government bodies	2,851	2,819
Balances with Local Authorities	786	1,790
Balances with NHS Trusts	65	426
Balances with bodies external to Government	10,811	4,583
Total	14,513	9,618

11. Provisions for liabilities and charges

	As At 31 Mar 09 £'000	As At 31 Mar 08 £'000
Empty Offices		
Balance at 1st April	10,018	–
Arising in Year – Restructuring	13,411	10,018
Arising in Year – Dilapidations	2,454	
Utilised in Year	(2,698)	
Balance at 31st March	23,185	10,018
Other:		
Redundancy		
Balance at 1st April	2,999	–
Arising in Year	3,572	2,999
Utilised in Year	(2,999)	–
Balance as 31st March	3,572	2,999
Total Provisions for Liabilities and Charges	26,757	13,017

To comply with the detailed requirements of FRS12 CSCI has made a provision for ongoing future lease liabilities as at 31 March 2009 associated with its empty offices. This is based on an estimate of possible future lease costs until the leases expire, some of which extend until 2017-18. A discount factor of 2.2% has been applied to the provision.

The redundancy provision includes estimated salary and pension fund payments to staff who will be released under the agreed 2008-9 redundancy programme.

As CSCI ceased operations on 31st March 2009, the provisions will be transferred to the CQC and to DH as appropriate.

12. Income and Expenditure Reserve

	Year to 31 Mar 09 £'000	Year to 31 Mar 08 £'000
Opening Balance	10,230	17,935
Net expenditure for the financial year	(123,868)	(96,536)
Grant in Aid – revenue (see note 2)	64,573	69,705
Grant in Aid – capital (see note 2)	15,600	18,707
Surplus on revaluation	(732)	419
Closing Balance	(34,197)	10,230

13. Pension Reserve

	Year to 31 Mar 09 £'000	Year to 31 Mar 08 £'000
Surplus/(Deficit) at beginning of the year	16,510	(6,403)
Recognition of pension liability actuarial gains [see note 4 vi]]	(6,123)	24,718
Adjustment to plan assets due to amendment in FRS17 [note 1 j]]	–	(1,805)
Closing Balance	10,387	16,510

14. Capital Commitments

CSCI had outstanding commitments of £111k, based on orders in place as at 31 March 2009 (£164k as at 31 March 2008).

£99k represented the expected outstanding payments necessary to complete IT related capital commitments.

£12k represented the expected outstanding payments necessary to complete property related capital projects.

As CSCI ceased operations on 31st March 2009, all capital commitments will be transferred to and honoured by the CQC.

15. Contingent Liabilities

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

First Tier Tribunals:	There are 20 tribunals currently being defended by the Commission. 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 £300k.
Ongoing complex matters:	We are presently engaged in defending; two applications for judicial review, one appeal in the High Court, one defamation in the High Court. Our own costs are estimated to be in the region of £120k in these cases. Liability for the applicants' costs may be of a similar nature if we are not successful in our defence. We are attempting to resolve the requests for judicial reviews by engaging in the alternative dispute resolution process.
Estates	Discussion is ongoing with a landlord of a property formerly used as part of CSCI office estate as to liability for a proportion of essential maintenance and repair costs. This liability is presently disputed. If liability is ultimately accepted on the basis of legal advice or by virtue of court proceedings, the cost will be in the region of £320k.

As CSCI ceased operations on 31st March 2009, all contingent liabilities, which have not been provided for in the financial statements, will be transferred to the CQC .

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

	Year to 31 Mar 09 £'000	Year to 31 Mar 08 £'000
Net Operating Expenditure	(99,022)	(78,436)
Termination of Employment	(16,370)	(10,799)
Empty Offices	(10,714)	(10,018)
Depreciation and amortisation	12,654	11,140
Impairment	14,388	–
Loss on disposal of fixed assets	13,235	2,798
Loss on revaluation of fixed assets	2,345	1,013
Pension liability	3,549	4,591
Decrease in debtors	608	11
Bank interest debtor	–	43
Increase/(Decrease) in creditors	4,895	(1,385)
Increase in provision	13,740	13,017
Net cash outflow from Operating Activities	(60,692)	(68,025)

17. Reconciliation of Net Cash Flow to Movement in Net Funds

	Period to 31 Mar 09 £'000	Period to 31 Mar 08 £'000
Increase in cash for the year	3,956	1,985
Opening net funds	9,312	7,327
Closing net funds	13,268	9,312

18. Operating Leases

CSCI had annual commitments under operating leases as follows:

			2008-09	2007-08
	Buildings	Others	Total	Total
	£'000	£'000	£'000	£'000
Leases which expire within one year	223	22	245	337
Leases which expire within two to five years	516	–	516	1,844
Leases which expire after five years	2,725	–	2,725	3,978
Total	3,464	22	3,486	6,159

The reduction reflects the transfer of empty properties to DH.

The buildings leases include sub-let arrangements of £133K (£167k 2007-08).

As CSCI ceased operations on 31st March 2009, some leases will be transferred to the CQC with the rest going to DH.

19. Financial Instruments

FRS 25, 26 and 29 regarding financial instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. CSCI was not exposed to the degree of risk faced by business entities.

Because of the largely non-trading nature of its activities and the way Non Departmental Public Bodies are financed, CSCI was not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 29 mainly applies. CSCI had very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks that faced the Commission in undertaking its activities.

a) Market risk

CSCI was not exposed to currency risk or commodity risk. All material assets and liabilities were denominated in sterling. With the exception of the cash equivalents the Commission had no significant interest bearing assets or borrowings subject to variable interest rates, income and cash flows were largely independent of changes in market interest rates.

b) Credit risk

Credit risk arises from cash and cash equivalents, as well as the credit exposures derived from care home operators. Management monitored the credit closely and all undisputed debts over 61 days were sent to a debt collection company for recovery action. Whilst ultimate recovery was still pursued, such debts were provided for as a matter of course, as were all registration or variation debts which were outstanding for more than 30 days.

CSCI had a large number of small debtors and therefore disclosure of the largest individual debt balances was not considered in the evaluation of overall credit risk.

Counterparty	Rating	31 March 2009 Balance £'000	31 March 2008 Balance £'000
Barclays Bank plc	AA	13,268	9,312

The table below shows the ageing analysis of trade debtors at the balance sheet date:

	Current	Less than 30 days past due	31 – 60 days past due	61 and over days past due	Total
At 31 March 2009	953	1,425	232	194	2,804
At 31 March 2008	750	1,629	303	127	2,809

All other debtors were considered to be current. Intra-government balances are repayable on demand and were therefore classified as current until request for payment was made.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Commission did not hold any collateral as security.

c) Liquidity Risk

Management aimed to manage liquidity risk through regular cash flow forecasting to ensure the Commission had sufficient available funds for operations. CSCI had no borrowings and relied on Grant in Aid from the Department of Health for its cash requirements and was therefore not significantly exposed to liquidity risks.

The table below analyses the Commission's financial liabilities which will be settled on a net basis in the period of less than one year. The carrying value of financial liabilities was not considered to differ significantly from the contractual undiscounted cash flows:

Less than 1 year	As at 31 March 2009 £'000	As at 31 March 2008 £'000
Current liabilities	14,412	9,477

d) Capital risk management

The functions of CSCI were transferred to CQC on the 1 April 2009. Ongoing funding for CQC has been confirmed by the Department of Health. As a result the capital structure was considered low risk and it was not a requirement for management to actively monitor this on a day to day basis.

20. Post Balance Sheet Events

CSCI was dissolved on 31st March 2009 and, with effect from 1st April 2009, its functions have been combined with the Healthcare and Mental Health Act Commissions and a new social care and health body has been created called the Care Quality Commission (CQC).

The Commission's financial statements are laid before the Houses of Parliament by the National Audit Office. FRS21 requires the Commission to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are dispatched by CQC's management to the National Audit Office.

The authorised date for issue is 16 July 2009.

There are no other significant post balance sheet events.

21. Related Party Transactions

CSCI was a Non-Departmental Public Body of the Department of Health. During the year CSCI made a number of material transactions with the department and other entities for which the Department of Health is regarded as the parent. In addition CSCI has had a small number of transactions with other government bodies. Balances as at 31 March 2009 are shown in notes 9 and 10.

In addition, the following Commissioners of the CSCI were associated with the following related party transactions:

John Knight is

- the Assistant Director of Policy and Campaigns with the Leonard Cheshire Foundation, which was charged £1,632 in relation to service provider fees.
- a Trustee of the National Council of Voluntary Organisations which was paid £1,147 for learning, development and hospitality.

Mr Peter Westland, CBE is

- a Board member and Trustee of the charity Action on Elder Abuse, which was paid £3,641 in relation to conference and learning and development expenses.

Professor Jim Mansell is

- a Professor of Applied Psychology of Learning Disability at the Tizard Centre at the University of Kent, which was paid £11,184 for training, qualifications and hospitality.
- a Trustee of United Response, which was charged £10,986 for service provider fees and paid £125 for training and consultancy.

Dame Denise Platt DBE, is

- a Commissioner of the Audit Commission which was charged £50,471 in relation to Supporting People Inspections.

Philippa Newsam is

- Finance & IT Director of Hexagon Housing Group. Hexagon provides housing and support services, but also runs three care homes which was charged £4,158 for service provider fees.

CSCI Business Directors, Regions and Regional Directors

Hazel Parker-Brown (left 3 December 2008)

Business Director, Corporate Services

Mike Rourke

Business Director, Inspection,
Regulation and Review

John Fraser

Business Director, Quality,
Performance and Methods

David Walden

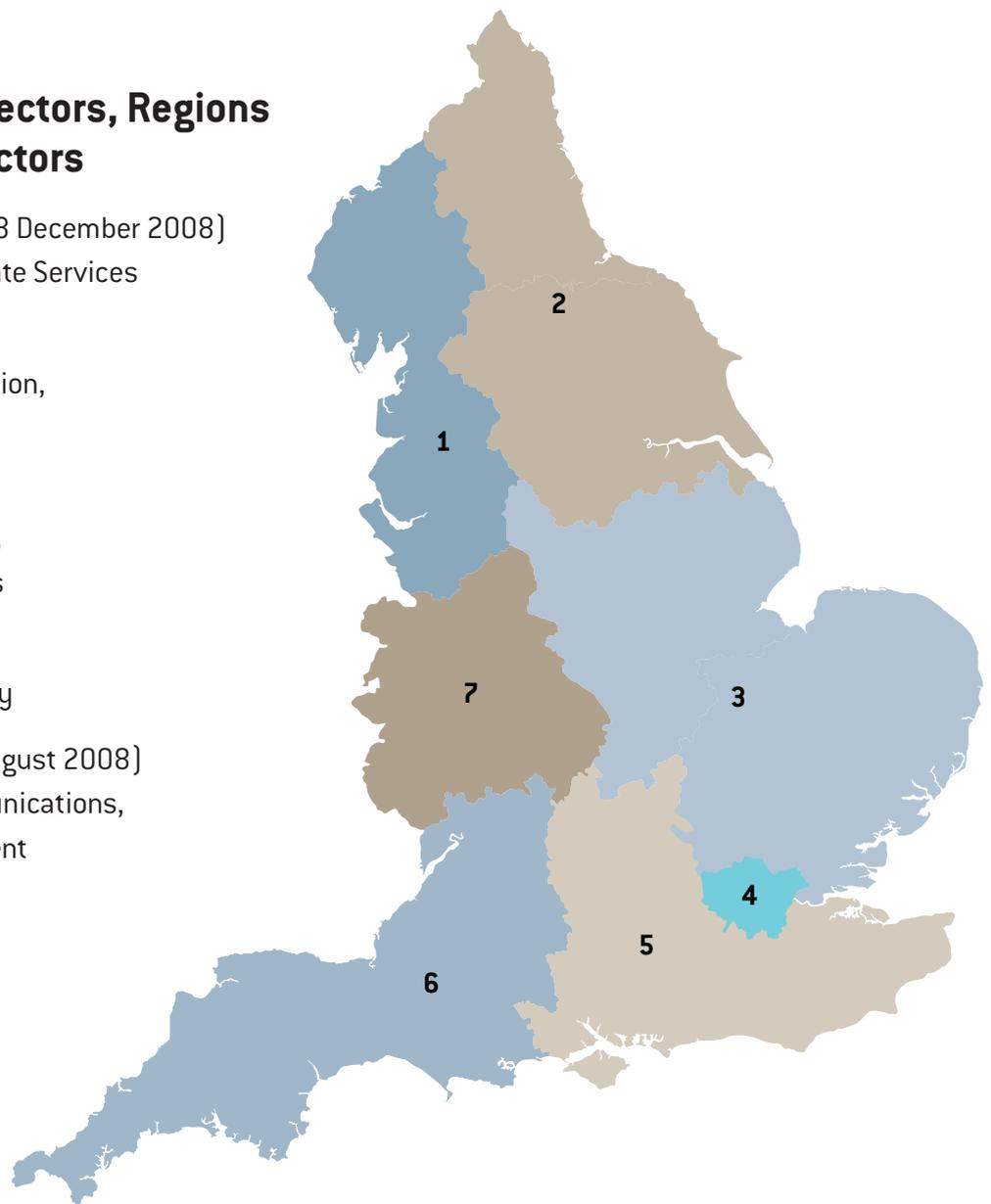
Business Director, Strategy

Judith Thomas (left 29 August 2008)

Business Director, Communications,
User and Public Involvement

David Clark

Business Director,
Corporate Development



1 North West

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