Care Quality Commission

Annual report and accounts 2023/24

HC 1149

Care Quality Commission (CQC)

Annual report and accounts
2023/24

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Foreword

In publishing this annual report and accounts for 2023/24, we acknowledge that the reporting period covered is now quite old. Significant organisational change has occurred since that reporting period. We will reflect more fully in our next report on the changes and on our progress in responding to the Review of our single assessment framework and its implementation, as well as other independent reports from Dr Penny Dash and Peter Gill.

Throughout this publication we have endeavoured to strike a balance between respect for the accounting period and the changes that have occurred since. This report is substantially the position of CQC during the 2023/24 period, and it is published about a year after we would have preferred. The lateness of reporting is beyond CQC's control and is due to the timing of pension assurance information we require from Local Government Pension Scheme auditors.

This information is a material aspect of our financial statements and, as local government auditors could not provide all necessary assurance, it has unfortunately resulted in the National Audit Office giving a limitation to the scope of their opinion.

A second limitation to the scope of the National Audit Office's opinion has been given in relation to the valuation of our regulatory platform asset; this is to enable certification of our accounts at the earliest opportunity and avoid additional delays. Further information is detailed in the report.

Despite the serious organisational issues that affected CQC's performance as a regulator during this period, the commitment and dedication of people ensured that good work continued to be delivered, as detailed in our performance report.

In 2025, we have identified 4 immediate actions and 5 foundational improvements needed to help rebuild CQC. This work is underway and involves a collaborative effort across the organisation and with our external stakeholders.

We will report on the delivery of this work in future reports, and we are confident that we will be able to demonstrate good progress in becoming the strong regulator of health and social care that people and providers need and deserve.

Sir Mike Richards CBE MD FRCP
Chair

Sir Julian Hartley
Chief Executive

1. Performance report

The performance report consists of 3 sections:

Who we are and what we do

Performance overview

A performance summary for 2023/24 that highlights important achievements, progress towards our objectives and targets, and our impact as a regulator.

Performance analysis

A detailed explanation of our performance during 2023/24, with evidence to support the performance overview.

Who we are and what we do

The Care Quality Commission (CQC) was established under the Health and Social Care Act 2008 as the independent regulator of health and adult social care in England.

We're an arm's length body that reports to Parliament through our sponsor department, the Department of Health and Social Care.

We work with:

- other regulators
- local authorities and commissioning groups
- health and social care organisations
- organisations that represent, or act on behalf of, people who use services, including the Healthwatch network.

Our purpose

To make sure health and social care services provide people with safe, effective, compassionate, high-quality care, and to encourage care services to improve.

The Health and Care Act 2022 gave us new responsibilities to assess how integrated care systems (ICSs) are working together to meet the needs of their local populations and how local authorities are meeting their duties under the Care Act (2014).

Our role

Our regulatory work involves:

- registering health and adult social care providers to carry on regulated activity
- assessing and inspecting services to check whether they are safe, effective, caring, responsive, and well-led
- providing independent assurance to the public on the quality of care in their area
- publishing our judgements and ratings for the quality of health and care services, and for the performance of local authorities in meeting their adult social care responsibilities under the Care Act
- enforcing the regulations by using our legal powers to protect people where we identify poor care
- speaking independently by publishing national and regional commentary and views of the major quality issues in health and social care, and encouraging improvement by highlighting good practice
- protecting the rights of people in vulnerable circumstances, including those whose rights are restricted under the Mental Health Act
- listening to and acting on people's experiences, and involving the public and people who receive care in our regulation.

At the continued request of the Department of Health and Social Care, CQC is the host organisation for the National Guardian's Office (NGO), the body responsible for taking forward measures to improve Freedom to Speak Up (FTSU), Healthwatch England, and since October 2023, the Maternity and Newborn Safety Investigations programme (MNSI). Although they are not independent statutory offices, each has a distinct role and operational separation from CQC's regulatory functions.

In July 2025, the Secretary of State for Health and Social Care published Fit for the Future: The 10 Year Health Plan for England. The plan outlines that CQC will take on aspects of regulation from the Health Services Safety Investigations Body (HSSIB), the National Guardian's Office will be abolished, and that Healthwatch England will move out of our oversight into the Department of Health and Social Care.

Our structure

Under our Executive team (ET), CQC was organised under 6 main areas in 2023/24:

- Operations Group
- Regulatory Leadership
- Corporate Services
- Engagement, Policy and Strategy
- Technology, Data and Insight
- Transformational Change

Our strategic priorities and intended ambitions

Our strategy published in 2021 sets out our intended ambitions under 4 themes:

1. **People and communities** – regulation that's driven by people's needs and experiences, focusing on what's important to people and communities when they access, use, and move between services.

   Our intended ambition: to be an advocate for change, with our regulation driven by people's needs and their experiences of health and care services. This means focusing on what matters to the public, and to local communities, when they access, use, and move between services.

2. **Smarter regulation** – smarter, more dynamic, and flexible regulation that provides up-to-date and high-quality information and ratings, easier ways of working with us, and a more proportionate response.

   Our intended ambition: to be smarter in how we regulate. We'll keep pace with changes in health and care, providing up-to-date, high-quality information and ratings for the public, providers and all our partners. We'll target our resources where we can have the greatest impact, focusing on risk and where care is poor, to ensure we're an effective, proportionate and efficient regulator.

3. **Safety through learning** – regulating for stronger safety cultures across health and care, prioritising learning and improvement, and collaborating to value everyone's perspectives.

   Our intended ambition: for all services to have stronger safety and learning cultures. We want to prioritise safety:

- creating stronger safety cultures
- focusing on learning, improving expertise, listening, and acting on people's experiences
- taking clear and proactive action when improvement takes too long or when changes won't be sustainable.

4. **Accelerating improvement** – enabling health and care services and local systems to access support to help improve the quality of care where it's needed most.

   Our intended ambition: to do more with what we know to drive improvements across individual services and systems of care. We'll use our unique position to spotlight the priority areas that need to improve and enable access to support where it's needed most.

Running through each theme are 2 core ambitions:

- **Assessing local systems:** providing independent assurance to the public on the quality of care in their area.
- **Tackling inequalities in health and care:** pushing for equality of access, experiences, and outcomes from health and social care services.

Everyone in health and social care has a role to play in tackling the inequalities in health and care. We're committed to regulating to advance equality and protect people's human rights. Our commitment to promoting equity, diversity, and human rights in our work is encompassed in our equality objectives 2021-2025 by:

- amplifying the voices of people who are more likely to have a poorer experience of care or difficulty accessing care
- using data to understand and respond to equality risks
- working with others to improve equality of access, experience, and outcomes
- using our independent voice to reduce inequalities
- delivering on our workforce diversity and inclusion strategy.

Our risks

In 2023/24, we managed 6 risk categories, and our Board set ‘appetite levels’ for each:

Risk category	Category appetite level
Strategy risk People risk	**Open:** willing to consider all options and choose one that is most likely to result in successful delivery.
Operational risk Reputational risk Security risk	**Cautious:** preference for safe business delivery options that have a low degree of residual risk.
Financial risk	**Minimalist:** preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return. Not a key driver.

We provide a summary of our key risks and issues in our annual governance statement.

Our financial resources

Our funding structure consists of 5 core elements. During 2023/24, our total financial resource amounted to **£294.4 million** as follows (proportion of total financial resource shown in brackets):

1. **Fee income** from annual fees charged to registered providers. For 2023/24, fee income and reserves utilisation totalled **£233.3 million** (79.2%).
2. **Revenue grant-in-aid** (GIA) allocation provided by the Department of Health and Social Care for costs that, under HM Treasury rules, are not chargeable through our fee scheme. The Department of Health and Social Care allocation to CQC for 2023/24 amounted to **£34.2 million** (11.6%).
3. **Capital GIA** provided by the Department of Health and Social Care to fund our capital expenditure activity, as this is not chargeable through fees. The Department of Health and Social Care agreed a CQC allocation of **£22.7 million** (7.7%).
4. **Contract and other income** for reimbursement for services and other income totalled **£3.1 million** (1.1%) in 2023/24.
5. **Non-cash allocation** provided by the Department of Health and Social Care to fund depreciation for non-chargeable activity was **£1.2 million** (0.4%).

HM Treasury has clear rules for recovering the full cost of relevant chargeable regulatory activity through our fees, as outlined in Managing Public Money. Our current fees scheme became effective on 1 April 2019 and is set at a level to cover the cost of our chargeable regulatory activities.

Note 3.1 to the financial statements illustrates the provider sectors from which fee income was generated in 2023/24.

Our revenue GIA allocation from the Department of Health and Social Care funds our recurrent non-chargeable statutory activities such as those relating to:

- enforcement
- the Mental Health Act
- Healthwatch England
- Market Oversight
- the Ionising Radiation (Medical Exposure) Regulations (IR(ME)R)
- Health & Justice inspections
- Children's services inspections
- the National Guardian's Office
- MNSI programme (from October 2023).

In 2023/24, we also received a non-recurrent revenue GIA allocation to scope out additional work and duties in relation to local authority assurance, ICSs, Mental Health Act reform, and Artificial Intelligence Laboratories.

Performance overview

This overview summarises our performance within the reporting period from 1 April 2023 to 31 March 2024. Further detail is in the Performance analysis section.

Risks we faced

The greatest risk facing CQC in the reporting year was in relation to the development and planned rollout of our organisational transformation. This was designed with the intention to improve how we regulate health and care providers – to support them to improve quality, and ultimately, improve the experiences for people who use services. A dedicated programme team and external professional services, consultants, and delivery partners were brought in to deliver this transformation work.

We recognise the associated risks arising from a reduced capability and capacity to our operational performance, and the impact this has on our awareness of quality in health and care. Our organisational transformation work was seen as being the key enabler to future success in recovering our position.

From a people perspective, we also acknowledge the risks arising from difficulties in recruiting into key legal, specialist technology, and data and intelligence roles. The risks with our people were further compounded as colleagues had low levels of engagement with, and confidence in, the transformation across the organisation. The expectation was that our organisational transformation would help to improve our performance by providing a better framework, structure, and organisational culture to support our work.

For further detail please refer to our annual governance statement.

Performance against our strategic priorities

This includes considering our regulatory performance, achievements, progress towards delivering our objectives and targets, and our impact as a regulator, against our strategic priorities.

Strategic priority: People and communities

Disappointingly, we only completed 6,230 assessments and inspections of health and social care services during 2023/24, a reduction of 39.5% compared with 10,300 in 2022/23. This was driven by digital system issues and challenges with our new regulatory platform, alongside the introduction of a new assessment framework with new ways of working. This is a key aspect of our regulatory activity and an area we must improve going forward.

We supported people who use maternity services by completing our programme of focused inspections in 92 NHS acute hospitals (across 131 locations). Our programme report National review of maternity services in England 2022 to 2024 sets out our key findings.

In March 2024, we published our annual report on the use of the Mental Health Act 1983. We also published our interim approach to assessing how NHS mental health trusts promote race equity in access, experience, and outcomes, and produced guidance for mental health service providers on reducing the risk of patients taking their own lives or harming themselves using a ligature.

Since December 2023, we have been leading on the Independent Care (Education) and Treatment Reviews (IC(E)TRs)) for all autistic people and people with a learning disability who are in long-term segregation. We published our cross-sector policy position on reducing restrictive practice, which outlines how we expect leaders of services and systems, and those working in health and social care, to take immediate steps to identify and reduce restrictive practices where possible.

In June 2023, we launched our public engagement strategy 2023 to2026. This sets out our objectives for engaging with people who use services, their families, carers, and organisations that represent them or act on their behalf. Their feedback is essential to drive the insight and understanding we need to achieve our strategic ambitions. Our new Share for Better Care campaign also supports this and aims to increase the range and volume of care experiences that people choose to share with us. We were pleased to receive a very large number of submissions throughout the year.

We also investigated 220 complaints that met the criteria to be considered under our complaints procedure. Approximately half of the complaints we received during 2023/24 related to our performance when discharging our roles and responsibilities as an organisation – this includes the conduct of our staff. Some complaints related to how we handled and responded to information of concern about registered services, and others related to delays in our activity.

Strategic priority: Smarter regulation

We attempted to deliver the intended ambitions of our strategy to support smarter regulation. This included a new regulatory approach including a new single assessment framework, and new regulatory platform and provider portal technological solutions. While this did not go as intended, we were successful in commencing our new regulatory duties under the Health and Care Act 2022.

The Secretary of State for Health and Social Care asked us to undertake an important rapid review of Nottinghamshire Healthcare NHS Foundation Trust, under Section 48 of the Health and Social Care Act 2008. This followed the conviction of Valdo Calocane in January 2024 for the killings of Ian Coates, Grace O'Malley-Kumar, and Barnaby Webber. We published our vital findings in the Special review of mental health services at Nottinghamshire Healthcare NHS Foundation Trust report in March 2024.

We also attempted to update our registration process during the year to align with our regulatory and technological changes. This is a key part of our operation to maintain capacity and ensure people have access to health and social care services. While these changes were being implemented, we saw a 5% reduction in the number of registration applications processed, and we will work to improve our performance in this area.

Strategic priority: Safety through learning

Safety continues to be a key aspect of our regulation. Again, we have received a similar number of whistleblowing protected disclosure cases from health and social care workers 'speaking up' to us about their information of concern (15,919 in 2023/24 and 15,792 in 2022/23).

During 2023/24, we received and processed over 195,400 information of concern cases; of these, over 30,300 were safeguarding cases. During the year we aimed to adapt to a new regulatory approach and new ways of working. We made 78% of safeguarding referrals to the relevant local authority within 1 day of receiving the information (compared with 97% during 2022/23).

We have reviewed our organisational approach to how we handle and respond when we receive an information of concern case, and have made improvements to ensure we can act effectively on people's experiences and prioritise safety.

To support services to attain stronger safety and learning cultures, we continued to encourage learning from safety incidents by adding to our repository of resources. These describe critical issues that have happened in services, what CQC and the provider have done about it, and the steps a service can take to avoid it happening in their services.

We also completed several national surveys to gather feedback from people about the care they receive from NHS services. This is to improve our understanding of both the risk and quality of care, which is a key component of our regulation for stronger safety cultures. See our published NHS survey results:

- Community mental health survey 2024
- Maternity survey 2024
- Adult inpatient survey 2023
- Urgent and emergency care survey 2024

Strategic priority: Accelerating improvement

We recognise the importance of progress and innovation within the services and sectors we regulate to improve outcomes for people who use them.

We have made some valuable contributions throughout the year to support this as we focused on research and evidence to accelerate improvement, encouraging and championing innovation, and working effectively with other organisations to drive improvement.

We have commissioned a number of research activities and published useful findings to understand the experiences of innovators who have considered developing or adopting new ways of working including:

- to accelerate improvement in medicines sustainability
- to explore the improvement support available across the health and social care landscape
- research on inequalities in dementia care.

This is in addition to publishing our important policy position on modern slavery, appreciating the value of workers recruited overseas and the key part they play in the UK's health and social care workforce.

CQC continued delivering the Artificial Intelligence and Digital Regulations Service alongside our partners: the National Institute for Clinical Excellence, Medicines and Healthcare products Regulatory Agency and the Health Research Authority. The AI and Digital Regulations Service website brings together regulation and evaluation requirements for AI in health and social care from all partners.

Core ambitions

We produced some valuable work during the year to progress our 2 core ambitions and look forward to progressing further into 2024/25.

Against our core ambition of assessing local systems, we initiated formal assessments of the performance of local authorities in meeting their duties under Part 1 of the Care Act 2014 and published interim guidance on our approach to assessing ICSs to understand whether the needs of local populations are met. We carried out and evaluated pilot assessments to ensure our methodologies were adequately informed.

Our annual provider survey highlighted performance against our core ambition of tackling inequalities in health care. More than three-quarters of respondents agreed that our reports and publications effectively call out inequalities in health and social care. This was demonstrated with our focus on inequality and unfair care in our State of Care report 2022/23.

Our financial performance

Our total revenue expenditure (excluding non-cash items – see note 2.2 to the financial statements) was £260.2 million, with a further £23.9 million invested in capital expenditure.

We worked within both our operating revenue budget and capital budgets in 2023/24 and continued to provide stability and support to services in their financial planning. Our fee scheme continues to remain unchanged into 2024/25. This marks the fifth consecutive year despite marked levels of inflation experienced since 2019.

However, more is required to ensure greater value for money for the services we regulate and for taxpayers. We must work to ensure that we improve our productivity and timeliness as a regulator.

We continued to invest in our transformation work, aiming to deliver our intended strategic ambition in-year. Work to understand the financial impact of the benefits envisaged during its investment appraisal will persist into 2024/25.

We continue to see ongoing efficiencies in estate management – an area in which we can operate within our existing fee envelope. We've continued to make changes to ensure that our estate matches our requirements following our shift to a 95% home-based workforce. During the year, we have continued to serve notice and vacate 2 offices, reduce our occupancy where not utilised, and to provide accommodation for colleagues of other organisations. Our annual premises revenue expenditure in 2023/24 totalled £3.1 million compared with £10.9 million in 2018/19, a reduction of 72%.

Find out more in the section on our financial performance

Our corporate responsibility

Our corporate responsibility involves making a positive impact on society through delivery of our regulatory functions. Alongside our organisational strategic priorities and ambitions, some aspects require specific focus.

Sustainability

We have continued our commitment to improving our sustainability, having designed a Net Zero Plan. This outlines the specific actions and targets we wish to complete to improve our sustainability by the end of our 2025 reporting year and to achieve net zero by the end of our 2030 reporting year. This plan was designed collaboratively with CQC colleagues and support from the wider health and social care sector. The plan was signed off by our Executive team in October 2023. We have been working on achieving its targets, and hope to progress in this area in 2024/25.

People

As evidenced in our People report we have continued our work to achieve our strategic vision for our workforce, as detailed in our People Plan. This includes the development of a new equality, diversity, and inclusion strategy through to 2027.

Our internal communities and networks continue to play an important role within the organisation and in supporting our people.

The health and safety awareness of our people continues to develop and be effectively managed and co-ordinated. We have invested in our Counter Fraud offer to embed a strong culture and awareness of counter fraud, bribery, and corruption at all levels of CQC.

However, our People Survey highlighted that internally we must do better to make CQC a good place to work and ensure our people feel listened to and supported by senior leaders.

Security

Our Corporate governance report highlights the good work we have delivered throughout the year on security awareness and the importance of reporting information and cyber security incidents, as we, our suppliers, and providers continue to operate in a volatile environment.

Performance analysis

The performance analysis is a detailed explanation of our performance during 2023/24 and underpins the performance review with evidence.

Strategic priority: People and communities

Summary of our assessment and inspection activity in 2023/24

People are at the heart of our regulation. During 2023/24, we carried out over 6,230 assessments and inspections of health and social care services across all sectors. This compares with 10,356 inspections carried out in 2022/23. The 6,230 inspections and assessments were carried out across 5,880 unique health and social care organisations. Technical issues and challenges with our new regulatory platform, along with starting to implement a new assessment framework and moving to new ways of working, had a negative impact on the number of assessments and inspections we completed during 2023/24.

During the year, we transitioned to a new regulatory approach, and in November 2023, we began phased implementation of a new single assessment framework. From November 2023 to the end of March 2024, we completed 150 assessments using our new regulatory approach.

Our Experts by Experience programme involves the public in our inspections and other regulatory activities. Experts by Experience are people who have recent personal experience of using, or caring for a person who uses, health, mental health, and/or social care services that we regulate. During inspections, we use input from Experts by Experience to support our judgements. They may observe how a service is delivered and speak with staff and people using services and their families or organisations that support them. During 2023/24, we used Experts by Experience in our inspection activity on 2,730 occasions (compared with 4,100 occasions during 2022/23).

We also involve specialist professional advisors in our work. They are health and social care professionals who contribute knowledge and expertise to our assessments and inspections. During the year, specialist professional advisors contributed to over 2,800 inspections (compared with approximately 4,130 in 2022/23).

Assessing implementation of the Patient and Carer Race Equality Framework

In October 2023, NHS England launched its first ever anti-racism framework: the Patient and carer race equality framework (PCREF), which all NHS-funded mental health trusts and mental health services are required to implement. We consider the PCREF to be an incredibly important part of advancing rights – as highlighted in our blog posts:

- Tackling inequalities in health and care — the NHS Patient and Carer Race Equality Framework
- Progressing the Patient and Carer Race Equality Framework — Improving mental health care for racialised communities.

During 2023/24, we started to develop guidance on incorporating the framework into our regulatory approach to assessments and inspections. In March 2024, we published our interim regulatory approach to look at how providers implement the PCREF. In our assessments, we will initially explore awareness of the framework, as well as providers' arrangements and plans to develop and implement it in their organisations. Where possible, we also want to share learning about the practical development of the framework in trusts.

Assessing implementation of Martha's Rule

We are committed to ensuring people receive the highest standards of care. In 2024, we published a joint statement with the Nursing and Midwifery Council and the General Medical Council on our support for NHS England's implementation of Martha's Rule. This reinforces the fundamental principles of listening to people who use health and care services and their families and acting on what they say. Actively involving people in care decisions and addressing their concerns promptly is critical to safety. Martha's Rule supports person-centred care that is responsive, and aligned with high standards of professional practice.

In 2024/25, NHS England began work to test and roll out Martha's Rule in 143 hospital sites. We will work with professionals, the people they care for and their families and carers, to ensure the successful implementation and oversight of Martha's Rule.

Supporting people using maternity services

National review of maternity services in England

During 2023/24, we completed our programme of focused inspections of maternity services in NHS acute hospitals. Finishing in December 2023, we completed inspections of 92 NHS acute hospital maternity services (across 131 locations) that had not been inspected and rated since before April 2021, focusing on the safe and well-led key questions. During the programme, we engaged with women and people who use maternity services and the maternity workforce to capture their views and experiences and enhance our view of safety cultures in maternity services.

Our published programme report National review of maternity services in England 2022 to 2024 sets out our key findings, evidence of good practice, and common areas of concern. Having completed the inspection programme, we are now in a unique position to oversee the quality and safety of all maternity services in England. Alongside the report, we worked with providers, maternity staff, and stakeholder organisations to develop additional resource materials. These resources are aimed at maternity service staff at all levels to support efforts to deliver high-quality care and make improvements where needed.

Our commitment to improving outcomes in maternity services continues beyond this programme, as we also make recommendations for NHS trusts, the wider system, and national bodies. Findings from our programme will help shape our future approach to inspecting, analysing, and supporting safety culture in maternity services.

Supporting autistic people and people with a learning disability who use services

Independent Care (Education) and Treatment Reviews programme

The IC(E)TRs programme was set up in 2019 following a recommendation in our publication Out of sight -who cares?: Restraint, segregation and seclusion review. The reviews aim to reduce the use of long-term segregation for people with a learning disability and autistic people.

Following the publication of a final programme report by Baroness Hollins in November 2023, the Department of Health and Social Care asked us to lead on reviews for all autistic people and people with a learning disability who are in long-term segregation for the next 2 years.

In November 2023, we started to develop our joint working arrangements with NHS England, and worked to finalise our methodology, quality, and governance processes.

Policy position on reducing restrictive practice

Restrictive practice is making someone do something they do not want to do or stopping them from doing something they want to do, either by restricting or restraining them, or depriving them of their liberty. In August 2023, we published our cross-sector policy position on reducing restrictive practice. This outlines how we expect leaders of services, systems, and all those working in health and social care to take immediate steps to identify and reduce restrictive practices in their services, where possible.

Learning and reflections from the Supported Living Improvement Coalition

Good community-based options are critical to making sure people receive the right care and support where they live. The Supported Living Improvement Coalition involved different stakeholders that worked together to understand and improve supported living services.

During 2023/24, we evaluated our role in the coalition and reviewed the factors that are important for the quality of people's experience in supported living. We published a series of blog posts that discuss these in more detail:

- Continuing the work of the Supported Living Improvement Coalition
- Factors affecting quality in supported living: a variable picture
- Factors impacting quality in supported living: choice, independence, equality

Assessing the implementation of statutory provider training on learning disability and autism

The Health and Care Act 2022 introduced a statutory requirement for providers to ensure their staff receive training in learning disability and autism that is appropriate to their role. The Oliver McGowan mandatory training is the standardised training developed for this purpose. It aims to save lives by ensuring health and social care workers have the right skills and knowledge to provide safe, compassionate, and informed care to autistic people and people with a learning disability.

During 2023/24, we updated our assessment approach to ensure that providers are competent to deliver care and treatment to all people using services, including those with a learning disability and autistic people. Our main focus is on whether services and staff are delivering safe, person-centred care, and treatment that safeguards people using services from abuse and improper treatment.

Supporting people using mental health services

Reducing harm from ligatures

In November 2023, we published guidance for providers on reducing harm from ligatures in mental health wards and wards for people with a learning disability. This focuses on removing or reducing the risk of patients taking their own lives or harming themselves using a ligature, particularly in combination with an anchor point.

The guidance emphasises therapeutic engagement and the practices it covers have wider benefits for patients and staff. We developed the guidance in collaboration with members of the Mental Health and Learning Disability Nurse Directors Forum and Experts by Experience. As part of the guidance, we've designed the ligature point recording template, which supports staff to identify and record ligature risk points. The template was developed with support from 40 different mental health and learning disability trusts, including private sector organisations, along with Experts by Experience, and people who use services.

Observing the culture in mental health services

During 2023/24, our regulatory approach had a greater focus on observing, understanding, and improving cultures in mental health services. Observations of care are a critical part of our inspections. Our blog post summarises how we're getting beneath the culture in high-risk mental health services. During this period, 192 of our assessments and inspections were inspecting a mental health service facility.

We continued to implement our use of the short observational framework for inspection tool. This is designed to help us capture the experience of any person who may have cognitive or communication impairments, or for people who might not be able to communicate their experiences for other reasons such as fear, institutionalisation, or coercive control. We continue to build our evidence base, test current risk assumptions, and enhance structured observation skills among inspection staff, so we can proactively address signs of a developing closed culture before people face actual, or significant risk of, harm, abuse, neglect, or discrimination.

Gathering people's experiences of using health and social care services

Public engagement strategy 2023 to 2026

In June 2023, we published our public engagement strategy 2023 to 2026, where we outline our ambitions and strategy for engaging with people who use services, their families and unpaid carers, and organisations that represent them or act on their behalf. Our new public engagement strategy has 4 overarching objectives:

- Build a trusted feedback service where people's experiences drive improvements in care.
- Create a trusted, accessible information service that meets people's needs.
- Develop an inclusive approach to involving people who use services, their families, carers, and organisations that represent or act on their behalf, in shaping our plans, policies, and products.
- Work in partnership with organisations that represent or act on behalf of people who use services in our collective endeavour to improve care.

Share for Better Care public awareness campaign

Everyone can play a part in improving care by giving feedback on services. During 2023/24, we worked with Healthwatch England, the Race Equality Foundation, the National Dignity Council, and the Royal Association for Deaf People to develop a public awareness campaign around gathering feedback from people's experiences of care services.

Our Share for Better Care campaign builds on the success of our previous campaign, Because We All Care, and aims to increase the range and volume of care experiences that people choose to share with us. We've developed a campaign toolkit full of materials for organisations and charities to use, to help promote the benefits of giving feedback on care experiences.

The Share for Better Care campaign centres around research and audience insight, and focuses on engaging people whose voices are seldom heard, especially people from ethnic minority communities, autistic people and people with a learning disability, disabled people with physical or sensory impairments, and people in lower-income groups.

We received over 81,100 submissions of feedback on care, compared with over 96,300 in 2022/23 and 64,600 in 2021/22. We use people's feedback to help health and social care services make improvements. During 2023/24, people's feedback and experiences directly initiated over 1,059 of our assessments and inspections.

We continue to monitor the benefits and impact of our activity through surveys about the views and awareness of the public, stakeholders, and providers. We carried out our annual provider survey in September 2023. Over 12,300 providers responded (a response rate of 25.6%), and over 85% of respondents agreed that we focus on what matters most to people who use services throughout our regulatory activities.

Strategic priority: Smarter regulation

Our new regulatory approach

Aiming to deliver the ambitions in our strategy, we developed and implemented a new regulatory approach to provide further benefits for the public and those we regulate. During 2023/24, we started to implement the following activities.

Single assessment framework

We started to implement a new framework to help us assess and inspect the health and social care providers we regulate in England, and to provide a vision of the quality of the whole health and care system. The assessment framework applies to providers and local authorities (and ICSs when appropriate).

We developed the single assessment framework over 3 years following co-production and consultation with a range of people. This included people who use services and the people who care for them to ensure our framework represents and supports them and their needs. We worked closely with Think Local Act Personal to embed people's expectations about what they want from good health and social care into how we assess quality. We also worked closely with thousands of providers across the sectors we regulate to ensure a good understanding of the changes being introduced and what it would mean for them.

We published guidance on the new approach and started to implement the single assessment framework in November 2023. By March 2024 we were using it for all our assessments. Our 5 key questions and our ratings (outstanding, good, requires improvement, and inadequate) are still central to our approach. The framework assesses services against quality statements, with evidence grouped in 6 categories gathered both on site and off site. However, there were challenges in implementing our new assessment approach, which mean we needed to rethink our ways of working.

New provider portal

We developed a new provider portal, aiming to make it easier for providers to share information with us, and to connect the data and insight we receive from people using health and care services, providers, and partners, along with the information we gather from our own assessments of services. The new provider portal was launched in March 2024 and approximately 8,000 providers created an account. The functionality was intended to provide the ability to submit new registration applications, cancel or change existing registrations, and submit certain types of statutory notifications to us when needed.

However, there were challenges in implementing the new provider portal, as technical issues meant some providers experienced delays in registering with us and not all providers could use the functionality. We continue to improve functionality of the new provider portal and aim to bring a faster and improved experience when providers interact with us. This is further described in the Governance Statement.

Updated enforcement policy and action taken

We have a wide set of enforcement powers that allow us to protect the public and hold registered providers and managers to account. We are the primary enforcement body at a national level in England for ensuring that people using health and adult social care services receive safe services of the right quality.

In November 2023, we updated our enforcement policy to align with our new regulatory approach. The policy explains our approach to taking action where we identify poor care, or where registered providers and managers do not meet the standards required in the regulations.

During 2023/24, we took enforcement action against registered persons where the quality of the care they are responsible for fell below what is legally required, and to make sure they improved. During this period, we:

- issued 932 Warning Notices
- served a total of 2,216 notices (including Notices of Proposal and Notices of Decision)
- undertook 128 urgent enforcements
- cancelled 152 provider registrations.

From our inspection activity in 2023/24:

- approximately 2.3% of inspections resulted in us taking civil enforcement
- 6% led to us issuing a Warning Notice
- 20.4% led to us issuing a Requirement Notice.

Updated human rights approach

Ensuring people who use health and care services have their fundamental rights respected and upheld is a priority for us as regulator, for providers and commissioners, and, of course for staff when it comes to delivering care. When people tell us about what is important in their care, issues of human rights feature strongly – such as dignity, respect, and fairness.

In December 2023, we published our updated our human rights approach, which enables us to focus more on human rights in our new regulatory approach and to respond to challenges of recent years. When delivering care, practices that respect human rights are fundamental to good outcomes for people. Staff, providers, and commissioners can therefore choose to improve quality by delivering human rights-based care. In our 2023 annual provider survey, 89% of respondents agreed that we are effective in ensuring people have their human rights upheld while using the service.

Assessing local authorities and integrated care systems

The Health and Care Act 2022 gave us new responsibilities from April 2023, enabling us to provide a meaningful and independent additional assessment of care in a local area. This includes assessing the performance of local authorities in meeting their duties under Part 1 of the Care Act 2014 and assessing whether ICSs are meeting the needs of their local populations.

Local authorities

In summer 2023, we tested our regulatory approach and processes while carrying out pilot assessments of 5 local authorities. Following an evaluation of our pilot assessments, we reviewed and updated some aspects of our approach and, following government approval, we published our updated guidance for local authorities in December 2023.

We began formal local authority assessments in December 2023 and completed 3 formal local authority assessments by the end of March 2024. We plan for our initial formal assessment period to last 24 months. Within this 2-year period, we aim to gather evidence from all 153 local authorities so that we can complete initial assessments, award ratings, and report on our findings. We aim to report on what we find locally and nationally, which includes:

- documenting the challenges, risks and impact on local populations
- supporting improvement by highlighting best practice and any innovative ways that systems are providing care and support to local people
- using our evidence and independent voice to inform and influence wider system reforms.

Integrated care systems

In July 2023, we carried out pilot assessments of 2 integrated care systems (ICSs) that volunteered to participate: Birmingham and Solihull Integrated Care System and Dorset Integrated Care System. This was to test our approach and assessment framework. We published assessment reports following on-site and off-site assessment activities. We further developed and revised our assessment methodology and reporting approach, which will only commence officially when we receive government approval.

Our regulatory approach was informed by research and evidence commissioned during 2023/24 from our research partner RSM UK Consulting LLP, including:

- Effective systems of health and care: an evidence-based understanding of characteristics of effective systems of health and social care.
- Findings from a literature review on health inequalities within a local area. We also explored how those responsible at an ICS level are supporting and meeting the needs of people who might not have equal access, experience, or outcomes from health care. We used this evidence to consider how local systems can reduce health inequalities, and used the findings to inform our assessment methodology.

In autumn 2023, we held a public consultation about how we recover our regulatory costs for assessing ICSs. The consultation outcome sets out our intended short-term approach of charging integrated care boards (ICBs) an annual regulatory fee. Following government approval, we will publish an updated fees scheme a
head of assessing ICSs.

Special review into Nottinghamshire Healthcare NHS Foundation Trust

In January 2024, the Secretary of State for Health and Social Care commissioned us to carry out a rapid review of Nottinghamshire Healthcare NHS Foundation Trust under Section 48 of the Health and Social Care Act 2008. This was to determine whether the available and relevant evidence indicates wider patient safety concerns or systemic issues with the provision of mental health services in Nottinghamshire.

In March 2024, we published the first part of our review: an assessment of patient safety and the quality of care at Nottinghamshire Healthcare NHS Foundation Trust, and progress at Rampton Hospital since our last inspection in July 2023. Our review reflects insights from on-site visits, feedback from people who use services, and data including surveys and prevention reports. We also consider the past 5 years of our inspections and broader oversight of mental health services.

Guidance for providers for visiting and accompanying rights

Enabling visiting is crucial to the health and wellbeing of those receiving care. It ensures that people remain connected with loved ones and their community and have people to support, and advocate for, them when they are at their most vulnerable. In December 2023, the Department of Health and Social Care announced legislation to make visiting and accompanying a fundamental standard of care, see Regulation 9A: Visiting and accompanying in care homes, hospitals and hospices.

Ahead of the new fundamental standard coming into effect in early April 2024, we publicly consulted on our guidance for visiting and accompanying in care homes, hospitals and hospices. The guidance helps providers and other stakeholders to understand and meet the new fundamental standard and their new roles and responsibilities. It also sets out what people using health and social care services and their families, friends, and advocates can expect.

Our published annual reports

During 2023/24 we published the following annual reports, most of which are statutory reports required by legislation:

Monitoring the Mental Health Act in 2022/23

Published in March 2024, this report summarises our findings from the 860 monitoring visits related to the Mental Health Act that we completed in 2023/24. It also details our interactions and insights from engaging with people subject to the Mental Health Act, along with our assessment of registered services providing care and treatment to them.

The report captures examples of good practice, with staff doing their best in difficult circumstances to provide people with safe and effective care. However, our findings show that short staffing and underfunding result in children and young people with mental health needs facing long waits for essential treatment. Our findings also show that racial inequalities in care persist.

Under the Mental Health Act, we have a statutory duty to administer a second opinion function as a safeguard for patients whose rights are restricted under the Act. Although we administer the process, we are independent and not involved in clinical decisions within second opinions. When we receive a request for a second opinion, we arrange for a suitable doctor to visit the patient, organise the bidding for a doctor, and track the outcome. In 2023/24, we arranged 15,794 second opinion appointed doctor (SOAD) visits to patients. Once the SOAD was appointed, the visit took place on average in just over 4 days (4.2 days). This compares with approximately 11,300 SOAD visits taking place in just under 3.5 days in 2022/23.

Other reports published during the year include:

State of health care and adult social care in England 2022/23

In October 2023 we published the State of Care 2022/23. State of Care is our annual assessment of health care and social care in England. We use everything we know about services from all our activity as a regulator to tell the story of services from the perspective of people using them. The report looks at the trends, shares examples of good and outstanding care, and highlights where care needs to improve.

The report captures our concerns around access to care and the workforce challenges across all sectors, both of which are being exacerbated by the cost of living crisis and ongoing industrial action. It highlights how there is a backlog of care with record numbers of patients on waiting lists for treatment. It also includes our continued concerns around the quality of care, particularly in maternity services, and in services for autistic people and people with a learning disability.

Ionising Radiation (Medical Exposure) Regulations annual report 2022/23

This reports on our work under the Ionising Radiation (Medical Exposure) Regulations 2017 during 2022/23. The report provides a breakdown of the number and types of notifications we received about IR(ME)R incidents between 1 April 2022 to 31 March 2023, and findings from our 31 inspections. We also share learning from examples of errors and the actions that providers took to improve.

Annual report and accounts 2022/23

Following relevant governance and external audit, we published our Annual report and accounts 2022/23. This publication is a statutory requirement for all public sector bodies.

The safer management of controlled drugs: annual update 2022

We are responsible for making sure that service providers and other regulators maintain a safe environment for the management and use of controlled drugs in England. We do this under the Controlled Drugs (Supervision of Management and Use) Regulations 2013. Our annual report on the safer use of controlled drugs highlights our regulatory oversight activities and inspection findings in 2022 and provides data and analysis of national trends in the prescribing of controlled drugs .

Defence Medical Services: annual report for 2022/23 (Year 6)

The sets out what we found in our inspection programme from 32 inspections of the quality of care in Defence Medical Services in Year 6 of the programme. The Defence Medical Services Regulator has continued to commission us to inspect health care and medical operational capabilities. The programme of inspections started in 2017/18.

Registering new providers

During 2023/24, we updated our registration process to align with our new regulatory approach and new technology. We aim to provide more clarity and support to providers through streamlined processes and updated guidance. As part of our registration process, we ensure we only register people who we judge to be 'fit' and who we consider likely to provide and manage good quality care that meets people's needs. The term 'fitness', the regulated activities, and wider registration requirements are set out in the Health and Social Care Act 2008 and its associated regulations.

In total, we processed over 33,700 registration applications during 2023/24. These new registrations increase capacity in health and social care services, and ensure more people have access to them. During 2022/23 we processed over 35,600 provider registrations (including creating new ones and amending existing ones).

Strategic Priority: Safety through learning

How we handle information of concern

We receive ‘information of concern’ from a range of different sources, including from workers speaking up from within health and social care, people who use services and their families or unpaid carers, stakeholders and the public. We have a responsibility to handle and respond to information about any service we regulate. Our National Customer Service Centre processes the information in concerns we receive.

When information of concern indicates that a person, or people, might be at risk of significant abuse or neglect, it is defined as ‘safeguarding’. Local authorities lead on investigating safeguarding concerns under the Care Act 2014. If we are the first agency to receive safeguarding information, we make a referral to the local authority.

We do not have powers under the Health and Social Care Act 2008 to directly investigate complaints from people, or concerns from workers speaking up, including whistleblowing. However, we do have the power to investigate complaints about the use of the Mental Health Act, specifically those that relate to a person who is (or has been) detained in hospital under the Mental Health Act, or is subject to guardianship or a community treatment order.

When we receive any information of concern, we first consider our regulatory role and our most appropriate regulatory response. For example, we may either:

- request further information or assurance from a provider
- decide to carry out an assessment
- contact the local authority or police.

We also use information we receive to monitor and assess whether a service is meeting the fundamental standards of quality and safety. Where necessary, we take regulatory action to require a service to improve.

Improving how we handle information of concern

During 2023/24, we reviewed our approach to handling information of concern that we receive and how we respond.

To improve our policies and procedures, we:

- Implemented an end-to-end standard operating procedure for handling information of concern, to support colleagues with decision-making and consistent recording.
- Clarified our governance processes for information of concern, providing oversight of the end-to-end process.
- Updated our safeguarding policy to align with our new regulatory approach.
- Refreshed guidance for colleagues on how to handle and respond to concerns we receive from workers speaking up, for example, people employed by a provider registered with us.

To improve our organisational capability for safeguarding, we:

- Developed bespoke safeguarding training from level 1 to level 3, targeted at supporting colleagues in fulfilling our regulatory role. Level 3 training takes place in person and is a mandatory requirement for all colleagues handling information of concern or carrying out assessments.
- Established a specialist safeguarding and closed cultures team that provides subject matter expertise and support to colleagues in CQC. The specialist team also supports with complex work and developing improvements to our approach.
- Established safeguarding performance coaches to support colleagues in handling information of concern and to provide coaching support.

To improve our assurance, we developed and piloted assurance processes to enable internal auditing and routine quality checking of our information of concern records and regulatory response.

To improve our reporting, we:

- Published a Prescribed persons report 2023/24, to support with transparency in the way we deal with whistleblowing disclosures.
- Continue to report further detail about the information of concern we receive, including safeguarding concerns and concerns from workers speaking up to us, in our Annual report and accounts publication.

Information of concern – regulatory activity

During 2023/24, we received and processed over 195,400 information of concern cases. Of these, over 30,300 were safeguarding cases and over 20,900 were from workers speaking up to us.

Of the 30,300 safeguarding cases we received, we categorised 4,700 as safeguarding ‘priority 1’. Priority 1 cases indicate that people using services have experienced, and are at continuing risk of, significant abuse or neglect and we are the first statutory agency to receive the information. When we receive priority 1 cases, our first regulatory action is to make a safeguarding referral to the relevant local authority. During 2023/24, we made 78% of safeguarding referrals to the relevant local authority within 1 day of receiving the information (compared with 97% during 2022/23).

The remaining 25,500 safeguarding cases received were categorised as ‘priority 2’. Priority 2 cases are safeguarding concerns where we consider the information indicates that people using services have experienced significant abuse or neglect, but this is not continuing, and people are no longer at risk, or the local authority is already aware of the risk. When we receive priority 2 cases, we use the information to inform our regulatory risk and take an appropriate regulatory response. For example, we may use the information to inform a current or future service assessment, decide to bring forward a planned assessment, or request specific information from providers.

During 2023/24 we received over 20,900 information of concern cases from workers speaking up to us. We know that whistleblowing has a specific meaning under the Public Interest Disclosure Act 1998. We are a prescribed person as identified from the Public Information Disclosure Act 1998. Therefore, when workers share information with us that meets the criteria for a qualifying disclosure it is a 'protected disclosure' and individuals are covered by whistleblowing law.

We received and processed 15,919 information of concern cases from workers raising protected disclosures with us (whistleblowers). As a prescribed person, we have statutory reporting requirements from the Prescribed Persons (Reports on Disclosures of Information) Regulations 2017. In our Prescribed persons report 2023/24, we provide further detail about how we processed and responded to protected disclosures from whistleblowers.

Organisational abuse and closed cultures – regulatory activity

We play an important role in the health and social care sector in identifying organisational abuse and closed cultures. Throughout 2023/24, we focused on strengthening our networks with external partners and collaborated in the development of an expert reference group for organisational abuse. We continue to work with Durham Safeguarding Adults Partnership following the Whorlton Hall Safeguarding Adults Review summit in early 2024. The summit reflected on the national issues from the review and highlighted the commitment needed from key agencies to result in system change.

Learning from research and evaluation to inform our regulatory activity

Since publishing our strategy in 2021, we have committed to investing in research and to embed a culture of learning and evaluation.

During 2023/24, we published our first research programme annual report for 2022/23, which captures our full range of research and evaluation activity during this period. Our research programme impact report 2023/24 shows how learning from our research provided evidence to support ongoing development of our regulatory approach.

For example, we commissioned The Healthcare Improvement Studies Institute (THIS Institute) at University of Cambridge, with RAND Europe to our national maternity inspection programme and to identify where we can improve. We have a clear role in outlining the quality of care that people should expect and holding services to account if they fail to meet these standards. Learning from this evaluation will help us carry out our role in the future.

National patient survey programme

We use survey findings as evidence to further our understanding of the risk and quality of services and those who organise care across an area. Where survey findings provide evidence of a change to the level of risk or quality in a service, provider or system, we will use the results alongside other sources of data from people's experience to inform targeted assessment activities.

We completed and published the following survey findings as part of the national NHS patient survey programme:

- Community mental health survey 2024 https://www.cqc.org.uk/publications/surveys/community-mental-health-survey.
- Maternity survey 2024
- Adult inpatient survey 2023
- Urgent and emergency care survey 2024

Learning from safety incidents

To support all services to have stronger safety and learning cultures, we continued to publish learning from safety incidents bulletins. The bulletins enable registered persons to learn from our recent prosecutions. Each bulletin describes a critical safety issue including what happened, what actions we and the provider took, and steps a provider can take to avoid a similar situation happening. Protecting people using wheelchairs is about the need for wheelchairs to be fit for purpose and risk-assessed to keep people safe. The bulletin contains learning from a situation where we prosecuted a care home provider for exposing a person using its service to a significant risk of avoidable harm that resulted in a life-changing injury.

Other research findings to inform our regulatory activity

We also undertook the following research to inform our regulatory activity and our new regulatory approach:

- Annual provider survey 2023: this captured over 12,000 responses from providers in areas relating to workforce supply, demand for services, and challenges affecting a provider’s ability to deliver good quality care and to improve.
- Strategy assurance indicators: this reviewed how regulatory and oversight organisations show evidence of the impact of their strategies and how this is monitored and communicated.

Strategic priority: Accelerating improvement

Developing our policy position on modern slavery and international recruitment

In November 2023, we published our regulatory policy position on modern slavery and unethical international recruitment (see also our blog post) and updated our statement on modern slavery and human trafficking.

We recognise that workers recruited from overseas are a hugely valuable and important part of the UK's health and social care workforce. However, a nationwide shortage of staff across health and social care, along with changes to immigration visas, increases the risk of mistreatment of both the existing workforce and internationally recruited staff. This includes an increased risk of modern slavery and unethical international recruitment practices.

We do not have the powers to investigate concerns relating to modern slavery and unethical international recruitment practices directly, our website provides information about how to report modern slavery. We commit to working with other organisations at a national level to address the root causes of modern slavery, and to reduce the likelihood of modern slavery and unethical international recruitment practices in health and social care settings. These include the Home Office's UK Visas and Immigration directorate, the Gangmasters and Labour Abuse Authority, and the Department of Health and Social Care.

We also share national information about risks to equality and human rights, including those associated with modern slavery, through our existing memorandum of understanding with the Equality and Human Rights Commission. During 2023/24 we made 108 referrals regarding modern slavery and exploitation.

We review information we receive against associated regulations in the Health and Social Care Act 2008, to assess for potential breaches of our regulations and to ascertain whether there are potential risks to the safety and welfare of those who use services.

We continue to undertake a programme of work to develop a systematic approach to managing and mitigating modern slavery and unethical international recruitment, and to provide robust assurance that we are addressing the issue and regulating effectively.

Focusing on innovation to accelerate improvement

To deliver the ambitions in our strategy we want to encourage and champion innovation and technology-enabled services. We want to create an environment where innovation can thrive, and where our regulation can keep pace with wider changes. Innovation has long been at the heart of health and social care, and must undoubtedly be part of how we meet the changing needs and growing pressures seen today. We recognise that more could be done to encourage and support innovation in health and social care and, importantly, that people and quality need to be at the heart of any innovation.

We have many reasons to promote and support innovation in health and social care:

- The system is struggling to meet demand, and innovation can create new ideas to address related challenges.
- New ideas and new technologies can provide opportunities to deliver better quality care, tackle inequalities, and improve outcomes.
- There is strong government support for innovation in health and care, with recognition of the potential benefits to the public, to the providers that we regulate, and to sustainable economic growth.
- According to our 2023 annual provider survey, just under three-quarters (73%) of respondents agree that we provide an environment where their service feels that it can innovate and try new ways to deliver safe care. However, fewer than a half (47%) of respondents agree our information supports their service's efforts to innovate or adopt innovations from elsewhere.

The Regulators' Pioneer Fund (RPF) supports UK regulators and local authorities to adopt new and experimental regulatory approaches that seek to remove barriers to innovation, and helps businesses get their innovative products and services to market faster.

In September 2023, we published findings from our Capturing innovation to accelerate improvement project, funded by a grant of £118,000 from the RPF. This project involved working with people from across health and social care to understand the experiences of providers and innovators who have considered developing or adopting new ways of working. This included exploring the barriers they experienced to innovation.

We then looked to further understand how we could mitigate these barriers and how we can support innovation through our regulation. As part of the project, we published a new resource, Mapping the stages in an innovation, to support providers and innovators to develop new ways of working. We also published case studies capturing situations where providers have developed and implemented innovation.

During the year, we received a further grant of £222,200 from the RPF to undertake research into driving innovation and accelerating improvement in medicines sustainability. Medicines sustainability is about reducing environmental harms from medicines. The Health and Care Act 2022 places a duty on NHS England, NHS trusts and foundation trusts, and ICBs to contribute towards environmental targets. Medicines optimisation is a person-centred approach to ensuring people get the most benefit from their medicines.

This project includes developing a suite of products to support providers, local systems, and businesses to innovate in this space and directly shape our regulatory approach to medicines sustainability.

Focusing on research and evidence to accelerate improvement

In our 2023 annual provider survey, over three-quarters of respondents (78%) agreed that our major reports and publications stimulate a national conversation about safety in health and social care.

In September 2023 we updated our Patient FIRST support tool. Patient FIRST is designed by clinicians, for clinicians. It includes practical solutions for all emergency departments to consider. Implementing these solutions supports good, efficient, and safe patient care for both adult and paediatric care. It also includes guidance for senior leaders at trust and system levels. In the latest version, we've updated references to infection control procedures that changed since the height of the coronavirus (COVID-19) pandemic, as well as other minor references to the pandemic.

We received a further grant of £635,400 from the RPF in September 2023 to support ICSs in reducing health inequalities. We worked with National Voices and The Point of Care Foundation to develop a self-assessment and improvement framework. This aims to help ICSs improve how they engage with people and communities, using a whole-system approach to embedding meaningful engagement and reducing health inequalities in line with their people and community strategies.

We also commissioned our research partner, RSM UK Consulting LLP, to create an overview of the improvement support that is currently available across health and social care. Improvement support across sectors combines findings from a literature review, additional online searches, and insights from interviews and expert panel workshops.

We commissioned research into inequalities in dementia care and published the findings in December 2023. This explored why some people with dementia get better care than others, and the barriers that prevent people getting good care. The findings identify insights from existing literature and qualitative research to understand and address inequalities in care for people living with dementia in residential and nursing care settings.

As part of our commitment to person-centric care, we worked with the University of Bedfordshire to produce guidance for care home managers and the public on the availability and management of alcohol in care homes. The guidance focuses on both the benefits of having alcohol available to care home residents who want it, and how to mitigate potential risks.

Working with other organisations to drive improvement

Joint inspections with Ofsted

We carry out joint inspections with the Office for Standards in Education, Children's Services and Skills (Ofsted) at the request of the Secretary of State for Education under section 20(1)(a) of the Children Act 2004. Inspectors assess the extent to which local area partners are complying with relevant legal duties relating to arrangements for children and young people with special educational needs and disabilities. Relevant legal duties could include duties under the Children and Families Act 2014, the Equality Act 2010, and the Human Rights Act 1998.

In late 2022 we jointly launched a new inspection framework with Ofsted. The new framework has a greater focus on hearing directly from children and young people with special educational needs and disabilities, and their families. We began joint inspections under the new framework in January 2023. During 2023 we carried out 26 full inspections in local areas across England and published reports for the inspection activity.

Joint targeted area inspections

We continued to work with other organisations (Ofsted, His Majesty's Inspectorate of Constabulary and His Majesty's Inspectorate of Probation) to undertake joint targeted area inspections (JTAIs). These assess how local authorities, the police, health, probation, and youth offending services are working together in an area to identify, support, and protect vulnerable children and young people. The inspections allow inspectorates to be more responsive, targeting specific areas of interest and concern. They also identify areas for improvement and highlight good practice from which others can learn.

Findings from our JTAIs focusing on children and families were included in Ofsted's thematic report, The multi-agency response to children and families who need help, which was published in November 2023.

We also contributed to Ofsted's published guidance with a thematic focus on serious youth violence, as part of the JTAIs programme. The updated version was published in August 2023.

Digitising Social Care programme

The Department of Health and Social Care and NHS England lead the NHS Transformation Directorate's Digitising Social Care programme.

The programme aims to encourage and support adult social care providers registered with CQC to adopt digital social care records. We support the programme and, in 2023, published guidance to reflect the developing best practice around digital record systems, particularly where it helps to improve the quality and safety of care.

Core ambition: Assessing local systems

Local authority assurance

We completed 3 formal local authority assessments by the end of March 2024. In summer 2023, we tested our regulatory approach and processes while undertaking pilot assessments of 5 local authorities. Following an evaluation of our pilot assessments, we reviewed and updated some aspects of our approach and, following government approval, we published our updated guidance for local authorities in December 2023.

Assessing integrated care systems

In 2023 we published [interim guidance on our approach to assessing integrated care systems]. We then tested our approach and processes by undertaking [pilot assessments of 2 ICSs]. Since publishing the reports, we further developed and revised our assessment methodology and reporting approach.

Core ambition: Tackling inequalities in health and care

Responses from our annual provider survey 2023 show that just under four-fifths (79%) of respondents agreed that we have a sufficient focus on reducing inequalities in health and social care. Over three-quarters of respondents (77%) also agreed that our major reports and publications effectively call out inequalities in health and social care.

The following is a summary of our regulatory activity during 2023/24 to tackle inequalities in health and social care.

We continued our focus on **inequality and unfair care in our State of Care 2022/23 report** and other national reports. This highlights the connection between equality and human rights and includes experiences of inequalities relating to harm in care by people in the following groups:

- people using mental health services
- people from ethnic minority groups
- pregnant women
- autistic people and people with a learning disability
- children and young people.

We launched projects to focus on **gathering feedback from people more likely to have poor access, experience, or outcomes from care**. This included local inequalities outreach pilots involving local engagement with people more likely to experience inequality.

We launched our **Share for Better Care** public awareness campaign with Healthwatch England. The campaign aims to encourage everyone to give feedback on their experiences of care and particularly focuses on engaging people whose voices are seldom heard, especially:

- people from ethnic minority communities
- autistic people and people with a learning disability
- disabled people with physical or sensory impairments
- people in lower-income groups.

We also launched targeted awareness campaigns and partnerships with community and voluntary sector organisations, driven by our new [public engagement strategy](). We launched an updated 'Tell us about your care' programme with national organisations that hear from, and are trusted by, people who are more likely to have a poorer experience of care. Our partners include Carers UK, Disability Rights UK, and the Patients Association. These charities support people to complete our give feedback on care forms, generating high-value feedback to us.

We included **new equity quality statements** in the single assessment framework as part of our new regulatory approach. We made an initial assessment of how ICSs are approaching their role in ensuring equal access to care. We piloted an assessment of equity in experience and outcomes in local authority assurance reviews and ICS assessment pilots.

Drawing on our memorandum of understanding, we strengthened how **we share information** (including press releases, inspection reports, how and when we make referrals, and wider thematic data) **with the Equality and Human Rights Commission**. . We also consider equality and human rights an area of strategic interest when reviewing our memoranda of understanding with other partner organisations.

We undertook **research to deepen our understanding of the regulatory activity required to tackle inequalities**, commissioning and publishing 2 research projects about key issues for regulating equality, health inequalities in local areas, and equality in adult social care services for people with dementia. We also commissioned research to learn how regulators in other sectors and countries tackle inequality. The findings will provide an evidence base for our next set of equality objectives.

We used our **independent voice to highlight our expectations of providers on workforce equality** by publishing a policy position on modern slavery and unethical international recruitment (November 2023). In our State of Care report 2022/23, we highlighted the experiences, challenges, and risks to staff working in health and social care providers, and the impact this has on care for people using services. We particularly highlighted experiences of midwives from Black and Asian communities and internationally recruited staff.

We **demonstrated our commitment to advancing race equity in mental health** for people from ethnic minority groups by incorporating NHS England's Patient and Carer Race Equality Framework into our regulatory approach. In March 2024, we published our [interim approach]() to incorporating the framework into our assessments and inspections. The anti-racism framework supports mental health trusts and providers to offer more accessible and culturally responsive services.

We launched an RPF-funded project that aims **to develop a framework to support ICSs to reduce health inequalities by improving how they engage with people and communities**, and how they use the feedback to act on health inequalities. ICSs will be able to use the self-assessment framework to demonstrate their work in this area.

What we spent in 2023/24

From a total funding envelope of £294.4 million in 2023/24, we incurred total expenditure of £294 million across our funding sources, which we manage separately to ensure there is no cross-subsidisation to align with Managing Public Money:

	Fee income received and retained	Revenue Grant in Aid	Capital Grant in Aid	Contract income	Non-cash allocation	**Total**
Funding	£233.3m	£34.1m	£22.7m	£3.1m	£1.2m	**£294.4m**
Expenditure	£231.6m	£35.7m	£22.4m	£3.1m	£1.2m	**£294.0m**

Although we have invested in our transformational change portfolio over recent financial years, our pay and non-pay have seen little impact considering the significant level of inflationary pressures we have faced (shown with increasing revenue and capital spend over the period in figure 1). Figure 1 shows our expenditure profile by year from 2018/19 through to 2023/24.

Figure 1: CQC total expenditure profile since 2018/19

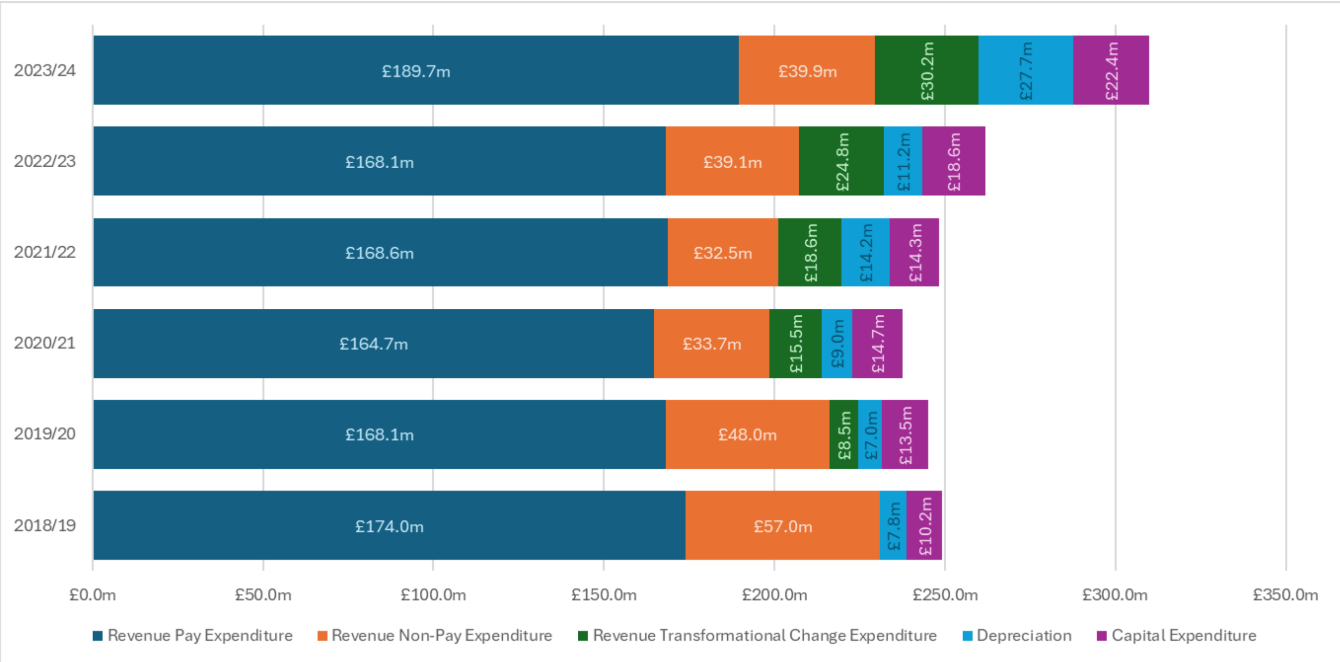


Figure 2: Revenue pay expenditure profile 2018/19 v 2023/24

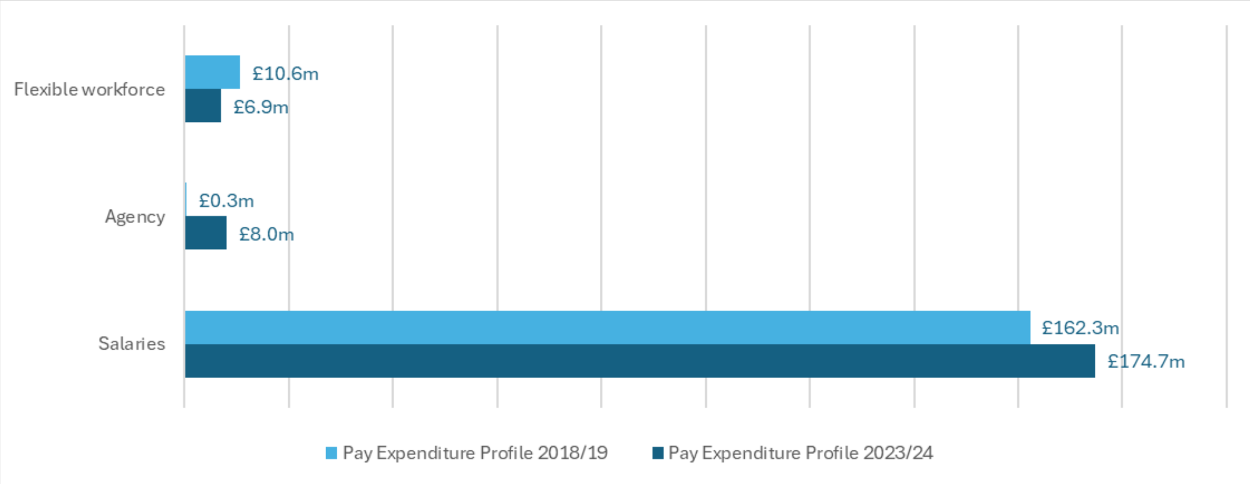
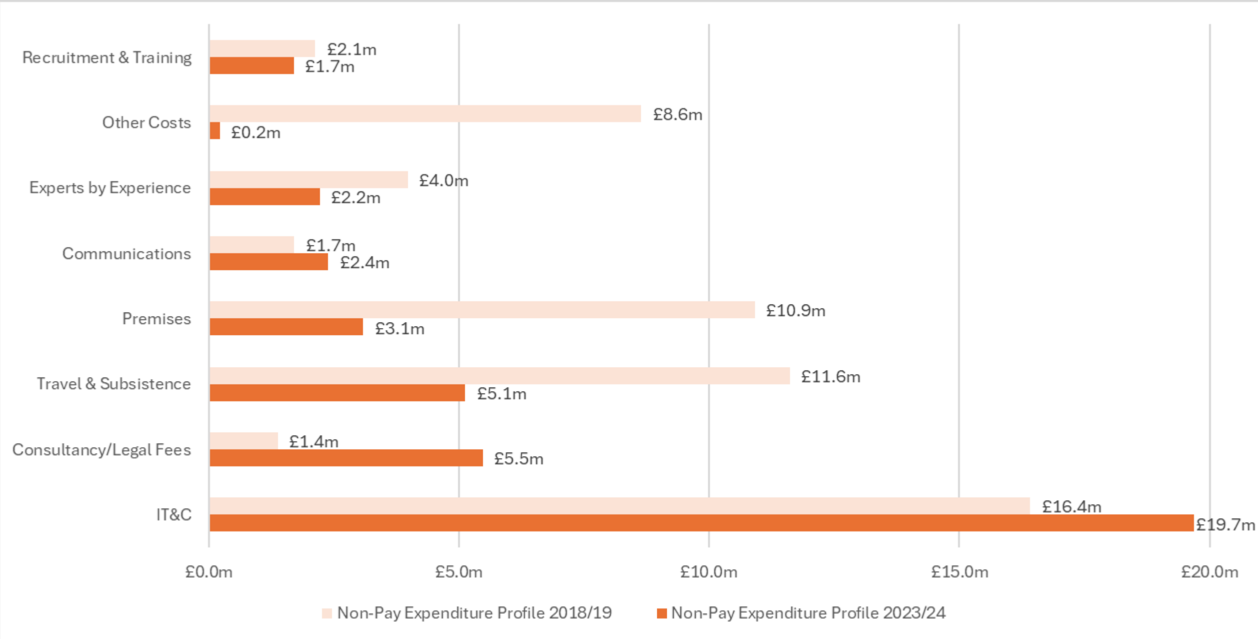


Figure 3: Revenue non-pay expenditure profile 2018/19 v 2023/24



Find out more about our financial performance in the Statement of Comprehensive Net Expenditure.

Our estate

During the year we:

- Served notice and vacated our Manchester office in December 2023.Desk space during the period was reduced from 12 to 1.
- Reduced our occupancy at Victoria House, Cambridge by approximately 50%.
- Provided accommodation for colleagues from the National Citizen Service (NCS) in our Stratford office from September 2023.
- Vacated our Bristol office at the end of March 2024.

The Government Property Agency (GPA) sets the policy and overall guidance for government departments and agencies for all property matters. GPA was the landlord in 3 of the office locations we occupied during the reporting year. The Department of Health and Social Care was the landlord of 4.

CQC office locations during the reporting year, and associated occupancy rates for the space we have through the relevant lease/agreement are as follows:

Office	Location	Landlord	Office space	Average occupancy of CQC space 2023/24
Redman Place	London	DHSC	Shared (with NICE, HRA, HFEA, HTA, NCS)	38%
Citygate	Newcastle	GPA	Not shared	28%
Quarry House	Leeds	DHSC	Shared (with DHSC)	22%
Seaton House	Nottingham	DHSC	Shared (with DHSC and UKHSA)	35%
Rivergate **(vacated March 2024)**	Bristol	DHSC	Shared (with DHSC)	14%
McLaren Building	Birmingham	GPA	Not shared	6%
Piccadilly Plaza **(vacated December 2023)**	Manchester	GPA	Shared (with NICE)	22%

Our sustainability

To ensure our Net Zero Plan is ambitious and covers our most up-to-date emissions, its baseline year for our reduction targets is set to our 2022/23 reporting year.

The data does not include the impact of utilities, waste, and paper. Only the impact of travel and ICT is included. The communal nature of the space we occupy makes it difficult for us to establish ownership over improvements or failings related to sustainability data.

So, instead, we describe the state of sustainability in the narrative for the relevant operational areas in ‘Greening Government Commitment (GGCs).

GGCs: we have analysed our emissions and have graphed them within our Net Zero Plan against historical figures. This has allowed us to set ambitious future targets for reduction. These targets are to achieve net zero emissions ahead of the 2050 GGC target, as our current projections predict we can achieve this goal by the end of our 2030 reporting year.

The Net Zero Plan was designed to align with or surpass our GGC requirements, with the GGC-related sections being:

- travel
- ICT
- waste
- procurement
- climate change adaptation.

We are continuously working to ensure we can reduce emissions and improve the sustainability of these areas of our operations through our Net Zero Delivery Group (NZDG).

We do not need to adhere to some areas of the GGC reporting, so have not included specific actions or targets related to them. This is either because we don’t report responsibility for a particular GGC target, or because we don’t fit into the necessary criteria (for example, due to our lack of fleet, we have no need to convert to ULEVs).

To reduce our travel emissions, we have begun assessing the viability of our reduction plans and have set targets to complete them by 2025. These plans include knowledge-sharing initiatives and assessing the sustainability of the **travel** options currently available to colleagues.

The focus for minimising waste relates to our ICT equipment and paper waste specifically, as these are the 2 areas we have the most control over, and that we can improve on the most. For example, we will assess the viability of acquiring more equipment that can be repaired or upgraded in-house, and of digitise paper copies of CQC documents to reduce the quantity of paper being stored.

The inclusion of social value has been expanded in our procurement processes, with the sustainability manager taking part in assessing the social value of organisations during a tender process. The NZDG has plans to improve our procurement sustainability for example, by expanding on social value inclusion and improving our understanding of emissions relating to our supply chain to improve scope 3 emissions tracking.

Much like last year, because our estate has no green spaces, and because we do not intend to acquire any, we have not made any developments regarding nature or biodiversity at CQC.

We are working to improve our current understanding of climate change risks and how to manage them. Our Audit and Risk Assurance Committee (ARAC) discussed sustainability and climate change risks in its March session. The Net Zero Plan also has actions based specifically around researching, understanding, and managing our climate change risks.

Task Force on Climate Related Financial Disclosures
We have reported on the climate-related financial disclosures consistent with HM Treasury's Task Force on Climate Related Financial Disclosures (TCFD)-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector. We consider both sustainability and its impact on the climate to be important for the organisation, so have complied with the TCFD Phase 1 recommended disclosures around:

- Governance - recommended disclosures (a) and (b)
- Metrics and Targets - recommended disclosure (b).

This is in line with the central government's TCFD-aligned disclosure implementation timetable for Phase 1. We plan to expand on this reporting in the coming year to comply with Phase 2 requirements in line with the central government implementation timetable.

Sustainability governance

The sustainability manager manages governance around CQC's climate-related issues and risks. However, due to the scope of these issues for all organisations, NZDG supports this work. Currently, no climate-related risks have been identified as being principal risks for CQC's consideration.

Board oversight of climate-related issues

The Board has nominated one of its members as a sustainability representative, who meets regularly with our Sustainability Manager to receive updates and to feed these back to the Board. An annual update is provided to Board. The Board sustainability representative is also a member of the Audit Risk and Assurance Committee (ARAC) that receives assurance on CQC's risk management including matters relating to climate related risk.

Assessing and managing climate-related issues

CQC's sustainability manager works with the NZDG, particularly the business continuity manager, to determine any necessary plans for climate-related risk management. The sustainability manager takes on primary responsibility for both climate-related issues and climate-risk management at CQC, with large-scale plans dependent on ARAC and Board approval. Our Executive team discussed climate-related issues more generally in October 2023, when signing off on the Net Zero Plan (a useful tool to help us manage any potential transition risks).

Sustainable procurement

Our internal procurement code outlines how we comply with commercial and procurement rules, internal and external delegated approvals and wider Government policy around commercial and procurement activities (including sustainable procurement), as well as driving good value for money outcomes.

We acknowledge the importance of sustainable procurement to achieve value for money and produce benefits for CQC, the wider society and the economy while minimising environmental impacts. We build sustainable operations targets into all relevant contracts, as well as ensuring appropriate product standards are incorporated into our specifications, in support of delivering our obligations under wider Government commercial policies.

CQC ensures that proportionate evaluation criteria relating to sustainability and Net Zero are established and applies a minimum of 10% of evaluation criteria to this topic on all procurement activity above £180k. Our Commercial and Contracts Team also supports delivery of our Net Zero Delivery Plan through participation in our internal Net Zero Delivery Group.

We seek to consolidate requirements for goods, works and services to ensure that complimentary requirements are positioned to the market to drive value for money throughout the whole supply chain. We also maintain and develop relationships with other public bodies at a local, regional and national level to identify opportunities for commercial collaboration and on lessons learned. This will include elements of joint commissioning and shared approaches where this improves outcomes and offers better value for money.

Metrics and targets

Our Net Zero Plan sets out targets to achieve our organisation's goal of becoming net zero. These targets are both quantitative and qualitative, with some specifically focused on reducing emissions and others based around improving sustainability awareness. Our quantitative metrics cover our Scope 1, 2, and 3 emissions. We have decided to disclose our Scope 3 emissions below, to ensure transparency and consistency with other bodies, and because they are our biggest and most controllable emissions.

CQC's emissions are displayed in the 'Sustainability data' section. All data is calculated in line with Greenhouse Gas Protocol methodology, and using government-provided conversion factors.

Sustainable Development Goals: the main Sustainable Development Goals (SDG) that our actions contribute towards are:

- **Sustainability Development Goal 12:** to ensure sustainable consumption and production patterns, we contribute to SDG 12 through our targets to reduce consumption of paper, ink, and printers, and by using KOcycle, a zero-to-landfill organisation, for our ICT equipment.
- **Sustainability Development Goal 15:** protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and

reverse land degradation, and halt biodiversity loss. We contribute to SDG 15 through our work with KOcycle, which uses our contribution to support sustainable projects throughout the world that focus on sustainability education and the support of ecosystems.

Sustainability data

This section outlines sustainability data related to emissions and finances. Like last year's report, this data shows the carbon dioxide-equivalent (tCO_2e) generated by our activities.

Travel emissions

We have developed the following targets to reduce our travel emissions in the short and longer term against the baseline. It should be noted that our activity is demand-led and therefore targets should be considered in that light.

Short term targets by 2025:

- Reduce the emissions from air travel by, at least, 35% from the baseline
- Reduce the emissions from car travel by, at least, 20% from the baseline
- Reduce the emissions from rail travel by, at least, 15% from the baseline

Long-term targets by 2030:

- Reduce the emissions from air travel by, at least, 80% from the baseline
- Reduce the emissions from car travel by, at least, 70% from the baseline
- Reduce the emissions from rail travel by, at least, 60% from the baseline
- Offset the remaining emissions

	Distance (km) 2019/20	Distance (km) 2022/23	Distance (km) 2023/24	Distance difference 2019/20 to 2023/24 (%)
Domestic rail	3,695,491	4,033,899	5,640,268	+52.63%
Domestic air travel	181,376	129,744	114,828	-36.69%
International air travel	1,326	44,950	97,029	+7,217.42%*
Car use	6,099,294	2,953,198	2,647,527	-56.59%
Total travel distance	**9,977,487**	**7,161,791**	**8,499,652**	**-14.81%**

* The significant increase in flights between 2019/20 and 2023/24 is largely due to an increase in international conference attendance and international site visits, such as inspection colleagues travelling to Cyprus for the Defence Medical Services inspection programme.

	Number of flights 2019/20	Number of flights 2022/23	Number of flights 2023/24
Domestic air travel	274	210	148
International air travel	1	15	31

	Emissions (tCO_2e) 2019/20	Emissions (tCO_2e) 2022/23	Emissions (tCO_2e) 2023/24	Emissions difference 2019/20 to 2023/24 (%)
Domestic rail	152.07	143.16	200.02	**+31.53%**
Domestic air travel*	46.24	31.90	31.30	**-32.31%**
International air travel*	0.21	6.90	18.04	**+8,490.48%***
Car use	1,102.20	519.41	456.59	**-58.57%**
Total travel emissions	**1,300.72**	**701.37**	**705.95**	**-45.73%**

* Emissions from flights include both direct (CO_2, methane, and nitrous oxide) and indirect (non- CO_2 emissions for example, water vapour, contrails, nitrous oxides) climate change impacts.

** The significant increase in flights between 2019/20 and 2023/24 is largely due to an increase in international conference attendance and international site visits, such as inspection colleagues travelling to Cyprus for the Defence Medical Services inspection programme.

Information and communication technology (ICT) emissions

We have developed the following targets to reduce our ICT emissions in the short and longer term against the baseline.

Short-term targets by 2025:

- Reduce overall ICT data emissions by 15% from the baseline

Long-term targets by 2030:

- Reduce overall ICT data emissions by 50% from the baseline
- Offset the remaining emissions

	Emissions (tCO_2e) 2021/22*	Emissions (tCO_2e) 2022/23	Emissions (tCO_2e) 2023/24	Emissions difference 2021/22 to 2023/24 (%)
Computacenter	16.15	14.42	16.16	+0.06%
Vodafone WAN	3.60	2.64	3.14	-12.78%
Vodafone LAN	9.08	7.50	7.11	-21.70%
Vodafone Wi-Fi	14.04	11.72	9.43	-32.83%
Data hosting	30.57	25.20	39.63	+29.64%
Total ICT emissions	73.44	**61.48**	**75.47**	**+2.76%**

* 2021/22 reflects our increased confidence in our ICT data collection, hence its position as the comparison year.

We intend to continuously improve on the quality of our data collection by:

- Working with our Building Management teams, the Department of Health and Social Care, and the GPA to improve our estate data.
- Working with our Digital team and our third-party suppliers to generate more detailed reports on our ICT data.
- Setting internal targets and actions around data improvement through our NZDG.

Finances:

All the following figures refer to expenditure for our 2023/24 financial year.

Estate expenditure	£
Electricity	£24,481.43
Water	£1,492.08
Gas	£545.76
Total	**£26,519.27**

Travel expenditure	£
Accommodation	£1,532,805
Car parking	£94,336
Default*	£771,468
Flights	£40,854
Foreign**	£1,254
Mileage (car/motorcycle/bicycle)	£686,337
Rail/bus travel	£1,800,108
Subsistence	£190,716
Taxi & other vehicle hire	£235,089
Total	**£5,352,967**

* 'Default' refers to travel costs that we cannot define based on their transaction descriptions.

** 'Foreign costs' refers primarily to international flights, and secondarily to foreign hotels and foreign subsistence.

Security

The cyber security team managed 2,516 incidents of varying nature during the year, including incidents of:

- malware infections
- social engineering
- phishing
- data breaches
- account compromises
- network intrusions.

This is an increase of 963 compared with last year.

Phishing and social engineering attempts continue to affect CQC, and we receive a consistent number of reported incidents from colleagues throughout the year. Sophisticated phishing attempts using CQC branding are commonly used on malicious credential harvesting sites, making it more challenging to identify for affected colleagues.

We logged 150 malware incidents and 189 incidents for inappropriate use of IT. Incidents for inappropriate use of IT refer to general policy breaches, ranging from blocked URL access attempts to attempts to sign in on CQC devices outside the UK.

Hardware losses for the year have reduced, with 8 lost devices compared with 11 last year.

216 incidents were classified as data breaches, mostly minor in nature, but with 4 being assessed as reportable to the Information Commissioner’s Office (ICO), resulting in minor recommendations. We are using our updated online modules of required learning to help increase knowledge and awareness of data protection and the importance of colleague awareness. Two of the data breaches were human error whereby a colleague added the incorrect recipient to an email and breached personal data law. The other 2 were due to technical issues with the design of new IT systems, specifically the new regulatory platform and provider portal. A technical fix was implemented to both remediate the incident and prevent further data breaches.

Sir Julian Hartley
Chief Executive
14 July 2025

2. Accountability report

The accountability report consists of 5 sections:

Corporate governance report

The composition and organisation of the Care Quality Commission's (CQC) governance structures and how this supports the achievement of our objectives.

Remuneration and people report

The policy for remuneration of Board members, independent members, and senior executive employees that Parliament and other users see as key to accountability.

Parliamentary accountability and audit report

The key parliamentary accountability documents in the Annual report and accounts.

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

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

Corporate governance report

The corporate governance report describes how the organisation is governed, how this supports our objectives, and how we ensure there is a sound system of internal control that enables us to deliver our purpose and role.

Directors report

CQC is an executive non-departmental public body established by legislation to protect and promote the health, safety, and welfare of people who use health and social care services, and to regulate all health and adult social care services in England.

Our statutory functions are set out principally in the Health and Social Care Act 2008 (the 2008 Act), together with the Health and Social Care Act 2012 and the Care Act 2014. There is additional relevant primary and secondary legislation.

The powers and constitution of CQC's Board are derived from Schedule 1 to the 2008 Act, and regulations under it that allow for Board membership (which were made in 2012 and again in May 2014).

Composition of Board, directorships, and significant interests

Board composition

As at 31 March 2024, our unitary Board was made up of the Chair (Ian Dilks) and, as required, up to 14 Board members,(the majority of whom must be non-executive members):

- 8 non-executive members
- the chief executive, (who was also the accounting officer)
- the interim deputy chief executive
- 2 chief inspectors (one of whom was in the role on an interim basis)
- the executive director of operations
- the chief digital and data officer.

There were a number of changes to our Board membership over the financial year:

- Jora Gill's term as an associate non-executive director ended on 31 May 2023.
- Dr Ali Hasan became a non-executive director from 1 June 2023, having been an associate non-executive director up to that date.
- Christine Asbury, Dr Mark Chakravarty, and Professor David Croisdale-Appleby were all appointed as non-executive directors on 1 June 2023. Professor David Croisdale-Appleby is also Chair of Healthwatch England.

- James Bullion (Chief Inspector of Adult Social Care and Integrated Care), Mark Sutton (Chief Digital and Data Officer), and Tyson Hepple (Executive Director of Operations) were all appointed as executive Board members on 1 February 2024.
- Charmion Pears was appointed as a non-executive director and Chair of the Audit and Risk Assurance Committee (ARAC) on 1 February 2024, replacing interim chair Jeremy Boss.

Subsequent to 31 March 2024:

- Chris Day, Director of Engagement and Joyce Frederick, Director of Policy and Strategy were both appointed as members of the Executive Team on 1 April 2024.
- Chris Dzikiti was appointed as Interim Chief Inspector of Healthcare on 20 May 2024.
- Ian Trenholm stood down as CQC's Chief Executive and Executive Board member from 30 June 2024, with Kate Terroni appointed as Interim Chief Executive from 1 July 2024.
- On 1 July 2024 Jacqueline Jackson, Director of People and Chris Usher, Director of Finance, Commercial and Workplace were also appointed as members of the Executive Team.
- Dr Sean O'Kelly resigned as Chief Inspector of Healthcare and Primary Medical Services and as an executive Board member from 31 July 2024.
- Mark Sutton stepped down as Chief Digital and Data Officer and Executive Board member with effect from 30 August 2024.
- Kate Terroni stepped down as Interim Chief Executive and Executive Board member and was replaced by James Bullion as acting Interim Chief Executive and Executive Board member from 21 October 2024.
- Dr Ali Hasan resigned as a non-executive director with effect from 31 October 2024.
- Tyson Hepple, Executive Director of Operations, stepped down from Board with effect from 31 October 2024.
- Jeremy Boss, independent member of ARAC, resigned on 31 December 2024. David Corner, independent member of ARAC, also left CQC on 31 December 2024 at the end of his term.
- Belinda Black resigned as non-executive director with effect from 31 January 2025.
- Sir Julian Hartley was appointed as Chief Executive and executive Board member, with effect from 2 December 2024.
- Professor Aidan Fowler was appointed Interim Chief Inspector of Healthcare from 24 February 2025.
- Esther Provins was appointed as Interim Chief Digital and Data Officer from 3 March 2025.
- Ian Dilks stood down as Chair at the end of his term of appointment on 31 March 2025.
- Professor Sir Mike Richards CBE MD FRCP was appointed as Chair from 1 April 2025.

- Dr Arun Chopra was appointed as Chief Inspector of Mental Health and executive Board member from 12 May 2025.
- Charmion Pears, Mark Chambers, Stephen Marston, Christine Asbury, and Dr Mark Chakravarty all resigned from their roles as non-executive directors on 15 June 2025.
- On 16 June 2025, Kay Boycott, Alex Kafetz, Michael Mire, Ruth Owen OBE, and Melanie Williams were appointed as non-executive members of the Board. Richard Barker CBE was appointed as an associate non-executive member of the Board on the same date. Kay Boycott was also appointed as Chair of ARAC.
- Professor Bola Owolabi was appointed as Chief Inspector of Primary and Community Services and executive Board member from 7 July 2025.

As an executive non-departmental public body, CQC's non-executive Board appointments are made by ministers within our sponsor department, the Department of Health and Social Care. The department oversees CQC in its delivery of effective corporate governance.

Biographies of all our current Board members and their declarations of interest are on our website. No Board members in post during the period held company directorships or significant interests that could conflict with their responsibilities.

Board members declare their interests on appointment. These are logged, and the declared interests of current Board members are published on our website. We make it clear that they should update us if these change at any point, and review their declarations annually, updating our records and the website accordingly. Finally, we call for declarations of interests relevant to the matters of discussion at the start of every Board meeting.

We also have a working group that is reviewing our conflict of interest policy and process for all colleagues to ensure all declarations are updated. The policy is managed in line with our Code of Conduct which reflects the Civil Service Management Code (Section 4.3). As part of the review, we seek to raise awareness of the importance of declaring secondary employment by educating and informing all colleagues when updating potential conflicts. We aim to introduce calibration to assure consistency of decision making and provide extensive briefings and comms to ensure colleagues understand their responsibilities.

The Board met 7 times over the course of the financial year. It meets both in public and private sessions throughout the year, with the public sessions have being recorded and made available on our website following each meeting. Our public sessions are live streamed as well as being recorded.

Board and committee membership and attendance up to 31 March 2024

Key:
ARAC = Audit and Risk Assurance Committee
RGC = Regulatory Governance Committee
RemCom = Remuneration Committee
Board sub-com = Board sub-committee on transformation

Name	Role	Position	Term of appointment	Board attendance	ARAC attendance	RG attendance	RemCom attendance	Board Transformation Sub-Com attendance
Ian Dilks OBE	Non-executive	Chair and Chair of RemCom	1 April 2022 to 31 March 2025	7/7			3/3	1/1
Ian Trenholm	Executive director	Chief Executive	30 July 2018	6/7				
Dr Sean O'Kelly	Executive director	Chief Inspector of Health Care	20 June 2022	3/7				
Belinda Black	Non-executive director		1 May 2021 to 30 April 2027	5/7		3/4	3/3	
Mark Chambers	Non-executive director	Chair of RGC	4 January 2021 to 3 January 2027	7/7	4/4	4/4	2/3	
Jora Gill[2]	Associate non-executive director[4]		1 November 2016 to 31 May 2023	2/2	0/0		1/1	
Dr Ali Hasan[3]	Non-executive director		4 January 2021 to 3 May 2026	7/7	4/4		1/3	1/1
Stephen Marston	Non-executive director		4 January 2021 to January 2027	7/7		4/4	2/3	
Kate Terroni	Executive director	Interim Deputy Chief Executive	1 May 2019	7/7				
Jeremy Boss	Independent member of ARAC	Independent member and Interim Chair of ARAC[5]	1 January 2020 to 31 December 2025		4/4			1/1

David Corner	Independent member of ARAC		1 January 2020 to 31 December 2024		4/4			
Christine Asbury	Non-executive director		1 June 2023 to 31 May 2026	5/5		2/2	2/2	
David Croisdale-Appleby	Non-executive director		1 June 2023 to 31 May 2026	5/5			2/2	
Charmion Pears	Non-executive director	Chair of ARAC	1 February 2024 to 31 January 2027	2/2	1/1		1/1	
James Bullion	Executive director	Chief Inspector of Adult Social Care and Integrated Care	February 2024	2/2				
Mark Chakravarty	Non-executive director		1 June 2023 to 31 May 2026	4/5	1/1 (observing)		1/2	
Mark Sutton	Executive director	Chief Digital and Data Officer	February 2024	2/2				
Tyson Hepple	Executive director	Executive Director of Operations	February 2024	2/2				

Notes:

[1] The first figure shows the number of meetings attended and the second figure shows the number of meetings held within the period under review that the individual was invited to. For example, Mark Chambers attended all 7 Board meetings out of the 7 Board meetings held during the review period (represented as 7/7). Greyed cells indicate that the person is not a member of that committee, although non-executive directors do also attend those committees of which they are not formally members.

[2] Jora Gill was an associate non-executive director from 1 November 2016 to 31 May 2023.

[3] Dr Ali Hasan was an associate non-executive director from 4 January 2021 to 31 May 2023. then a non-executive director from 1 June 2023.

[4] The role of associate non-executive director is an appointment to the Board similar to a non-executive director. Although an associate non-executive director attends Board meetings and contributes fully to the issues being considered, they are not able to vote on any matters should this be required.

[5] Jeremy Boss was the Chair of the ARAC on an interim basis until Charmion Pears was appointed as a non-executive director, and became ARAC Chair from March 2024.

Personal data related incidents

As detailed in the Performance analysis section, we reported 4 incidents to the Information Commissioner's Office during the financial year, with minor recommendations received.

Two incidents were due to human error, and 2 were IT system related. The required root cause analysis was completed and remediations and mitigations put in place to limit our exposure to recurring incidents. Updated learning and technical fixes have been implemented, and we continue to promote the importance and awareness of data security within CQC.

Statement of accounting officer's responsibilities

Under the Health and Social Care Act 2008, the Secretary of State for Health and Social Care has directed CQC to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis, and must give:

- a true and fair view of the state of affairs of CQC and its income and expenditure
- a Statement of Financial Position
- cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by the Secretary of State for Health and Social Care, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis
- confirm that the Annual report and accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual report and accounts and the judgements required for determining that it is fair, balanced, and understandable.

The Secretary of State for Health and Social Care has appointed the Chief Executive as the Accounting Officer of CQC. The responsibilities of an Accounting Officer, include responsibility for:

- the propriety and regularity of public finances for which they are answerable
- keeping proper records
- safeguarding CQC's assets, which are set out in Managing Public Money, published by HM Treasury.

As Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that CQC's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance statement

The Accounting Officer for CQC is required to provide assurances about the stewardship of the organisation, as provided in this governance statement, in line with HM Treasury guidance.

The Accounting Officer for CQC as at the time of publication is Sir Julian Hartley, CQC Chief Executive.

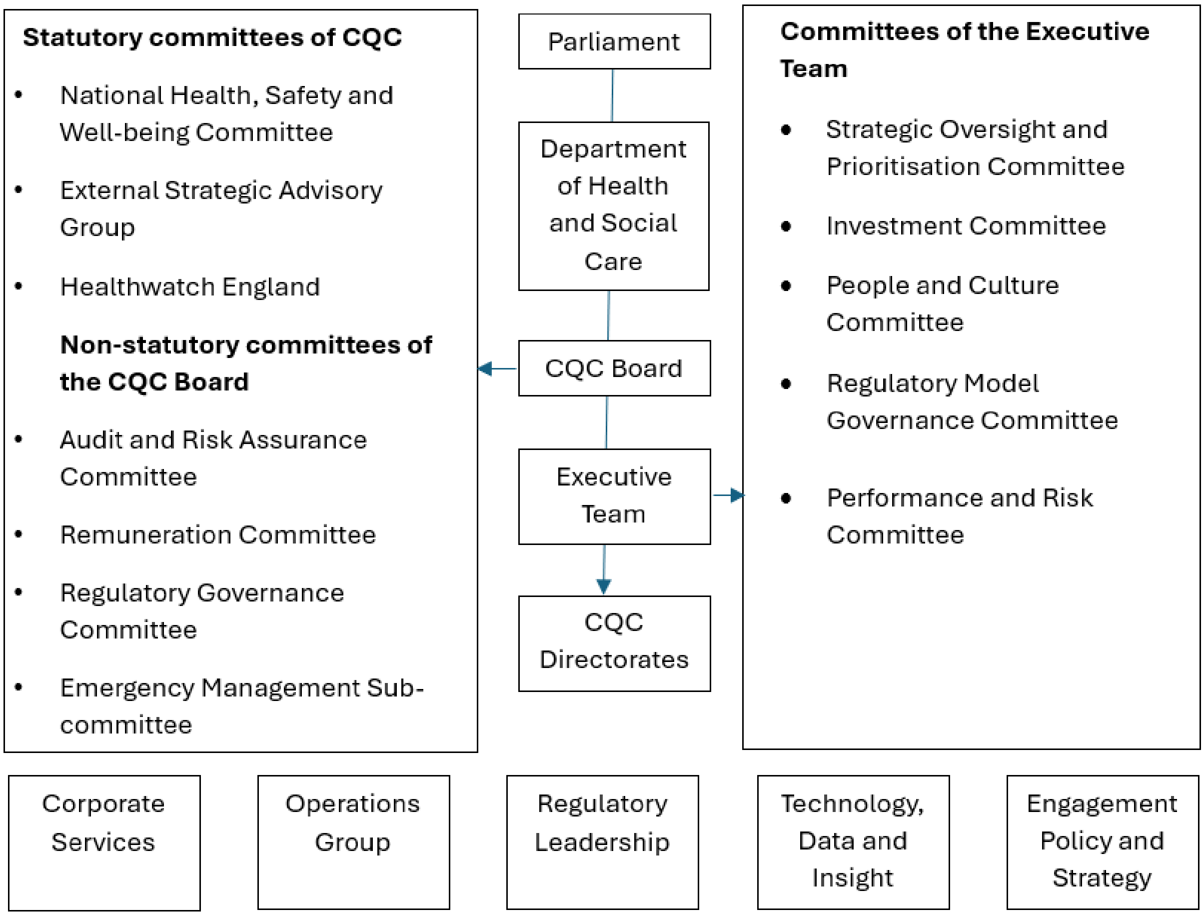
As an arms length body (ALB), we aim to have a good working relationship with our sponsor department, the Department of Health and Social Care, where our responsibilities and accountabilities are clear and delivered through appropriate governance arrangements in line with the principles of HM Treasury's Corporate governance in central government department's Code of good practice, where it applies to CQC. We have a framework document with the department, which sets out our:

- purpose
- governance
- accountability
- management
- financial responsibilities
- reporting procedures.

Care Quality Commission's governance framework and structures

Our corporate governance framework describes the governance arrangements of the organisation and how they help ensure that our leadership, direction, and internal control enable long-term success. This is in the About us section of our website, and is shown in Figure 4 .

Figure 4 : CQC's governance structure



We have a Framework Document with DHSC, which sets out our purpose, governance and accountability, management and financial responsibilities and reporting procedures.

Purpose and leadership of the Care Quality Commission's Board

The Board has key roles that are set out in legislation and in our framework agreement with the Department of Health and Social Care. These are reflected in our corporate governance framework and other related governance documents. There have been no significant departures from the processes set out in these documents during the year.

The Board carries out a range of business in line with its main responsibilities, which are to:

- provide strategic leadership to CQC and approve the organisation's strategic direction
- set and address the culture, values, and behaviours of the organisation
- assess how CQC is performing against its stated objectives and public commitments
- be accountable for internal control, ensuring that a sound risk management system that supports the achievement of CQC policies, aims, and objectives, is maintained
- ensure that public money is safeguarded and used economically, efficiently, and effectively in accordance with HM Treasury's Managing Public Money.

In relation to performance, at each meeting, the Board:

- receives information setting out our current performance, including the latest risk register and financial position
- reviews details of activity to address where performance is under business plan targets.

The Board also provides strategic oversight of the transformation programme and receives regular reports on regulatory insights, organisational matters, and issues such as risks related to information and cyber security. Further information on data security is included in the section on security. Papers and data which are received by the Board to support decision making are generally of a good standard, but we continue to keep this under review

The Board is committed to following high standards of governance. It has done this by providing oversight and challenge on key issues. The Board seeks assurance that there are systems, processes, and accountabilities for identifying and managing risks, and to enable CQC's continued regulatory oversight across health and social care. It does this through the scrutiny of the Audit and Risk Assurance Committee, the Regulatory Governance Committee and in Board meetings.

CQC's Board also reviews and approves Standing Orders, Standing Financial Instruction, Scheme of Delegation, and corporate policies periodically to ensure effective governance and appropriate decision-making within CQC.

The Board receives a quarterly corporate risk register, and our Executive team has a monthly risk discussion. Further scrutiny of risk controls and mitigating actions is undertaken as part of the risk discussion at Audit and Risk Assurance Committee.

An internal Board evaluation was conducted in April 2023, based around an online survey of Board members and attendees. This sought views on a range of issues such as how well the Board worked together as a group, its strategic oversight and its management of performance and risk. The results were analysed and discussed by Board in May 2023 and it approved an action plan in July 2023. This included making improvements in a number of areas such as:

- non-executive director training and development
- allocating members' time for strategic development
- performance, risk management, and assurance reporting received by the Board.

An external board effectiveness review is conducted every 3 years with the latest taking place in July 2024.

Board committees

Audit, Risk and Assurance Committee

This committee met 4 times in 2023/24 to consider matters relating to:

- financial reporting
- risk management and internal controls
- whistleblowing
- internal and external audit.

Committee members and independent members attended committee meetings, as well as the National Audit Office (NAO), CQC's internal auditors and a representative from the Department of Health and Social Care.

The committee's main business included:

- risk tolerance, risk management, and management assurance of internal controls
- emerging risks in our regulatory governance approach
- emerging risks in relation to the transformation risk, assurance and resourcing
- internal and external audit reports and action plans
- information security and cyber resilience
- reports from Healthwatch England and the National Guardian's Office (NGO)
- the Senior Information Risk Owner Annual Report
- change of CQC's internal auditor
- counter fraud.

Remuneration Committee

This committee met 5 times in the year to consider matters in relation to executive remuneration, pay and reward policy, succession planning and senior talent management.

Its main business during the year included management of change, redundancy payments, voluntary exit scheme, pay awards for Executive Senior Managers (ESM) recruitment and pay awards, executive grade talent review, and ET contractual changes.

Regulatory Governance Committee

The committee met 4 times in the year to consider matters relating to our regulatory approach and effectiveness. Its main business included progress on improvements to the design of CQC's regulatory model and operational KPIs that provide evidence of our delivery against the effectiveness of and delivery against our design, which includes information of concern, and age of ratings. The Committee also considered deep-dive topics on silent services, registration, complaints, and whistleblowing.

Internal control and corporate risk framework

Internal control

A significant element of our governance framework is the system of internal control, designed to manage risk to an acceptable and reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives to provide absolute assurance, but it provides reasonable assurance of effectiveness.

CQC's system of internal control is based on an ongoing process designed to:

- identify and prioritise risks to achieving policies, aims and objectives
- evaluate the likelihood of risks being realised, the impact if they are realised, and to manage them within our risk appetite.

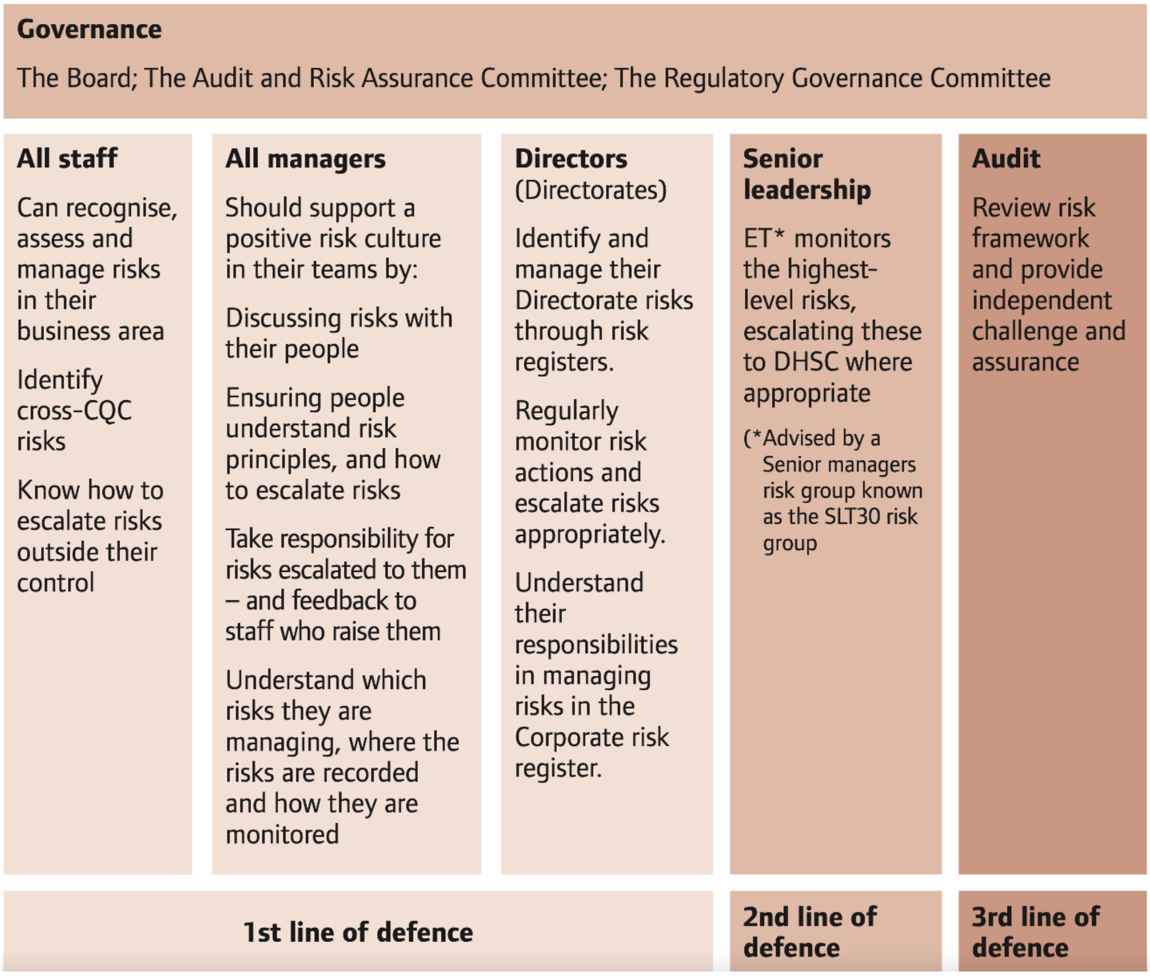
We consider the effective management of risks to the delivery of our purpose (corporate risk) as critical to our assurance and governance.

This process was in place for the financial year and up to the date of publication of the Annual report and accounts.

Our corporate risk framework

Our corporate risk framework identifies risks to the delivery of our purpose, strategy and business plan and how we manage them. We use the 3 lines of defence model in managing, monitoring and independently assuring risk. Our risk framework and supporting guidance defines how corporate risk is managed between the Board, the Executive team and directorates is illustrated in Figure 5.

Figure 5: Risk framework



CQC maintains a corporate risk register, which is reviewed and monitored regularly, with risk discussions occurring at various levels across CQC from Board level to Directorate level, to ensure appropriate escalation and mitigation of risks. The Audit Risk and Assurance Committee plays a vital role in its oversight, and the Department of Health and Social Care also reviews the risk register as part of quarterly budget and assurance meetings and quarterly accountability meetings.

The Board and the Audit Committee will use the corporate risk register to help design the annual programme of internal audit, or to consider any other internal reviews or external consultants to provide assurance that the risk is being managed effectively, and to identify any remedial actions that could be required.

Our framework is compliant with UK government’s [The Orange Book – Management of Risk – Principles and Concepts]

Risks managed in 2023/24

During 2023/24, we further developed our risk management approach implementing 6 new risk categories and category level risk appetite for each, as approved by our Board. These categories, together with our risk appetite tolerances, are detailed in our [performance report.]

We also invested and introduced a software package to support our risk management and increased resources and skill capability throughout 2023/24 to further support our risk management process going forward.

The following areas describe our most significant focus during the year, which focused on risks that have been operating outside our appetite tolerance. In all instances, we have monitored and worked to build assurance and effective mitigation. This continues in 2024/25.

Strategy risks

The main risks in this category were delivering our transformation programme and obtaining the right data from external stakeholders. During the year, we went live with the new system and framework and monitored risks regarding transitioning to our new ways of working safely and effectively. This included the introduction of Strategy Risk S9: ‘We do not transition to our new ways of working safely and effectively’, which was considered outside tolerance. To mitigate data risks, we introduced solutions to ensure key patient level datasets were available in our work alongside active projects to deliver remaining outstanding sources of data.

Operational risks

The main risks were our productivity, ability to assess the quality of care or risk, and our IT disaster recovery arrangements. This included Operational Risk O2. ‘We do not make an accurate and timely assessment on the quality of care or risk for people using services’, which was considered out of tolerance. During the year, we worked with our vendor to improve back-up frequency success rates to mitigate the IT recovery risk. Mitigations for improving productivity and assessing care concentrated on our transformation programme.

Reputational risks

Risks within this category focused on the appropriateness of current legislation to cope with innovation and maintaining ongoing dialogue with the Department of Health and Social Care about the scope of regulation, informed by horizon scanning for innovative care development. Towards the end of 2023/24 a new risk related to transitioning to our new ways of working highlighted potential reputational impacts and this was later reflected in a new reputational risk early in 2024/25.

People risks

The main risks in this category were around attracting and retaining our workforce and engaging colleagues in our culture change and ways of working. We faced difficulty in recruiting and retaining staff in some specific areas. However, organisationally this risk is mitigated through our employee offering. Risk P3. ‘Our colleagues are insufficiently engaged in our culture change and ways of working’ is outside tolerance. A plan to develop a CQC culture change programme was agreed in the year and engagement for our new ways of working through the transformation programme.

Security risks

This category included cyber security and unauthorised access to, or misuse of, our information. Our Information Security Management System was managed in alignment with the ISO 27001 standard and policies, awareness and training, and we regularly carried out audit and testing. We continued to deliver positive outcomes across a number of areas in relation to information risk, with specific improvements in cyber resilience and information security. Our Cyber Security and Resilience programme continues to deliver positive outcomes in line with National Cyber Security Centre's (NCSC) Cyber Assessment Framework (CAF).

Financial risks

The main risk within this category centred around receiving appropriate funding to deliver our commitments. We kept in close contact with colleagues in the Department of Health and Social Care throughout the financial year. This was to make sure we were not operating at risk for any aspects of our work, while ensuring Finance resource was directed appropriately to understand the financial impact and risks associated of our commitments. This enabled us to take appropriate action to ensure we could deliver within our funding envelope.

Other use of management controls

Security

Building on our work in previous years, we saw improvements in cyber resilience and information security during the year.

We are continuing to operate in an evolving external and geopolitical landscape. The sectors we regulate and our supply chain continue to face an 'enduring and significant' threat, with high profile attacks significantly affecting NHS trusts and reducing their ability to provide services.

Our Cyber Security and Resilience programme continues to deliver positive outcomes in line with the NCSC's CAF. Notably, we have:

- made improvements to our security monitoring capabilities
- delivered our new cyber education and awareness platform 'CybSafe'
- achieved a 'Standard Met' status on our Data Security and Protection Toolkit submission
- undertaken business continuity and IT disaster recovery rehearsals and tests.

The number of cyber security incidents reported increased during 2023/24 (see Performance analysis for further details). This was due to an evolving cyber threat landscape and increased monitoring of logs from new systems, but also as a result of security awareness campaigns on collective responsibility and championing staff to report suspected or confirmed information security incidents.

Counter fraud

In September 2023, CQC employed a full-time counter fraud manager with the main purpose of achieving and maintaining compliance with the Government Functional Standard in Counter Fraud. This includes:

- Understanding and reducing the impact of fraud risk and threats to CQC, through an effective counter fraud risk management model to establish and improve controls.
- Embedding a strong culture and awareness of counter fraud, bribery and corruption at all levels of CQC, to align with our organisational values.
- Building our proactive counter fraud capability to enable the prevention, detection and investigation of fraud, bribery, and corruption.
- Having staff, systems, and processes in place to respond when we know fraud, bribery and corruption has occurred.
- Working together with our internal and external partners to continually improve and increase the collaboration and co-ordination of the counter fraud responses across CQC.

As our counter fraud function matures, we expect to see an increase in the cases reported to us. In 2023/24 we received 8 allegations of fraud, bribery, or corruption. Of these, 6 cases were investigated and closed during the year. The 2 cases which were active at 31 March 2024 have subsequently been closed.

Whistleblowing and Freedom to Speak Up

During 2023/24, CQC continued to embed a Freedom to Speak Up (FTSU) approach across the organisation, including an FTSU policy that follows guidance from NHS England and the National Guardian's Office, and national best practice in relation to speaking up arrangements for organisations.

CQC has 3 FTSU Guardians supported by a team of 20 Ambassadors, who are pivotal in signposting and supporting colleagues.

During 2023/24 FTSU Guardians received 83 contacts. All but 3 were from colleagues within the Operations Directorate. The contacts received can be broken into 2 main themes. They centre on either culture and behaviour, including a range of behaviours from poor line management, lack of visibility of managers, poor communication, staff feeling bullied, closed cultures, lack of action to address performance and behaviour and feelings of exclusion.

The second theme links to our processes, which are all due to the new ways of working.

These findings are essential to the need for us to change and improve as an organisation.

Government Functional Standards

Government Functional Standards set expectations for the management of functional work to promote consistent and coherent working within government organisations. They provide a stable basis for assurance, risk management and capability improvement and can support organisations to achieve their objectives more effectively and efficiently.

Although still in its infancy in CQC, this will play a greater part in our management assurance approach going forward into future financial years. We aim to strengthen our position across standards and set our ambitions for improvement.

Head of Internal Audit Opinion

The following report is the Head of Internal Audit Opinion from our internal auditors for the period in question, PwC. Since the end of the 2023/24 financial year our internal audit provision has changed. The Government Internal Audit Agency (GIAA) was appointed as CQC's internal auditor from April 2024.

Reasonable or moderate assurance

Governance, risk management and control in relation to business-critical areas is generally satisfactory. However, there are some areas of weakness and/or non-compliance in the framework of governance, risk management and control, that potentially put the achievement of objectives at risk. Some improvements are needed in those areas to enhance the adequacy and/or effectiveness of the framework of governance, risk management and control.

We are satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given about the adequacy and effectiveness of governance, risk management and control. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

Basis of opinion

Our opinion is based on:

- all audits undertaken during the year
- any follow-up action taken in respect of audits from previous periods
- any significant recommendations not accepted by managers, and the resulting risks
- the effects of any significant changes in the organisation's objectives or systems
- any limitations that may have been placed on the scope or resources of internal audit
- the proportion of the organisation's audit needs that have been covered to date.

Purpose of the annual opinion

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual opinion, based on and limited to the work performed, on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control (the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with managers, and approved by the Audit and Risk Assurance Committee, that should provide a reasonable level of assurance, subject to the inherent limitations. The opinion does not imply that Internal Audit has reviewed all risks relating to the organisation.

Conformance with the code of ethics and internal audit standards

We have a firm-wide internal audit methodology that is aligned to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing. This is designed to standardise the approach to conducting internal audit engagements.

All our work is documented in our dedicated internal audit software, which sets out the procedures needed to achieve compliance with the standards. The inbuilt workflow functionality ensures that work is adequately documented and reviewed before results are shared. This is further supported by relevant training, supervision and review of the work performed by those with adequate experience and skill in the relevant areas. We also review a random selection of engagements to ensure they comply with the firm's requirements and have appropriately followed the internal audit methodology.

We can confirm that our work has been performed in accordance with this methodology.

Scope of the report

This report outlines the internal audit work we have carried out for the year ended 31 March 2024.

We would like to take this opportunity to thank CQC's staff, for their co-operation and assistance provided during the year.

Governance, risk management and internal control

Our programme of work included a focus on key business and regulatory controls, as well as key transformation programmes, in addition to governance, risk management and other elements of internal control.

As at 19 June 2024, we have completed the fieldwork and issued final reports for all internal audit reviews planned to be delivered in the period (10 reports).

From this, we have identified the following risk findings:

- 3 high risk
- 19 medium risk
- 11 low risk
- 7 advisory rated.

Throughout the year we have performed continuous verification of follow-up actions closed by managers. In the period, we have validated a total of 134 actions consisting of 25 high, 100 medium and 9 low risk actions. No critical risk findings were reported.

The following are the internal audit reports completed in 2023/24.

Confidentiality and access management

Diligent (board portal software) usage and access management: management of Diligent should be moved to a centralised team with established policies for administering access. It is suggested that SharePoint should be used for certain committees to reduce licensing costs, while reserving Diligent for key executive-level boards.

Transformation 'deep dive' (finance)

Programme governance and go-live: the audit highlighted the need for further consideration of the programme governance approach to better address process and change management challenges. Further consideration of internal contingency planning was also needed.

Service readiness and system integrations: several outstanding areas were identified that could potentially affect the programme's readiness and stakeholders' confidence in the solution, particularly in receivable invoicing and payroll. Contingency planning between User Acceptance Testing 1 and User Acceptance Testing 2 was needed to address potential defects. Dependencies that directly affect reporting capabilities and overall service readiness were outstanding at the time of the audit, including the finalisation and testing of priority reports at the start of the programme.

Market Oversight

The team promotes a strong culture of open dialogue and critical thinking, leading to better decision-making and innovation. The team is well-resourced with skilled staff and collaborates with the Corporate Provider Team to share metrics and understand the quality of providers' services. This approach enables comprehensive risk assessments beyond just financial considerations.

Recruitment

We are committed to increasing the use of Independent Panel Members (IPMs) to enable us to improve the range of talent we appoint. Throughout 2024, the People Directorate has actively promoted the initiative, leveraging Equality Networks to drive awareness and recruit more IPMs, ensuring a robust foundation for inclusive and impactful decision-making.

Stakeholder engagement

The new operating model in the Engagement Directorate aims to reduce overlap and silos, align campaigns with strategy, and promote continuous improvement. The Engagement Insight team will ensure consistency through post-evaluation exercises and defined evaluation criteria.

Technology

The organisation is implementing Microsoft Purview to manage confidential information and has established a process to remove inactive Active Directory (AD) and Azure AD (AAD) accounts. This includes monitoring key metrics by the senior leadership team.

In the period from the end of the 2023/24 financial year to the certification of our Annual report and accounts, the GIAA has completed 12 reviews, which have seen 4 limited outcomes and 1 unsatisfactory outcome. Reports and associated recommendations have been reviewed in detail across the organisation as overseen by our Audit, Risk and Assurance Committee. The committee is assured that managerial action plans and responses agreed by director leads are in place to address recommendations.

Significant control challenges

Valuation of Local Government Pension Scheme assets

The largest single elements within CQC's Statement of Financial Position are the assets and liabilities of its share in Local Government Pension Schemes (LGPS), as shown in Note 5. We rely on work done by the auditors of the individual schemes to gain assurance of the valuation of these, and the inherent ongoing challenges to the timeliness of the audit of these schemes has led to delays in the certification of our annual report and accounts since 2019/20.

The introduction of the Accounts and Audit (Amendment) Regulations 2024 has meant that assurance could not be gained over the valuation of assets relating to CQC's membership of Teesside Pension Fund, as the auditor of Middlesbrough Council and its subsidiaries (including the pension fund) did not meet the statutory backstop date of 28 February 2025 for completing the audit and issued a disclaimed opinion on the financial statements for the year ended 31 March 2024. This led to a qualification on the audit opinion relating to our share of the Teesside Pension Fund assets due to insufficient evidence being available.

The auditor of Middlesbrough Council is intending to complete the outstanding audit work relating to the asset balances at 31 March 2024 as part of its 2024/25 statutory audit.

Valuation of intangible assets

In response to the review by Dr Penny Dash into the operational effectiveness of CQC and the independent review by Professor Sir Mike Richards of the single assessment framework, CQC commissioned a further independent review. Peter Gill, an independent IT expert, looked at the technology underpinning our new regulatory approach after both reviews referenced operational issues following the introduction of the new regulatory platform. The resulting report was presented and accepted by Board in February 2025 before being published in March 2025.

The technology report highlighted significant issues with the functionality, design and useability of the regulatory platform of which the provider portal is one of the main modules that has resulted in significant operational issues for both CQC staff and registered providers.

We started an impairment review outside of our normal review cycle to ensure that the carrying value of the asset is appropriate, however the valuation of bespoke intangible assets is complex and as a significant judgement takes time to assess. We are unable to provide assurance around the carrying value of the asset or the impairment charge included in the Financial Statements. This led to a qualification on the audit opinion relating to the valuation of the regulatory platform intangible asset. The outstanding impairment review work will be completed as part of our preparation of the 2024/25 Financial Statements and will cover the valuation of the asset at both 31 March 2023 and 31 March 2024 so that the qualification is limited to the current year.

Due to the ongoing delays relating to the valuation of our LGPS assets and the timing of events affecting our intangible asset valuation we have decided to proceed with publication without this review being completed.

Governance arrangements for approval of Annual report and accounts

There have been significant changes in the membership of CQC's Board in the period since March 2024, as reported earlier in this Governance Statement. As a result, all Board members in post during 2023/24 left CQC ahead of this Annual report and accounts being approved.

We have implemented temporary governance to enable certification due to these extraordinary circumstances, which would only apply to the Annual report and accounts 2023/24. Assurance was provided by the Director of Finance, who was in post during the reporting period, that all ARAC feedback had been addressed and audit work had been completed satisfactory to the Chair. The Chair, on behalf of Board, obtained the necessary assurances before recommending final approval to the accounting officer.

Accounting officer's review and conclusion

Accounting officer's Assurance

I became CQC's Accounting Officer after the reporting period of the 2023/24 Annual report and accounts. As such I have had to obtain the necessary and appropriate assurances to form my accounting officer opinion from a number of sources:

- Our internal auditor's work has looked at reviews into aspects of our transformation programme as well as aspects of our corporate approach, which has highlighted some areas of good practice as well as identifying areas in which we must improve going forward.
- In addition to assurances sought through the CQC corporate governance framework detailed in this Corporate governance report, I have been presented with an accounting officer handover letter from my predecessor as to their opinion on the internal control environment within the 2023/24 financial year.
- I obtain a regular risk update as part of the CQC Executive Committee and weekly performance exception reports.
- In areas where I have not been able to obtain the required level of assurance, I have commissioned external, independent reviews and reports to do so:
    - the review of the effectiveness of CQC led by Dr Penny Dash produced an interim report in July 2024, and the final report in October 2024 is being incorporated into our future strategic direction.

- a review of CQC’s single assessment framework and its implementation was undertaken by Professor Sir Mike Richards, which will inform the redesign of the new assessment framework.

Conclusion

The Head of Internal Audit has provided an annual opinion providing reasonable/moderate assurance that there are adequate and effective systems of governance, risk management and control. We note that improvements are suggested in some areas to enhance the adequacy and/or effectiveness of the framework of governance, risk management and control, and these will be implemented.

I agree with Head of Internal Audit’s conclusion.

CQC has complied with HM Treasury's Corporate governance in central government department's Code of good practice to the extent that they apply to a non-departmental public body.

I conclude that CQC's governance and assurance processes have supported me in discharging my role as Accounting Officer. I am not aware of any significant internal control problems in 2023/24 other than those detailed above. Work will continue to maintain and strengthen the assurance and overall internal control environment in CQC.

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Remuneration and people report

Remuneration of the Chair and non-executive Board members

Remuneration for non-executive Board members is determined by the Department of Health and Social Care based on a commitment of 2 to 3 days a month. The ARAC chair has an additional time commitment, which is reflected in higher remuneration.

There are no provisions in place to compensate for the early termination or the payment of a bonus in respect of non-executive Board members.

The Chairman and non-executive Board members are also reimbursed for expenses incurred in fulfilling their commitments to CQC. Expenses are grossed up to account for the tax and national insurance due, in accordance with HM Revenue and Customs (HMRC) rules.

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

Figure 6: Emoluments for the Chairman and non-executive Board members (subject to audit)

	2023/24			2022/23		
	Salary (bands of £5,000) £000	Benefits in kind (taxable)[1] to nearest £100 £	Total (bands of £5,000) £000	Salary (bands of £5,000) £000	Benefits in kind (taxable)[1] to nearest £100 £	Total (bands of £5,000) £000
Ian Dilks OBE (Chair)	60-65[2]	0	**60-65**	60-65[2]	1,500	**60-65**
Mark Chambers	5-10	0	**5-10**	5-10	600	**5-10**
Dr Ali Hasan	5-10[9]	0	**5-10**	5-10	400	**5-10**
Stephen Marston	5-10[7]	0	**5-10**	–	400	**0-5**
Belinda Black	5-10	200	**5-10**	5-10	2,800	**10-15**
Christine Asbury	5-10[3]	100	**5-10**			
Professor David Croisdale-Appleby	5-10[10]	0	**5-10**			
Dr Mark Chakravarty	5-10[5]	0	**5-10**			
Charmion Pears	0-5[4]	0	**0-5**			
Mark Saxton	0-5[8]	500	**0-5**	5-10	4,500	**10-15**
Jora Gill	0-5[6]	200	**0-5**	5-10	1,400	**5-10**

Notes:

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

[2] Ian Dilks OBE was appointed as CQC's new chair on 1 April 2022, full-year equivalent salary £60-65k.

[3] Christine Asbury was appointed 1 June 2023, full-year equivalent salary £5-10k.

[4] Charmion Pears was appointed 1 February 2024, full-year equivalent salary £10-15k.

[5] Dr Mark Chakravarty was appointed 1 June 2023, full-year equivalent salary £5-10k.

[6] Jora Gill's appointment expired 31 May 2023, full-year equivalent salary £5-10k.

[7] Stephen Marston chose not to receive remuneration for his role to 31 July 2023, full-year equivalent salary £5-10k from 1 August 2023.

[8] Mark Saxton's appointment expired 31 July 2023, full-year equivalent salary £5-10k.

[9] Dr Ali Hasan's role was as an Associate non-Executive Director during the period.

[10] Professor David Croisdale-Appleby was appointed 1 June 2023, full-year equivalent salary £5-10k.

Payments to independent members of Audit and Risk Assurance Committee (subject to audit)

Independent members of the Audit and Risk Assurance Committee (ARAC) are paid fees on a per meeting basis and are reimbursed for expenses incurred in fulfilling their commitments to CQC.

Figure 7: Remuneration of independent members of ARAC

	2023/24			2022/23		
	Fees (bands of £5,000) £000	**Benefits in kind (taxable)[1] to nearest £100 £**	**Total (bands of £5,000) £000**	**Fees (bands of £5,000) £000**	**Benefits in kind (taxable)[1] to nearest £100 £**	**Total (bands of £5,000) £000**
Jeremy Boss	15-20[2]	-	**15-20**	0-5	100	**0-5**
David Corner	0-5	-	**0-5**	0-5	-	**0-5**

Notes:

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

[2] Jeremy Boss received enhanced remuneration as interim Chair of ARAC.

Remuneration and pension benefits of the Executive team

Remuneration

The chief executive and members of the Executive team are employed on CQC's terms and conditions under permanent employment contracts.

The remuneration of the chief executive and members of the Executive team was set by the Remuneration Committee and is reviewed annually within the scope of the national pay and grading scale applicable to Arms Length Bodies.

For the chief executive and Executive team, early termination, other than for gross misconduct (where no termination payments are made), is covered by their contractual entitlement under CQC's redundancy policy. Contracts of Executive team members include 6 months' notice and termination payments are only made in appropriate circumstances. They may also be able to access the NHS pension scheme arrangements for early retirement, depending on age and scheme membership. Any amounts disclosed as compensation for loss of office are also included in our people report.

Salary includes gross salary, overtime, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. It does not include employer pension contributions and the cash equivalent transfer value (CETV) of pensions.

No performance pay, bonus or compensation for loss of office were paid to any member of the Executive team, or former members, during 2023/24.

The monetary value of benefits in kind covers any payments or other benefits provided by CQC that are treated by HMRC as a taxable emolument. CQC operates several non-subsidised salary sacrifice schemes, including lease cars and home electronic vouchers, that are open to all permanent CQC staff, including members of the Executive team. The benefits-in-kind arising from these arrangements are included in this table, but it should be noted that the costs of the scheme are paid for by the employee.

Figure 8: Remuneration of the Executive team (subject to audit)

	2023/24				2022/23			
	Salary (bands of £5,000) £000	Benefits in kind (taxable) to nearest £100[1] £	All pension related benefits (bands of £2,500)[2] £000	Total (bands of £5,000) £000	Salary (bands of £5,000) £000	Benefits in kind (taxable) to nearest £100[1] £	All pension related benefits (bands of £2,500)[2] £000	Total (bands of £5,000) £000
Ian Trenholm[3] Chief Executive	195-200	900	–	**195-200**	200–205	1,000	32.5–35	**235–240**
Mark Sutton Chief Digital Officer	150–155	–	37.5–40	**185–190**	145–150	–	35–37.5	**180–185**
Kate Terroni Interim Deputy Chief Executive	185–190	–	47.5–50	**235–240**	160–165	–	42.5–45	**205–210**
Tyson Hepple Executive Director of Operations	150–155	–	35–37.5	**185-190**	145–150	–	52.5–55	**195–200**
Dr Sean O'Kelly Chief Inspector of Health Care	210–215	–	–[4]	**210–215**	145–150[5]	–	–[4]	**145–150**
Kirsty Shaw Chief Operating Officer					60–65[6]	500	17.5–20	**75–80**
Dr Rosie Benneyworth Chief Inspector of Primary Medical Services and Integrated Care					50–55[7]	300	5–7.5	**55–60**
Prof. Edward Baker Chief Inspector of Hospitals					10–15[8]	–	–[4]	**10–15**

Notes:

[1] Benefits in kind represent the monetary value of benefits, treated by HMRC as a taxable emolument, provided by CQC. Ian Trenholm, Kirsty Shaw and Dr Rosie Benneyworth had lease cars provided through a non-subsidised salary sacrifice scheme that is open to all permanent CQC staff including members of ET.

[2] All pension-related benefits calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The real increase exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.

[3] Ian Trenholm resigned as Chief Executive on 30 June 2024.

[4] Pension-related benefits for Dr Sean O'Kelly are £nil as he chose not to be covered by the pension arrangements during the reporting year.

[5] Dr Sean O'Kelly was appointed on 20 June 2022, full-year equivalent salary £180-185k.

[6] Kirsty Shaw resigned on 31 August 2022, full-year equivalent salary £140-145k.

[7] Dr Rosie Benneyworth resigned on 31 July 2022, full-year equivalent salary £160-165k.

[8] Prof. Edward Baker resigned on 27 April 2022, full-year equivalent salary £180-185k.

Amounts payable to third party for services as a senior executive

James Bullion was seconded to CQC in the role of Chief Inspector of Adult Social Care and Integrated Care from 5 June 2023. Total costs of £205k for 2023/24 (including salary and employer's costs) were recharged to CQC by Norfolk County Council.

Pension benefits

Pension benefits were provided through the NHS pension scheme for members who chose to contribute. Pension benefits at 31 March 2024 may include amounts transferred from previous employment, while the real increase reflects only the proportion of the time in post if the employee was not employed by CQC for the whole year.

Figure 9: Pension benefits of the chief executive and Executive team (subject to audit)

	Real increase in pension at age 60 (bands of £2,500) £000	Real increase in pension lump sum at age 60 (bands of £2,500) £000	Total accrued pension at age 60 at 31 March 2024 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 2024 (bands of £5,000) £000	Cash equivalent transfer value at 1 April 2023 £000	Cash equivalent transfer value at 31 March 2024 £000	Real increase in cash equivalent transfer value £000	Employer's contribution to stakeholder pensions £000
Ian Trenholm[1] Chief Executive	(5-7.5)[3]	–	110–115	–	1,696	2,023	129	–
Mark Sutton Chief Digital Officer	2.5–5	–	15–20	–	146	231	49	–
Kate Terroni Interim Deputy Chief Executive	2.5–5	–	15–20	–	127	218	53	–
Tyson Hepple Executive Director of Operations	2.5–5	–	5–10	–	62	127	34	–
Dr Sean O'Kelly[2] Chief Inspector of Health Care	–	–	–	–	–	–	–	–

Notes:

[1] Ian Trenholm resigned as Chief Executive on 30 June 2024.

[2] Dr Sean O'Kelly chose not to be covered by the pension arrangements during the reporting year.

[3] Taking account of inflation, the real increase in pensions at age 60 funded by the employer has decreased in real terms.

Cash equivalent transfer values

A 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 figure and the other pension details include the value of any pension benefits in another scheme or arrangement that the individual has transferred to the NHS Pension Scheme. They also include any additional pension benefit accrued to the member as a result of 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.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement).

Fair pay (subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the 25th percentile, median and 75th percentile remuneration of the organisation's employees. Total remuneration of the employee at the 25th percentile, median and 75th percentile is further broken down to disclose the salary component.

The annualised banded remuneration of the highest paid director in CQC during 2023/24 was £210k to £215k (2022/23: £200k to £205k). The relationship of the highest paid director to the remuneration of the organisation's workforce is disclosed in figure 10 as a pay ratio:

Figure 10: Pay ratios

	25th percentile	Median	75th percentile
2023/24			
Total remuneration (£)	39,202	44,434	53,251
Salary component of total remuneration (£)	37,716	43,485	52,737
Pay ratio information	5.4 : 1	4.8 : 1	4.0 : 1
2022/23			
Total remuneration (£)	35,705	42,543	49,856
Salary component of total remuneration (£)	34,846	42,000	49,440
Pay ratio information	5.7 : 1	4.8 : 1	4.1 : 1

The median and 75th percentile ratios have remained constant compared with 2022/23. However, the 25th percentile ratio has reduced due to the rise in staff pay out pacing the increase in the rate of the highest paid director as detailed in figure 11.

Figure 11: percentage change in salary

	2023/24	2022/23
Highest paid director	4.6%	2.75%
Staff average	6.2%	1.9%

In 2023/24 no individual had annualised equivalent remuneration more than the highest paid director (compared with 4 in 2022/23). The calculation is based on the full-time equivalent employees of the reporting entity at the reporting period end date, on an annualised basis. Remuneration ranged from £20-25k to £200-205k (compared with £20-25k to £220-225k in 2022/23).

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind but not severance payments. It does not include employer pension contributions and the CETV of pensions.

People report

Employee costs and numbers (subject to audit)

Employee costs

There is a marked increase in our employee costs in 2023/24 due to an increase in contingent labour to deliver transformation activities, an annual pay award and an increase in substantive establishment following the transfer of the Maternity and Newborn Safety Investigation programme to CQC during the financial year.

Figure 12: Employee costs

	Permanently employed £000	Others £000	2023/24 total £000	2022/23 total £000
Wages and salaries	137,087	36,883	**173,970**	**149,578**
Social security costs	14,767	532	**15,299**	**14,544**
NHS pension costs	22,090	420	**22,510**	**20,530**
LGPS pension costs	2,342	–	**2,342**	**3,390**
Other pension costs	32	19	**51**	**84**
Apprenticeship levy	691	–	**691**	**637**
Termination benefits	422	–	**422**	**2,255**
Subtotal	**177,431**	**37,854**	**215,285**	**191,018**
less capitalised staff costs	(537)	(7,181)	**(7,718)**	**(6,235)**
less recoveries in respect of outward secondments	(200)	–	**(200)**	**(481)**
Increase in provision for pension fund deficits	2,939	–	**2,939**	**2,108**
Total	**179,633**	**30,673**	**210,306**	**186,410**

Figure 13: Other employee costs

	2023/24 total £000	2022/23 total £000
Agency	22,082	11,703
Bank inspectors, specialist advisors and commissioners	3,988	4,545
Second opinion appointed doctors	3,052	2,907
Inward secondments from other organisations	1,551	1,215
Total	**30,673**	**20,370**

Average number of employees

Figure 14: Average number of whole-time equivalent employees in 2023/24

	2023/24 Number	2022/23 number
Directly employed	2,989	2,883
Other	153	98
Employees engaged on capital projects	58	53
Total	**3,200**	**3,034**

'Other' includes agency staff and inward secondments from other organisations. It does not include bank inspectors, specialist advisors, commissioners or SOADs that are paid per session.

The actual number of directly employed whole-time equivalents as at 31 March 2024 was 3,176 (2,906 at 31 March 2023).

Staff turnover during 2023/24 was 10.7% (compared with 15.6% in 2022/23). Turnover has decreased as we carried out restructures to support the implementation of our new strategy and operating model. Staff turnover is not subject to audit.

Pension information

The principal pension scheme for CQC employees is the NHS Pension Scheme and is used for automatic enrolment. Those not eligible to join the NHS Pension Scheme are enrolled with the National Employment Savings Trust (NEST). Due to legacy arrangements CQC also held active membership in 13 LGPSs

Automatic enrolment applies to all employees under a standard contract of employment with CQC as well as Mental Health Act Reviewers, SOADs and all employees on casual or zero-hour contracts. All employees retain the option to opt out at any time.

NHS Pension Scheme

Past and present employees are covered by the provisions of the NHS Pension Schemes. Details of the benefits payable and rules of the schemes can be found on the NHS Pensions website. Both the 1995/2008 and 2015 schemes are accounted for, and the scheme liability valued, as a single combined scheme. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

To avoid the defined benefit obligations recognised in the financial statements differing materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that “the period between formal valuations shall be 4 years, with approximate assessments in intervening years”. An outline of these follows:

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) as at the end of the reporting period. This uses an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2024, is based on valuation data as 31 March 2023, updated to 31 March 2024 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in International Accounting Standard (IAS) 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the Statement by the Actuary, which forms part of the annual NHS Pension Scheme Annual Report and Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2020. The results of this valuation set the employer contribution rate payable from 1 April 2024 to 23.7% of pensionable pay. The core cost cap cost of the scheme was calculated to be outside the 3% cost cap corridor as at 31 March 2020. However, when the wider economic situation was taken into account through the economic cost cap cost of the scheme, the cost cap corridor was not similarly breached. As a result, there was no impact on the member benefit structure or contribution rates.

Employer contributions for employees in the NHS Pension Scheme was 20.68% of each active member’s pensionable pay during 2023/24 (20.68% in 2022/23). This rate includes an amount charged to cover the cost of scheme administration equating to 0.08% of pensionable pay.

For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs charged to expenditure was £nil (£nil in 2022/23).

Local government pension schemes

LGPSs are primarily open to employees in local government, but also to those who work in associated organisations. The scheme is managed locally and invests pension funds within the framework of regulations provided by government. Details of the benefits payable and rules of the schemes are on the LGPS website at www.lgpsmember.org.

CQC inherited active membership in 17 local government schemes as part of legacy arrangements of predecessor organisations on formation. CQC membership in 5 of the original schemes has now ceased and at 31 March 2024, active membership was held in 12 schemes.

All remaining schemes are closed to new CQC employees. Under the projected unit method, the current service cost will increase as the members of the scheme approach retirement.

Employer contributions for 2023/24, based on a percentage of payroll costs only, were £2,397k (£2,287k in 2022/23), at rates ranging between 0% and 49.2% (0% and 49.2% in 2022/23). Employer contributions relating to the largest scheme, Teesside Pension Fund, were £1,940k (£2,035k in 2022/23) at a rate of 17.9% (17.9% in 2022/23).

During 2023/24 indexed cash sums were levied in addition to a percentage of payroll costs as part of a strategy to reduce fund deficits. In total, £278k (£1,002k in 2022/23) was paid to 2 of the 13 remaining pension funds, with amounts ranging from £20k to £258k (£14k to £515k in 2022/23). No additional sums were paid in respect of the largest scheme, Teesside Pension Fund.

National Employment Savings Trust

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

Employer contributions based on a percentage of payroll costs totalled £51k for 2023/24 (£84k in 2022/23) at a rate of 3% (3% in 2022/23).

Exit packages (subject to audit)

To support the implementation of our strategy and operating model, we carried out management of change restructures in our Intelligence and Operations directorates.

Management of change is an established process allowing individual colleagues to evaluate their skill sets against future organisational needs and, if appropriate, to take voluntary redundancy. The process also allows for a skills audit and includes opportunities for retraining and support in the new organisation structure. These restructures have led to further exit packages being recognised in 2023/24 and have been subject to approval by the Department of Health and Social Care's Governance and Assurance Committee (GAC).

Redundancy and other departure costs are paid in accordance with CQC's terms and conditions approved by the GAC. Where early retirements have been agreed, the additional costs are met by CQC and not by the individual pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the exit packages table below.

Figure 15 shows the total cost of exit packages agreed and accounted for in 2023/24 (2022/23 comparative figures are also presented) and are inclusive of employers national insurance contributions. Exit costs of £1,983k were paid in 2023/24, the year of departure (£4,191k in 2022/23).

Figure 15: Exit costs – staff numbers and related costs

	2023/24						2022/23	
Exit package cost band	**Compulsory redundancies**		**Other departures**		**Total exit packages**		**Total exit packages**	
	Number	**£**	**Number**	**£**	**Number**	**£**	**Number**	**£**
Less than £10,000	4	28,349	1	802	**5**	**29,151**	1	5,944
£10,000 – £25,000	4	81,319	–	–	**4**	**81,319**	1	21,422
£25,001 – £50,000	2	59,537	–	–	**2**	**59,537**	6	211,322
£50,001 – £100,000	2	146,647	–	–	**2**	**146,647**	11	811,272
£100,001 – £150,000	4	491,242	–	–	**4**	**491,242**	3	396,203
£150,001 – £200,000	1	170,882	–	–	**1**	**170,882**	2	363,771
More than £200,000	–	–	–	–	**–**	**–**	1	224,919
Total	**17**	**977,976**	**1**	**802**	**18**	**978,778**	**25**	**2,034,853**

None of the exit packages relate to individuals named in the Remuneration report (none in 2022/23).

Figure 16: Analysis of other departures

	2023/24		2022/23	
	Agreements Number	Total value of agreements £000	Agreements Number	Total value of agreements £000
Voluntary redundancies including early retirement contractual costs	1	1	21	1,688
Mutually agreed resignations (MARS) contractual costs	–	–	–	–
Early retirements in the efficiency of service contractual costs	–	–	1	79
Contractual payments in lieu of notice	–	–	–	–
Exit payments following employment tribunals or court orders	–	–	–	–
Non-contractual payments requiring HM Treasury approval	–	–	–	–
Total	**1**	**1**	**22**	**1,767**

No non-contractual payments (£nil) were made to individuals where the payment value was more than 12 months of their annual salary.

Off-payroll engagements

As part of the review of the tax arrangements of public sector appointees, we are required to publish (through the Department of Health and Social Care) information about the number of off-payroll engagements that are in place where individual costs exceed £245 per day.

Figure 17: Number of off-payroll engagements at 31 March 2024

	Number
Number of existing engagements as at 31 March 2024	**80**
Of which, the number that have existed, at the time of reporting:	
for less than 1 year	64
for between 1 and 2 years	16
for between 2 and 3 years	–
for between 3 and 4 years	–
for 4 or more years	–

Figure 18 shows all off-payroll appointments engaged at any point between 1 April 2023 and 31 March 2024 that were for more than £245 per day.

Figure 18: Number of off-payroll engagements during 2023/24

	Number
Number of temporary off-payroll workers engaged between 1 April 2023 and 31 March 2024	**202**
Of which:	
number not subject to off-payroll legislation	–
number subject to off-payroll legislation and determined as in-scope of IR35	195
number subject to off-payroll legislation and determined as out of scope of IR35	7
number of engagements reassessed for compliance or assurance purposes during the year	7
number of engagements that saw a change to IR35 status following review	–

Figure 19 shows any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2023 and 31 March 202

Figure 19: Off-payroll board members or senior officials

	Number
Number of off-payroll engagements of board members, and/or senior officers with significant financial responsibility, during the financial year	–
Total no. of individuals on payroll and off-payroll that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. This figure must include both on payroll and off-payroll engagements	16

We are committed to building in-house capacity, but we recognise that, with a significant element of our activity being project based, with peaks and troughs in requirements, making the best use of the temporary labour market is essential. Many of the workstreams within our change programme require specialist input on a temporary basis, and it is not always cost-effective to permanently recruit such skills. In the year, we have seen an increase in our off-payroll engagements, which have enabled us to drive forward our transformation programme.

All existing engagements at 31 March 2024 have received approval from the Department of Health and Social Care. We continue to improve our assurance processes so that we categorise all engagements in line with best practice and to ensure that we remain compliant with HMRC’s off-payroll working rules.

People plan

Our People Plan 2022 to 2025 sets our strategic vision to ensure our workforce develops the skills, confidence, and competence to deliver, feels valued, and contributes to organisational success. We aim for a collaborative, motivated, and diverse team, that drives performance and exemplifies our shared values.

Our Plan prioritises 5 components, enabling everyone to perform at their best:

- Diversity and inclusion
- Employee engagement and insights
- Leadership and change
- People experiences and insights
- Values and culture

People engagement, policies and recognition

Listening to our staff is crucial to delivering our People Plan. As such, we engage widely to safeguard a range of views informing our decision-making and enabling support for everyone to perform at their best. This is in areas such as leadership, change and future strategic direction, policy, as well as diversity, inclusion, and wellbeing.

People survey 2024

Our annual survey is part of our engagement approach and was open from January to February 2024. Colleagues were asked for feedback on all aspects of working for CQC and 2,278 colleagues (78%) responded. The survey's findings provided a snapshot of the mood of our organisation.

The responses showed an overall engagement score (an index based on colleague views about what it's like to work for our organisation) of 52%, a decrease of 12 percentage points compared with our people survey in 2021.

Summary findings:

- some improvement in colleagues feeling they are treated fairly at work
- some improvements in how people feel about career progression
- colleagues feeling a bit more informed about changes at a high level but remaining worried about details.

However, concerns from colleagues related to:

- change not being implemented effectively in the organisation
- support from senior leaders

- not listening enough to colleagues' views
- not acting on concerns raised about the way things are done in the organisation
- the values and behaviours of the chief executive officer and Executive team
- the safety to challenge the way things are done in the organisation.

Our current leadership team is committed to improving operational performance and wellbeing, rebuilding trust, and increasing our credibility. We will review progress using regular surveys.

To further ensure we hear the voices of all colleagues, we recognise UNISON, the Royal College of Nursing, the Public and Commercial Services Union, Unite, and Prospect for collective bargaining and consultation. Representatives from across the unions make up our Joint Negotiation and Consultation Committee (JNCC). CQC's leaders work regularly with the JNCC on a range of people matters.

We also have 5 internal staff equality networks for: disability, race, gender, carers, and LGBT+. Our equality network chairs have protected time to deliver activities, such as providing feedback during people policy development and evaluation.

People policies

We regularly review our people management policies to make sure they meet best practice guidelines, reflect changes to the culture of CQC, and enable us to support all colleagues to develop. Our policies were also updated in line with any legislative changes, ensuring legal compliance and adherence to Advisory, Conciliation and Arbitration Service (ACAS) code of practice.

During the process, we consulted with the trade unions, and staff equality networks to enhance fairness and staff experiences. We also used an equality impact assessment (EIA) framework to facilitate the Public Sector Equality Duty.

Policies updated were Code of Conduct, Dignity and Respect at Work, Strike Action, FTSU and People Change. To support effective application, senior HR Advisors provided individual coaching, tailored advice, and guidance, supplemented with briefings and presentations at team meetings for managers.

Recognition

To nurture a culture of recognition that engages, motivates, and inspires us to deliver excellence, colleagues can use tools to acknowledge good work and success.

In 2023/24, 997 colleagues (18.4% of the organisation) received 1 or more vouchers in recognition of demonstrating our organisational Values and Success Profile behaviours.

Diversity and inclusion

A healthy, engaged workforce is key to our success. Our People Plan facilitates this through diversity, inclusion, and wellbeing, setting a standard for good practice as the health and social care regulator.

During the year, we worked to refresh our 3-year inclusive future strategy with a new Equality, Diversity and Inclusion strategy 2024 to 2027, incorporating our 2023/24 Mental Health and Wellbeing action plan.

This will use data from the 2023/24 People Survey and input from equality staff networks, trade unions, and directorate equity, diversity, and inclusion co-ordinators. The strategy will also incorporate people recommendations from the Listening, learning and responding to concerns review (LLRC).

Key recommendations are improving race equality in the workplace, the FTSU model, including replacing the 2 vacant posts from 2022/23, and our workplace adjustments model.

We have started to work on these recommendations:

- our Board began learning in 2023/2024 on race and institutional racism
- there are now 3 FTSU Guardians, supported by a team of approximately 20 Ambassadors
- our workplace adjustments offer has been evaluated, with feedback from staff equality networks, and trade unions to enhance our approach.

Further to the LLRC evaluation, we measure our strategic progress on race and disability workplace equality using NHS-developed measures that help health and social care organisations compare the workplace experiences of disabled and ethnic minority staff with staff who do not share these protected characteristics. In January 2024, we published this information through:

- Workforce Disability Equality Standard: Annual Report 2023
- Workforce Race Equality Standard report: Annual Report 2023

We report using these equality standards to be transparent and accountable for providing a fair and inclusive environment in the workplace. This will continue as part of our refreshed EDI strategy.

Equality profiles

Figure 20 shows the distribution of male and female employees in CQC for each grade as of 31 March 2024.

Figure 20: CQC equality profiles as at 31 March 2024

Role	Grade	Male 2023/24	Female 2023/24	Male 2022/23	Female 2022/23
Board members	-	6	3	4	1
Executive directors	E1	4	2	4	2
Directors and senior leaders	E2 - E3	50	89	45	82
Other employees	A - G	815	2,214	818	2,069
Total		**875**	**2,308**	**871**	**2,154**

The following data tables are our equality and diversity profiles as a % of our overall workforce. The data is taken from our Electronic Staff Record (ESR) which is our HR and payroll system and is used across the NHS.

Age	
18-24	1.2%
25-34	15.1%
35-49	45.0%
50-64	36.2%
65+	2.5%

Disability	
No	81.3%
Yes	12.2%
Not stated	6.5%

Ethnic origin	
White	78.4%
Ethnic minority groups	15.4%
Not stated	6.2%

Gender	
Female	72.5%
Male	27.5%

Sexual orientation	
Heterosexual or straight	79.4%
LGB+	7%
Not stated	13.6%

Religious belief	
Atheism	16.2%
Buddhism	0.5%
Christianity	41.0%
Hinduism	1.9%
Islam	3.2%

Judaism	0.3%
Sikhism	1.1%
Other	6.7%
Not stated	29.1%

Gender pay gap

As of 31 March 2024, the split in CQC was 2,308 female employees to 875 male employees, and this was closely replicated across the quartile data (31 March 2024: female 72.5%, male 27.5%).

The data shows no pay gap in median pay at CQC, as employees are paid within salary bands, and the rate of pay is virtually the same across all quartiles. When comparing mean (average) hourly pay, the mean hourly pay for female employees is 0.13% lower than for male employees, but when comparing median pay, female pay is 3.5% higher than male. This means the pay gap has decreased slightly in mean pay.

Mean pay gap – ordinary pay			0.13%
Median pay gap – ordinary pay			-3.51%
Mean pay gap – bonus pay in the 12 months ending 31 March 2024			n/a
Median pay gap – bonus pay in the 12 months to 31 March 2024			n/a
The proportion of male and female employees paid a bonus in the 12 months to 31 March 2024		Male	n/a
		Female	n/a
Proportion of male and female employees in each quartile:			
	Quartile	**Male**	**Female**
	First (lower) quartile	33%	67%
	Second quartile	25.4%	74.6%
	Third quartile	25.2%	74.8%
	Fourth (upper) quartile	26.4%	73.6%

Ethnicity pay gap

As at 31 March 2024, CQC's workforce comprised 3,183 employees. Of these, 489 (15.4%) were from Ethnic Minority groups and 2,496 (78.4%) identified as White.

These figures show there is no ethnicity pay gap in CQC, and that employees from ethnic minority groups are not facing a pay disadvantage. This trend is consistent across both mean and median rates, indicating a positive state of ethnic pay equity.

Our pay gap continues to be small, and we therefore plan to monitor it and implement any measures needed if there are any changes.

Mean pay gap – ordinary pay		-1.15%
Median pay gap – ordinary pay		-0.24%
Mean pay gap – bonus pay in the 12 months ending 31 March 2024		n/a
Median pay gap – bonus pay in the 12 months to 31 March 2024		n/a
The proportion of ethnic minorities and white employees paid a bonus in the 12 months to 31 March 2024	Ethnic minorities	n/a
	White	n/a

Proportion of ethnic minorities and white employees in each quartile:

Quartile	Ethnic minorities	White
First (lower) quartile	15.8%	77.6%
Second quartile	14.5%	81.0%
Third quartile	14.8%	78.3%
Fourth (upper) quartile	16.3%	76.9%

Trade union facility time

We work in partnership with trade union representatives on all matters affecting our people. JNCC meetings were held every quarter, comprising representatives from our People Directorate, senior leadership team and trade union representatives from CQC alongside external national union officers. This forum allows discussion, consultation and negotiation on employment-related matters.

Our people are permitted to have protected time to engage in appropriate trade union activities (facility time).

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
36	35.1

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	15
1–50%	21
51–99%	–
100%	–

Percentage of pay bill spent on facility time	
Total cost of facility time	£45k
Total pay bill	£176,318k
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.03%

Paid trade union activities	
Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (Total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100	14.9%

Sickness absence

During 2023/24, for each absent employee:

- the average number of long-term days of sickness was 12 days (10 days in 2022/23)
- the average number of short-term days of sickness was 5 days (4 days in 2022/23).

Health and safety

This provides an overview of key health, safety, and wellbeing updates within CQC during 2023/2024.

Infection prevention and control: risk assessment: during the latter part of 2023/24, we removed the requirement to complete the infection prevention and control (IPC) risk assessment prior to inspections. Inspection teams were instructed to integrate the IPC assessment requirements into the generic inspection risk assessment.

Personal safety app: a new personal safety app was introduced, replacing the previous Safe Hub app. This new app is more user-friendly and alerts line managers if assistance is needed. It is available to all colleagues who visit high-risk areas alone.

Risk assessments: all directorate risk assessments were reviewed, updated, and are now accessible on our intranet homepage – stay safe at work.

Flu vaccination programme: the flu vaccination programme was re-launched but saw a decrease in participation, with only 41% of colleagues registering their vaccination in Cygnum from both the voucher request and GP vaccinations. Efforts are underway to boost uptake through collaboration with trade union representatives and enhanced communication strategies.

Work-related stress: the corporate work-related stress risk assessment was implemented across the organisation. Directors and deputy directors have been tasked with discussing these assessments with their teams and identifying any additional necessary controls. Stress risk assessment briefings have been conducted for managers in NCSC.

Incident reporting: in 2023/24, there were 149 reported incidents:

- 29 incidents of harassment and intimidation - 65 incidents of verbal abuse/threats and 14 incidents of violence or aggression
- 9 incidents of slips, trips and falls
- 2 incidents of road traffic accidents
- 2 incidents of ill health
- 28 incidents of near miss reports, struck by moving object, striking against stationary object, contact with harmful substances and 'other type of incident'.

Actions taken in response to reported abusive incidents include enforcing a zero-tolerance policy, which is clearly communicated to callers through a recorded message while waiting for their call to be answered in our Contact Centre. Managers promptly follow up on incidents to provide support and assess whether updates are required to the individual's workplace passport. For repeat offenders, processes are discussed with NCSC/Operations, which may include restricting contact to email or redirecting calls to voicemail, and only responding to new issues raised. Colleagues have access to counselling services if needed.

Annual health and safety audits are conducted to identify and mitigate any building risks, and staff experiencing ill health are supported through ergonomic equipment and guidance on working practices. We have adopted a varied approach, focusing on prevention, timely intervention, and support for affected employees. Policies and tools, such as the personal safety app and ergonomic equipment, demonstrate a commitment to employee wellbeing and the creation of a safer, more supportive working environment.

Workstation and display screen equipment: the Health and Safety team has taken active measures in response to the increased time spent at computers and the rise in back-to-back MS Teams meetings, which have led to colleagues experiencing health issues due to insufficient screen breaks. They have provided additional ergonomic equipment to 340 colleagues and offered advice and guidance to many more. The equipment distributed includes adjustable desks, specialist chairs, ergonomic mice, and other supplementary display screen equipment accessories.

Expenditure on consultancy

There was no spend on consultancy services, as defined by HM Treasury during 2023/24 (£100k in 2022/23).

Parliamentary accountability and audit report

1. Regularity of expenditure (subject to audit)

Losses and special payments are items that Parliament would not have contemplated when it agreed funding or passed legislation. By their nature, they are items that ideally should not arise and should only be accepted if there is no feasible alternative. They are therefore subject to special control procedures compared with the generality of payments.

1.1 Losses

	2023/24	2022/23
Total number of losses	385	534
Total value of losses (£000)	292	638

The losses incurred during 2023/24 relate to the write-off of irrecoverable receivables invoices following the exhaustion of collection. CQC incurred no individual losses exceeding £300k during the year (2022/23: no cases).

1.2 Special payments

	2023/24	2022/23
Total number of special payments	4	11
Total value of special payments (£000)	33	476

The special payments incurred during the year relate to ex gratia payments made to individuals. There were no individual special payments exceeding £300k during the year (2022/23: none).

1.3 Gifts

During 2023/24 CQC made no gifts or donations (2022/23: none).

2. Remote contingent liabilities (subject to audit)

There were no remote contingent liabilities as at 31 March 2024 (31 March 2023: none).

3. Fees and charges (subject to audit)

Fees are charged in accordance with section 85 of the Health and Social Care Act 2008 to cover the cost of our regulatory functions. This includes initial registration, changes to registration and our activities associated with monitoring, inspection and rating registered providers. Other existing responsibilities, such as our work under the Mental Health Act, are funded by grant-in-aid from the Department of Health and Social Care.

Registered providers are charged an annual fee based on the type and scale of services provided. The current fees scheme, effective from 1 April 2019, sets fees at a level to recover our chargeable costs in fees as required by HM Treasury policy. See our Fees webpage for further details.

The following table provides an analysis of the income and costs associated with our regulatory activities for which a fee is charged, see Notes to the financial statements (note 2.3) for further details.

	Income £000	Full cost £000	2023/24 Deficit £000	2022/23 Deficit £000
Regulatory fees for chargeable activities	(223,326)	247,809[1]	**24,483**	**2,170**

There will always be variation when aligning costs for chargeable activity to our fee income on an annual basis. The deficit increased as we completed our transformation programme utilising funds from our retained reserve and includes an impairment charge relating to our intangible assets.

4. Better payment practice code

In accordance with the government's prompt payment policy, CQC aims to pay 90% of undisputed and valid invoices within 5 working days and 100% of all undisputed and valid invoices within 30 days. The table below shows average performance across each financial year.

Average across financial year	Target	Number 2023/24	Value 2023/24	Number 2022/23	Value 2022/23
Invoices paid within five working days	90%	89%	94%	90%	93%
Invoices paid within 30 days	100%	100%	100%	100%	100%

Our performance against the target to pay invoices within 5 working days has remained stable through the year and we ended the financial year exceeding the target for value.

5. Functional standards

During 2023/24 we saw improvements on those functional standards that had undergone a review by government bodies. We continued to build on our approach to review all functional standards that apply, by developing and collating tools to complete self-assessments early in 2024/25.

[1] Full chargeable cost of £247,809k excludes non-cash items totalling a credit of £142k from the total expenditure relating to chargeable activities presented in note 2.3 in the Notes to the financial statements. These non-cash items consist of the provision for pension fund deficits £2,939k, net interest on pension scheme assets and liabilities negative £4,099k, expected credit loss £332k, provision expenses £488k, apprenticeship training grant expense £101k and finance costs £97k all of which are covered by non-cash budgets.

During 2024/25, we aim to meet the minimum requirements and set our ambitions for improvement to further strengthen our position across all the functional standards that apply, focusing on better and best practice as stated in the Cabinet Office’s Guide to continuous improvement against functional standards.

Sir Julian Hartley
Chief Executive
14 July 2025

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

Qualified opinion on financial statements

I certify that I have audited the financial statements of the Care Quality Commission for the year ended 31 March 2024 under the Health and Social Care Act 2008.

The financial statements comprise the Care Quality Commission's:

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, except for the possible effect of the matters described in the 'Basis for qualified opinion on financial statements' section of my certificate, the financial statements:

- give a true and fair view of the state of the Care Quality Commission's affairs as at 31 March 2024 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Health and Social Care Act 2008 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis for qualified opinion on financial statements

Share of Teesside Pension Fund assets and related balances

At 31 March 2024, the Care Quality Commission recognised a net pension asset of £30.6 million in the financial statements, being its share of the Teesside Pension Fund surplus. This is comprised of: the fair value of the pension assets of £393.4 million, less the present value of the funded obligations of £308.4 million, less the impact of the asset ceiling adjustment of £54.3 million, as reported in Note 5.1 to the financial statements. I was unable to obtain sufficient, appropriate evidence regarding the valuation of the pension assets of £393.4 million and associated movements in the Statement of Comprehensive Net Expenditure for the: interest income (£17.2 million); return on plan assets (£20.5 million); and the impact of the asset ceiling adjustment (£54.3 million). This was because the 2023-24 financial statements of the Teesside Pension Fund were subject to a disclaimed audit opinion from the pension fund auditor. The disclaimed opinion arose because the pension fund auditor was unable to form an opinion on whether the financial statements were true and fair prior to the legislative backstop date for the completion of the pension fund audit in February 2025.

I was unable to satisfy myself by alternative means concerning the valuation of the net pension asset at 31 March 2024 by using other audit procedures. Consequently, I was unable to determine whether any adjustment to the net pension asset was necessary in the Care Quality Commission's financial statements.

Regulatory Platform intangible asset

At 31 March 2024, the Care Quality Commission recognised an intangible asset with a carrying value £21.9 million in the financial statements (31 March 2023 - £20.7 million), representing the investment in its Regulatory Platform. The carrying value of the asset at 31 March 2024 is stated after adjustment for an impairment charge of £15.8 million. The impairment charge reflects the Care Quality Commission's estimate of the reduction in the value of the asset arising from issues identified with its functionality. However, the Care Quality Commission has not finalised and submitted the results of its impairment review for audit ahead of issuing my audit opinion, or undertaken the work necessary to determine the allocation of the impairment between financial years.

As a result, I was unable to obtain sufficient, appropriate evidence regarding the value of the impairment charge and, therefore, the carrying value of the Regulatory Platform asset reported in the financial statements at 31 March 2024. I was also unable to obtain sufficient, appropriate evidence regarding the extent of any impairment that should have been applied to the Regulatory Platform asset balance of £20.7 million reported at 31 March 2023.

I was unable to satisfy myself by alternative means concerning the valuation of the Regulatory Platform asset at 31 March 2024 and 31 March 2023 by using other audit procedures. Consequently, I was unable to determine whether any adjustment to the Regulatory Platform asset impairment was necessary in the Care Quality Commission's financial statements for those years.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I am independent of the Care Quality Commission in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on regularity and qualified opinion on the financial statements.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Care Quality Commission's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Care Quality Commission's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Care Quality Commission is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

As described in the basis for qualified opinion section of my report, I was unable to satisfy myself concerning the Care Quality Commission's share of the Teesside Pension Fund assets of £393.4 million and related balances reported in the financial statements. I was also unable to satisfy myself concerning the impairment value of £15.8 million reported in respect of the Regulatory Platform intangible asset. I have concluded that where the other information refers to pension assets and related balances and intangible assets and related balances, it may be materially misstated for the same reason.

Opinion on other matters

In my opinion the part of the Remuneration and People Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Health and Social Care Act 2008.

In my opinion, except for the possible effects of the matters described in the Basis for qualified opinion on financial statements section of my certificate, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Health and Social Care Act 2008; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

Except for the possible effects of the matter described in the Basis for qualified opinion on financial statements section of my certificate, in light of the knowledge and understanding of the Care Quality Commission and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

Arising from the limitation on the scope of my work relating to the Care Quality Commission's share of the Teesside Pension Fund pension assets and impairment of the Regulatory Platform intangible asset, referred to above:

- I have not received all the information and explanations that I require for my audit; and
- I was unable to determine whether adequate accounting records have been kept by the Care Quality Commission or returns adequate for my audit have not been received from branches not visited by my staff.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and People Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Board and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and Accounting Officer are responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Care Quality Commission from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view in accordance with Secretary of State directions issued under the Health and Social Care Act 2008;
- preparing the Annual Report, which includes the Remuneration and People Report, in accordance with Secretary of State directions issued under the Health and Social Care Act 2008; and
- assessing the Care Quality Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Care Quality Commission will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Social Care Act 2008.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Care Quality Commission's accounting policies, key performance indicators and performance incentives.
- inquired of management, the Care Quality Commission's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Care Quality Commission's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Care Quality Commission's controls relating to the Care Quality Commission's compliance with the Health and Social Care Act 2008 and Managing Public Money;
- inquired of management, the Care Quality Commission's head of internal audit and those charged with governance whether:

  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Care Quality Commission for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates, valuation of defined benefit pension schemes' assets and liabilities and valuation of intangible assets. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Care Quality Commission's framework of authority and other legal and regulatory frameworks in which the Care Quality Commission operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Care Quality Commission. The key laws and regulations I considered in this context included the Health and Social Care Act 2008, Managing Public Money, employment law and pensions legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Gareth Davies
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

15 July 2025

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

Introduction

1. The Care Quality Commission (CQC) is an Executive Non-Departmental Public Body and component of the Department of Health & Social Care (DHSC) Group. It is an independent regulatory body overseeing the quality of care provided by health and social care services in England and is principally funded through registration fees charged to providers.

2. This Report explains the basis of my qualification in relation to the availability of evidence to support CQC's: share of pension scheme assets held by the Teesside Pension Fund and related balances; and the valuation and associated impairment of its Regulatory Platform intangible asset reported in the financial statements.

Sufficiency of evidence for Teesside Pension Fund assets and related balances

3. CQC participated in 13 Local Government Pension Schemes (LGPS) during the year ended 31 March 2024. CQC's involvement in those schemes is a legacy of its predecessor bodies when it was formed in 2009, being: the Commission for Social Care Inspection; the Healthcare Commission; and the Mental Health Act Commission. The schemes are all closed to new CQC entrants and CQC's involvement in them is gradually reducing over time.

4. As set out in Note 5.1 to the financial statements, the scheme in which CQC has the largest interest is the Teesside Pension Fund. At 31 March 2024, CQC recognised a net pension asset of £30.6 million in the financial statements, being its share of the Teesside Pension Fund surplus. This is comprised of: the fair value of the pension assets of £393.4 million, less the present value of the funded obligations of £308.4 million, less the impact of the asset ceiling adjustment of £54.3 million. The asset ceiling adjustment is an accounting adjustment which limits how much of a pension surplus can be reported in the Statement of Financial Position based on the amount an organisation can access or benefit from that surplus.

5. Due to the number of admitted bodies to the scheme, it is not practicable for the auditors of those admitted bodies to undertake audit procedures directly on the assets held by the pension fund. The auditors of the Teesside Pension Fund provide assurance to the auditors of admitted bodies to enable them to conclude over the accuracy of transactions and balances included within individual entity accounts.

6. As disclosed in the Governance Statement, the pension fund auditor was unable to form an opinion on whether the Teesside Pension Fund financial statements were true and fair prior to the legislative backstop date for the completing its audit in February 2025. Accordingly, the pension fund auditor issued a disclaimed audit opinion in respect of the Teesside Pension Fund's 2023-24 financial statements.

7. In the absence of assurances from the Teesside Pension Fund auditor, I do not have sufficient, appropriate evidence regarding the valuation of the pension assets of £393.4 million and associated movements in the Statement of Comprehensive Net Expenditure for the: interest income (£17.2 million); return on plan assets (£20.5 million); and the impact of the asset ceiling adjustment (£54.3 million). I have limited the scope of my audit opinion in respect of the absence of assurance for these material balances in the financial statements.

8. I recognise that there is limited action CQC can take in relation to the assurances over these balances given that they are controlled by the Teesside Pension Fund and the pension fund auditor. I understand that the pension fund auditor will be completing its work on the 2024 pension fund balances as part of its 2024-25 audit. I will consider the outcome of that work as part of my audit of CQC's 2024-25 financial statements.

Regulatory Platform intangible asset

9. Between 2019 and 2024, CQC developed a Regulatory Platform asset to support the roll-out of its Single Assessment Framework approach to regulating the health and care sector. This involved constructing a new cloud-based application to replace its previous customer relationship management system. The Provider Portal component of the Regulatory Platform, designed to allow document submissions and interactions between providers and CQC staff, went live to all registered providers in March 2024. The Provider Portal became the main channel for interaction with providers from that point.

10. In May 2024, the Department of Health and Social Care commissioned Dr Penny Dash to undertake a review of CQC. Dr Dash published an interim report in July 2024 and a final report with recommendations in October 2024. Alongside concerns about the governance of the organisation, the reports highlighted significant operational issues with the Regulatory Platform.

11. A further review by an external IT expert was commissioned by the new Chief Executive, Sir Julian Hartley, the results of which were published in March 2025. The review found that there was poor implementation of the Regulatory Platform and Single Assessment Framework, with urgent fixes being required to deliver the intended functionality.

12. These external reports indicated that the Regulatory Platform asset recognised within CQC’s financial statements was impaired at 31 March 2024. At 31 March 2024, the carrying value of the Regulatory Platform intangible asset in the financial statements was £21.9 million (31 March 2023 - £20.7 million). The carrying value of the asset at 31 March 2024 is stated after adjustment for an impairment charge of £15.8 million. The impairment charge reflects CQC’s estimate of the reduction in the value of the asset arising from the issues identified with its functionality. Disclosure of the asset and the related impairment charge are included in Note 9 to the financial statements.

13. CQC has commenced an impairment review exercise to establish the value of the Regulatory Platform asset at 31 March 2024 and the related impairment charge though this is not yet complete. Based on the work undertaken to date, management have concluded that a further technical assessment is required to establish a valuation for the Regulatory Platform asset and the related impairment charge. In the absence of an adequate impairment review which meets the requirements of the financial reporting framework, I do not have sufficient, appropriate evidence regarding the carrying value of the asset or the value of the impairment charge reported in the financial statements. I was also unable to obtain sufficient, appropriate evidence regarding the extent of any impairment that should have been applied to the asset balance of £20.7 million at 31 March 2023. I have limited the scope of my audit opinion in respect of the absence of assurance for these material balances in the financial statements.

14. CQC expects to complete its impairment review which I will test as part of my audit of the 2024-25 accounts. The impairment review will cover both the opening and closing balances reported in the 2024-25 accounts.

3. Financial statements

The financial statements are prepared in accordance with the Financial Reporting Manual (FreM) 2023/2024, published by HM Treasury, and comprise:

Statement of Comprehensive Net Expenditure

A statement of Care Quality Commission's (CQC) performance, summarising income and expenditure for the year.

Statement of Financial Position

A snapshot of CQC's assets and liabilities as at the end of the financial year.

Statement of Cash Flows

The movements in cash during the year.

Statement of Changes in Taxpayers' Equity

The movements to reserves in the year.

Notes to the financial statements

Additional details to the numbers included within the 4 financial statements.

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2024

	Note	2023/24 £000	2022/23 £000
Revenue from contracts with customers	3.1	(226,432)	(218,589)
Other operating income	3.2	(101)	(272)
Total operating income		**(226,533)**	**(218,861)**
Staff costs	4.1	210,306	186,410
Purchase of goods and services	4.2	49,264	43,616
Depreciation, amortisation and impairment charges	4.2	27,708	11,197
Provision expense	4.2	488	1,871
Other operating expenditure	4.2	(194)	5,605
Total operating expenditure		**287,572**	**248,699**
Net operating expenditure		**61,039**	**29,838**
Finance expense	4.3	97	80
Net gain on transfers by absorption	15	(254)	–
Net expenditure for the year		**60,882**	**29,918**
Other comprehensive net expenditure:			
Items that will not be reclassified to net operating expenditure:			
- Net gain on indexation:			
Intangible assets	6.3	(1,845)	(823)
Property, plant and equipment	7.3	(56)	(207)
Right of use assets	8.3	(40)	(533)
- Impairments charged to revaluation reserve:			
Intangible assets	6.3	63	–
Property, plant and equipment	7.3	–	7
- Actuarial gain in pension schemes	5.4	(27,664)	(116,923)
- Re-measurement of net defined pension asset for changes in asset ceiling	5.4	53,973	22,605
Comprehensive net expenditure/(income) for the year[2]		**85,313**	**(65,956)**

Notes 1 to 23 form part of these financial statements.

[2] During the year, CQC received GIA funding from the Department of Health and Social Care which is not included in the Statement of Comprehensive Net Expenditure, but credited to the general reserve in the Statement of Financial Position. This was used to finance non-chargeable operating expenditure and fixed asset additions purchased during the reporting period, excluding those funded using the Retained Earnings reserve. For further details of our financial performance including GIA funding see note 2.3 to the Financial Statements.

Statement of Financial Position

as at 31 March 2024

	Note	31 March 2024 £000	31 March 2023 £000
Non-current assets			
Intangible assets	6	36,831	36,829
Property, plant and equipment	7	2,264	3,583
Right of use assets	8	5,632	7,585
LGPS pension assets	5.1	34,589	59,279
Total non-current assets		**79,316**	**107,276**
Current assets			
Trade and other receivables	11	9,652	10,185
Other current assets	11	4,014	4,513
Cash and cash equivalents	12	30,931	46,315
Total current assets		**44,597**	**61,013**
Total assets		**123,913**	**168,289**
Current liabilities			
Trade and other payables	13	(25,662)	(25,378)
Other pension liabilities	13	(2)	(15)
Fee income in advance	13	(19,841)	(18,886)
Right of use lease liabilities	14.1	(2,087)	(2,339)
Provisions	16.1	(1,760)	(2,412)
Total current liabilities		**(49,352)**	**(49,030)**
Total assets less current liabilities		**74,561**	**119,259**
Non-current liabilities			
Right of use lease liabilities	14.1	(3,654)	(5,327)
Provisions	16.1	(298)	(305)
Total non-current liabilities excluding LGPS pension liabilities		**(3,952)**	**(5,632)**
Assets less liabilities excluding LGPS pension liabilities		**70,609**	**113,627**
LGPS pension liabilities	5.1	(884)	(425)
Assets less liabilities		**69,725**	**113,202**
Taxpayers' equity			
General reserve	18	55,712	97,190
Revaluation reserve	18	3,692	1,814
Retained earnings	18	10,321	14,198
Total taxpayers' equity		**69,725**	**113,202**

Notes 1 to 23, on pages 110 to 156, form part of these financial statements.

Sir Julian Hartley
Chief Executive
14 July 2025

Statement of Cash Flows

for the year ended 31 March 2024

	Note	2023/24 £000	2022/23 £000
Cash flows from operating activities:			
Net expenditure for the year		(60,882)	(29,918)
Adjustment for non-cash transactions	17.1	26,849	16,328
Decrease in trade receivables and other current assets	17.2	1,147	149
Increase/(decrease) in trade and other payables	17.3	1,758	(3,623)
Decrease in pension liabilities	13	(13)	(15)
Increase in contract liabilities: fee income in advance	13	955	245
Use of provisions	16	(1,157)	(352)
Net cash outflow from operating activities		**(31,343)**	**(17,186)**
Cash flows from investing activities:			
Purchase of intangible assets	17.4	(23,328)	(17,553)
Purchase of property, plant and equipment	17.5	(567)	(2,358)
Net cash outflow from investing activities		**(23,895)**	**(19,911)**
Cash flows from financing activities:			
Grant-in-aid from DHSC: cash drawn down in year		41,836	23,477
Payments in respect of right of use leased assets	14.1	(1,982)	(1,422)
Net financing		**39,854**	**22,055**
Net increase/(decrease) in cash and cash equivalents		**(15,384)**	**(15,042)**
Cash and cash equivalents at start of year		46,315	61,357
Cash and cash equivalents at end of year	**12**	**30,931**	**46,315**

Notes 1 to 23 form part of these financial statements.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2024

	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
Balance at 1 April 2022		**(291)**	**283**	**23,777**	**23,769**
Changes in taxpayers' equity 2022/23:					
Grant-in-aid from DHSC: cash drawn down[3]		23,477	–	–	**23,477**
Net expenditure for the year		(29,918)	–	–	**(29,918)**
Revaluation gains:					
- intangible assets	6.3	–	823	–	**823**
- property, plant and equipment	7.3	–	207	–	**207**
- right of use lease assets	8.3	–	533	–	**533**
Impairments and reversals:					
- intangible assets	6.3	–	–	–	**–**
- property, plant and equipment	7.3	–	(7)	–	**(7)**
Transfer between reserves:					
- intangible assets	6.3	5	(5)	–	**–**
- property, plant and equipment	7.3	20	(20)	–	**–**
- Retained fee income	18	(10,148)	–	10,148	**–**
- Utilisation of retained fee income	18	19,727	–	(19,727)	**–**
Actuarial gain in pension schemes	5.4	116,923	–	–	**116,923**
Re-measurement of net defined pension asset for changes in asset ceiling	5.4	(22,605)	–	–	**(22,605)**
Balance at 31 March 2023		**97,190**	**1,814**	**14,198**	**113,202**
Changes in taxpayers' equity 2023/24:					
Grant-in-aid from DHSC: cash drawn down[3]		41,836	–	–	**41,836**
Net expenditure for the year		(60,882)	–	–	**(60,882)**
Revaluation gains/(losses):					
- intangible assets	6.3	–	1,845	–	**1,845**
- property, plant and equipment	7.3	–	56	–	**56**
- right of use lease assets	8.3	–	40	–	**40**
Impairments and reversals:					
- intangible assets	6.3	–	(63)	–	**(63)**
Transfer between reserves:					
- Retained fee income	18	(10,889)	–	10,889	–
- Utilisation of retained fee income	18	14,766	–	(14,766)	–
Actuarial gain in pension schemes	5.4	27,664	–	–	**27,664**
Re-measurement of net defined pension asset for changes in asset ceiling	5.4	(53,973)	–	–	**(53,973)**
Balance at 31 March 2024		**55,712**	**3,692**	**10,321**	**69,725**

Notes 1 to 23 form part of these financial statements.

[3] GIA cash drawn down from DHSC of £41,836k (£23,477k in 2022/23) was used to fund: non-chargeable activities £34,181k (2022/23: £23,477k); chargeable activities £nil (2022/23: £nil); and capital expenditure £7,655k (2022/23: £nil).

Notes to the financial statements

1. General information

CQC is a non-departmental government body established under the Health and Social Care Act 2008. See the introduction for more information about our role and purpose. The address of our registered office and principal place of business is provided at the start of this report. We are accountable to the Secretary of State for Health and Social Care for discharging our functions, duties and powers effectively, efficiently and economically. The Department of Health and Social Care carries out this role on the Secretary of State's behalf on a day-to-day basis.

1.1 Basis of accounting

Under the Health and Social Care Act 2008, the Secretary of State for Health and Social Care has directed CQC to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

These financial statements have been prepared in accordance with the FReM 2023/24, issued by HM Treasury, as interpreted for the health sector in the Department of Health and Social Care Group Accounting Manual (GAM) 2023/24. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of CQC for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

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

1.2 Standards adopted during the year

None.

1.3 Going concern

CQC's Annual report and accounts have been prepared on a going concern basis. The main source of funding for CQC is income from fees charged to registered providers. The associated credit risk is managed through the management of receivables and regular cash flow reporting, see note 10. In addition, GIA funding is drawn from the Department of Health and Social Care to fund non-chargeable activities and capital expenditure.

1.4 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and intangible assets at fair value to the extent required or permitted under the FReM as set out in accounting policies.

1.5 Critical accounting judgements and key sources of estimation uncertainty

In applying CQC accounting policies, managers are required to make various judgements, estimates and assumptions. These estimates and associated assumptions are based on historical experience and other relevant factors. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed.

Areas of significant judgement include:

- **International Accounting Standard 19 Employee Benefits/International Financial Reporting Interpretations Committee 14**: the most significant judgements relate to the valuation of CQC's share of assets and liabilities in 13 LGPSs. The underlying assumptions are reviewed on an ongoing basis by the fund actuaries. Financial assumptions are based on market expectations at the Statement of Financial Position date and demographic assumptions reflect the best estimate of the likely future timing of future benefit payments. Key assumptions used are detailed in note 5.2. The value of assets and liabilities are sensitive to changes in discounts rates, a sensitivity analysis is found in note 5.10.
- **International Accounting Standard 36 Impairments:** managers make judgements on whether there are any indications of impairment to the carrying amounts of CQC's non-current assets (see accounting policy note 1.15, note 6 and note 7).
- **Valuation of non-current assets:** intangible assets and property, plant and equipment are revalued annually using indices published by the Office for National Statistics (see accounting policy notes 1.15 and 1.16, note 6, note 7 and 9). Due to the specialist nature of our intangible assets we have relied upon the judgement of an independent IT expert in the absence of a full technical consideration to provide a valuation of the replacement cost in existing use.
- **International Financial Reporting Standards 9 Financial Instruments:** the expected credit loss of receivables is determined by probabilities calculated using historic collection data for groups of receivables (see accounting policy note 1.22 and note 10).

1.6 Transfer of functions

As public sector bodies are deemed to operate under common control, business reconfigurations within the Department of Health and Social Care group are outside the scope of IFRS 3 Business Combinations. Where functions transfer between 2 public sector bodies, the FReM requires the application of 'absorption accounting'. Absorption accounting requires that entities account for their transactions in the period in which they took place. Where assets and liabilities transfer, the gain or loss resulting is recognised in the Statement of Comprehensive Net Expenditure and is disclosed separately from operating costs.

1.7 Operating segments

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

1.8 Operating income

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

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

- CQC will not disclose information regarding performance obligations as part of a contract that has an original expected duration of 1 year or less.
- CQC is to similarly not disclose information where revenue is recognised in line with the practical expedient offered in the standard where the right to consideration corresponds directly with value of the performance completed to date.

The main source of revenue from contracts with customers for CQC is income from annual statutory fees charged to all registered providers of regulated activities in accordance with the Health and Social Care Act 2008 (as amended). This revenue is recognised when (or as) performance obligations are satisfied by transferring promised services to the customer and is measured at the amount of the transaction price allocated to that performance obligation. The FReM has adapted the definition of a contract to include legislation, such as the Health and Social Care Act 2008 (as amended), which enables CQC to receive cash from another entity.

Statute requires CQC to perform the continual task of maintaining the register of providers of regulated activities over the whole period of registration, and without being registered it is unlawful for a provider to operate. Fees are charged in accordance with the current fees scheme, published with the consent of the Secretary of State for Health and Social Care, which has been effective from 1 April 2020 and remained unchanged in 2023/24. Fees are invoiced on the anniversary of initial registration. Revenue is recognised equally over the 12-month period of registration that the fee covers as performance obligations are satisfied. In cases of voluntary de-registration, fees are refunded to registered organisations in accordance with the fee rebate scheme detailed on CQC's website.

Where statutory fees are paid and exceed the value of performance obligations satisfied at the end of the accounting period the income is deferred (note 13).

Payment terms are standard reflecting cross-government principles. Statutory annual fees are payable within 30 days of the invoice date otherwise the provider can opt to pay in equal instalments by direct debit.

The value of the benefit received when CQC accesses funds from the government's apprenticeship service are recognised as income in accordance with IAS 20, Accounting for Government Grants. Where these funds are paid directly to an accredited training provider, non-cash income and a corresponding non-cash training expense are recognised, both equal to the cost of the training funded.

1.9 Employee benefits

1.9.1 Short-term employee benefits

Salaries, wages and employment-related payments, including payments arising from the apprenticeship levy, are recognised in the period in which the service is received from employees, and CQC becomes obligated to pay them. The cost of annual leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

1.9.2 Retirement benefit costs

NHS pensions

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

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

The schemes are subject to a full actuarial valuation every 4 years and an accounting valuation every year.

Local government pensions

Some employees are members of the LGPS, which is a defined benefit pension scheme that is administered through 13 active pension funds. Employees who were members of the LGPS in a predecessor organisation to CQC were permitted to keep their legacy arrangements when their employment transferred to CQC on 1 April 2009. Membership of the LGPS is closed to new CQC employees.

Accounting actuarial valuations are carried out at each Statement of Financial Position date. The scheme assets and liabilities attributable to those employees can be identified and are recognised in CQC's accounts. The assets are measured at fair value, and the liabilities at the present value of the future obligations. Charges recognised in the Statement of Comprehensive Net Expenditure are detailed below:

Charged to staff costs:

- Current service cost – the increase in liabilities because of additional service earned in the year.

- Past service cost – the increase in liabilities arising from current year decisions, the effect of which relates to the years of service earned in earlier years.
- Administration expense – charges representing the cost of administering the fund.
- Gains or losses on settlements and curtailments – the result of actions to relieve the liabilities or events that reduce the expected future service or accrual of benefits of employees.

Charged to other expenditure:

- Net interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid which is offset by the expected increase in fair value of scheme assets.

Charged to other comprehensive expenditure:

- Actuarial gain or loss on assets and liabilities – the extent to which investment returns achieved in year are different from interest rates used at the start of the year.

Full actuarial valuations are carried out every 3 years, which determine the contributions payable for the following 3 financial years. The latest full valuation is based on 31 March 2022 and has set rates payable for the 3 years from 2023/24.

Other pension schemes

CQC employees that are not eligible to join the NHS Pensions Scheme are enrolled in the National Employment Savings Trust (NEST). The scheme is accounted for as if it were a defined contribution scheme: the cost to CQC of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

1.10 Other expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

1.11 Grants receivable

Grants received, including GIA received for revenue and capital expenditure is treated as financing and credited to the general reserve.

1.12 Grants payable

Where grant funding is not intended to be directly related to activity undertaken by a grant recipient in a specific period, CQC recognises the expenditure in the period in which the grant is paid. All other grants are accounted for on an accruals basis.

1.13 Apprenticeship levy

CQC is required to pay an apprenticeship levy amounting to 0.5% of the total pay bill, less an allowance of £15,000. The levy is recognised as an expense and included as an additional social security cost within the financial statements.

It is expected that apprenticeship funding will be passed directly to training providers. Where a CQC employee receives training funded by the levy, CQC will recognise a non-cash expense in the period in which the training occurs. An additional non-cash income amount, equal to the costs paid directly to the training provider, is also recognised.

1.14 Value added tax

Irrecoverable value added tax (VAT) is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.15 Intangible assets

1.15.1 Recognition

Intangible assets are non-monetary assets without physical substance that are capable of sale separately from the rest of CQC's business, or that arise from contractual or other legal rights.

They are capitalised if:

- it is probable that future economic benefits will flow to, or service potential will be supplied to CQC
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably, and either:
    - the item has a cost of at least £5,000, or
    - collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.
- the total cost of the asset capitalised only includes costs that are permitted by *IAS 38 Intangible Assets*.

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

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

General IT software project management costs are not capitalised.

1.15.2 Measurement

Intangible assets are initially recognised at cost. The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the criteria for recognition are initially met. Where no internally generated intangible asset can be recognised, the expenditure is recognised in the period in which it was incurred.

Following initial recognition, intangible assets are carried at current value in existing use by reference to an active market, or, where no active market exists, at the lower of amortised replacement cost (modern equivalent assets basis) and value in use where the asset is income generating. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. All assets are revalued annually, at the end of the reporting period on 31 March, using the appropriate producer price index (PPI) as published by the Office for National Statistics

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset, and thereafter to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive net expenditure in the Statement of Comprehensive Net Expenditure.

1.16 Property, plant and equipment

1.16.1 Recognition

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

- it is held for use in delivering services or for administrative purposes
- it is probable that future economic benefits will flow to, or service potential will be supplied to CQC
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably, and either:
    - the item has cost of at least £5,000, or
    - collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

1.16.2 Measurement

All property, plant and equipment is measured initially at cost, representing the cost directly attributable to acquiring the asset and bringing it to the location and in the condition necessary for it to operate in the manner intended by management. Assets that are held for their service potential and are in use are measured subsequently at their current value in existing use.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Assets are restated at current value each year using the appropriate producer price index (PPI) as published by the Office for National Statistics.

Revaluations and impairments are treated in the same manner as for intangible assets, note 1.15.2.

1.17 Amortisation, depreciation and impairments

Non-current assets are depreciated or amortised from the date that they are brought into use. Assets under development are not amortised.

Depreciation and amortisation is charged to write off the costs or valuation of property, plant and equipment and intangible assets, less any residual value, on a straight-line basis over their estimated useful lives. The estimated useful life is the period over which CQC expects to obtain economic benefits or service potential from the asset. This is specific to CQC and might be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year-end, with the effect of any changes recognised on a prospective basis.

Estimated useful lives:

Category	Asset type	Estimated asset life
Intangible assets	IT software developments	Over the estimated life of the asset, or 15 years, whichever is shorter.
	Software licences	Over the term of the licence
	Website	Over the estimated life of the asset, or 15 years, whichever is shorter.
Property, plant and equipment	Information technology	Up to 7 years
	Furniture and fittings	Up to 15 years in line with the lease term of the property in which the asset resides.

At each financial year-end CQC checks whether there is any indication that its property, plant and equipment or intangible assets have suffered an impairment loss. If there is indication of such an impairment, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are also tested for impairment annually at the financial year-end.

Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure.

1.18 Leases

A lease is a contract or part of a contract that conveys the right to use an asset for a period in exchange for consideration.

1.18.1 Care Quality Commission as a lessee

At the commencement date for the leasing arrangement a lessee shall recognise a right of use asset and corresponding lease liability. CQC employs a revaluation model for the subsequent measurement of its right of use assets in line with the accounting policy for owned assets. Where consideration exchanged is identified as below market value, cost is not considered to be an appropriate proxy to value the right of use asset. Lease payments are apportioned between finance charges and repayment of the principal. Finance charges are recognised in the Statement of Comprehensive Net Expenditure.

Irrecoverable VAT is expensed in the period to which it relates and therefore not included in the measurement of the lease liability and consequently the value of the right of use asset.

Where the interest rate implicit in each lease arrangement cannot readily be determined then the HM Treasury discount rate is used as the incremental borrowing rate. In these instances an incremental borrowing rate of 0.95% has been applied to the lease liabilities recognised at the date of initial application of IFRS 16. Where changes in future lease payments result from a change in an index or rate or rent review, the lease liabilities are remeasured using an unchanged discount rate.

Where there is a change in a lease term or an option to purchase the underlying asset CQC applies a revised rate to the remaining lease liability.

Where existing leases are modified CQC must determine whether the arrangement constitutes a separate lease and apply the Standard accordingly.

Lease payments are recognised as an expense on a straight-line or another systematic basis over the lease term, where the lease term is in substance 12 months or less, or is elected as a lease containing low value underlying asset by CQC.

1.19 Provisions

Provisions are recognised when CQC has a present legal or constructive obligation as a result of a past event, it is probable that CQC will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.

Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates.

Early retirement provisions are discounted using HM Treasury's pension discount rate of 2.45% (2022/23: 1.70%) in real terms. All other provisions are subject to 3 separate discount rates according to the expected timing of cash flows from the Statement of Financial Position date:

- a short-term rate of 4.26% (2022/23: 3.27%) for expected cash flows up to and including 5 years
- a medium-term rate of 4.03% (2022/23: 3.20%) for expected cash flows over 5 years up to and including 10 years
- a long-term rate of 4.72% (2022/23: 3.51%) for expected cash flows over 10 years.

All percentages are in real terms.

1.20 Contingent liabilities and contingent assets

A contingent liability is:

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

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

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

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

1.21 Cash and cash equivalents

Cash is cash-in-hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.22 Financial assets

Financial assets are recognised when CQC becomes party to the contractual provision of the financial instrument or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are de-recognised when the contractual rights have expired or when the asset has been transferred and CQC has transferred substantially all of the risks and rewards of ownership or has not retained control of the asset.

Financial assets are initially recognised at fair value plus or minus directly attributable transaction costs for financial assets not measured at fair value through profit or loss. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices, where possible, or by valuation techniques.

Financial assets are classified into the following categories: financial assets at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit and loss. The classification is determined by the cash flow and business model characteristics of the financial assets, as set out in IFRS 9, and is determined at the time of initial recognition.

CQC’s only financial assets are trade receivables which are measured at amortised cost.

1.22.1 Financial assets at amortised cost

Financial assets measured at amortised cost are those held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and where the cash flows are solely payments of principal and interest. This includes most trade receivables, loans receivable, and other simple debt instruments.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the life of the financial asset to the gross carrying amount of the financial asset.

1.22.2 Impairment

For all contract assets CQC recognises a loss allowance representing the expected credit loss on the financial asset.

CQC adopts the simplified approach to impairment, in accordance with IFRS 9, and measures the loss allowance for any trade receivables at an amount equal to the lifetime expected credit losses.

Expected credit loss allowances of trade receivables are determined by applying a weighted probability of a loss event occurring during the lifetime of the asset. This includes the probability of the whole amount becoming irrecoverable, part of the amount becoming irrecoverable and full recovery. These probabilities are determined by historic recovery for each category of receivables: income from fees by sector and income from other activities.

HM Treasury has ruled that central government bodies may not recognise stage 1 or stage 2 impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds, and Exchequer Funds' assets where repayment is ensured by primary legislation. CQC therefore does not recognise loss allowances for stage 1 or stage 2 impairments against these bodies. Additionally, the Department of Health and Social Care provides a guarantee of last resort against the debts of its arm's length bodies and NHS bodies (excluding NHS charities), and CQC does not recognise loss allowances for stage 1 or stage 2 impairments against these bodies.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in the Statement of Comprehensive Net Expenditure.

1.23 Financial liabilities

Financial liabilities are recognised in the Statement of Financial Position when CQC becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Non-current payables are discounted when the time value of money is considered material.

1.24 International Financial Reporting Standards that have been issued but have not yet been adopted

The FReM does not require the following IFRS standards and interpretations to be applied in 2023/24. These standards are still subject to HM Treasury FReM adoption.

IFRS 17 Insurance Contracts: application is required for accounting periods beginning on or after 1 January 2023. The standard is not yet adopted by the FReM which is expected to be from April 2025. Early adoption is not permitted. Work is ongoing to access the impact but CQC do not expect adoption of the standard to have a material impact on the Financial Statements.

2. Analysis of net expenditure by activities

2.1 Operating segments

IFRS 8 'Operating Segments' requires operating segments to be identified based on internal reports that are regularly reviewed by the chief executive. The Board and Executive team (ET) regularly evaluate CQC's performance using operating segments.

CQC reports performance to Board and ET against each of the operational directorates and consists of:

- Operations Group
- Technology, Data and Insight (TDI)
- Change
- Corporate Services
- Engagement, Policy and Strategy (EPS)
- Other includes chief executive, Healthwatch England, National Guardians Office (NGO) and Regulatory Leadership.

Operating income and the Statement of Financial Position by segment is not included as this was not reported to the Board.

	Operations £000	TDI £000	Change £000	Corporate Services £000	EPS £000	Other £000	2023/24 total £000	2022/23 total £000
Pay costs	116,206	21,046	20,220	20,063	11,401	18,431	**207,367**	**184,302**
Non-pay costs	4,495	19,933	10,023	8,002	5,226	5,158	**52,837**	**48,225**
Total	**120,701**	**40,979**	**30,243**	**28,065**	**16,627**	**23,589**	**260,204**	**232,527**

Other non-pay costs include central organisational costs such as IT, Premises, Training, Legal costs, recruitment, see note 4.2 for additional details of operating expenditure.

2.2 Reconciliation to Statement of Comprehensive Net Expenditure

The reconciliation below details the non-cash adjustments that are not included within the operating segments analysis presented to the Board and ET.

	2023/24 total £000	2022/23 total £000
Pay costs	207,367	184,302
Non-pay costs	52,837	48,225
Total net expenditure	**260,204**	**232,527**
Items not included within operating segments:		
Staff costs:		
Increase in provision for pension fund liabilities	2,939	2,108
Depreciation, amortisation and impairment charges	27,708	11,197
Provisions	488	1,871
Other operating expenditure:		
Net interest (income)/ expense on pension scheme assets and liabilities	(4,099)	787
Expected credit loss	332	209
Total operating expenditure	**287,572**	**248,699**

2.3 Analysis of net expenditure by funding stream

The table below presents the net position for chargeable and non-chargeable activities by aligning income and funding with their related costs. Chargeable activities are funded by providers through fees. Non-chargeable activities are funded by GIA and reimbursement for external work.

			2023/24			2022/23
	Chargeable activities £000	Non-chargeable activities £000	Total £000	Chargeable activities £000	Non-chargeable activities £000	Total £000
Funding						
Revenue from contracts with customers	(223,326)	(3,106)	**(226,432)**	(215,751)	(2,838)	**(218,589)**
Grant-in-aid (cash)	–	(34,181)	**(34,181)**	–	(23,477)	**(23,477)**
Other operating income	(101)	–	**(101)**	(272)	–	**(272)**
Subtotal: funding	**(223,427)**	**(37,287)**	**(260,714)**	**(216,023)**	**(26,315)**	**(242,338)**
Operating expenditure						
Staff costs	176,552	33,754	**210,306**	165,566	20,844	**186,410**
Purchase of goods and services	44,753	4,511	**49,264**	40,452	3,164	**43,616**
Depreciation, amortisation and impairment charges	26,449	1,259	**27,708**	10,009	1,188	**11,197**
Provision expenses	488	–	**488**	1,871	–	**1,871**
Other operating expenditure	(672)	478	**(194)**	5,270	335	**5,605**
Subtotal: operating expenditure	**247,570**	**40,002**	**287,572**	**223,168**	**25,531**	**248,699**
Finance expenses	97	–	**97**	80	–	**80**
Net (gain)/loss on transfers by absorption	–	(254)	**(254)**	**–**	**–**	**–**
Total expenditure	**247,667**	**39,748**	**287,415**	**223,248**	**25,531**	**248,779**
Net excess of expenditure/(income)[4]	**24,240**	**2,461**	**26,701**	**7,225**	**(784)**	**6,441**

[4] In agreeing annual budgets, the Department of Health and Social Care allows CQC to incur certain non-cash expenses. In 2023/24, these items amounted to £762k (2022/23: £6,243k) and, if excluded from expenditure above, this would present an adjusted net deficit of £25,939k – comprising a chargeable deficit of £24,483k and a non-chargeable deficit of £1,456k (2022/23: adjusted net deficit of £198k comprising a chargeable deficit of £2,170k and a non-chargeable surplus of £1,972k). Our chargeable deficit was funded by chargeable surpluses retained from previous years in the General Fund.

3. Income

3.1 Revenue from contracts with customers

	2023/24 total £000	2022/23 total £000
Income from fees:		
NHS trusts	(70,665)	(66,653)
Adult social care – residential	(67,359)	(67,117)
Adult social care – community	(25,356)	(23,913)
Independent health care – hospitals	(4,048)	(3,964)
Independent health care – community	(7,626)	(7,134)
Independent health care – single specialty	(1,110)	(1,077)
Dentists	(8,629)	(8,403)
NHS GP practices	(38,533)	(37,490)
Subtotal: income from fees	**(223,326)**	**(215,751)**
Income from other activities	(3,106)	(2,838)
Total revenue from contracts with customers	**(226,432)**	**(218,589)**

Income from other activities includes reimbursement for services performed in addition to our regulatory activities. This includes income in relation to the NGO, jointly funded by CQC and NHS England, and the provision of inspection services to the Office for Standards in Education, Children's Services and Skills, the Home Office and DMS.

The total balance of contract liabilities at 31 March 2023, £18,886k has been recognised as operating income in 2023/24 (2022/23: £18,641k).

3.2 Other operating income

	2023/24 total £000	2022/23 total £000
Apprenticeship training grant (non-cash)	(101)	(272)
Total other operating income	**(101)**	**(272)**

4. Operating expenditure

4.1 Staff costs

	2023/24 total £000	2022/23 total £000
Wages and salaries	173,970	149,578
Social security costs	15,299	14,544
NHS pension costs	22,510	20,530
LGPS pension costs	2,342	3,390
Other pension costs	51	84
Apprenticeship levy	691	637
Termination benefits	422	2,255
Less capitalised staff costs	(7,718)	(6,235)
Less recoveries in respect of outward secondments	(200)	(481)
Increase in provision for pension fund liabilities	2,939	2,108
Total staff costs	**210,306**	**186,410**

More detailed disclosure of our staff costs is included in the People report.

4.2 Other operating expenditure

	Note	2023/24 total £000	2022/23 total £000
Purchase of goods and services:			
Establishment		27,193	24,528
Professional fees		11,954	9,337
Rentals under operating leases		(19)	430
Premises		3,101	2,995
Training and development		1,076	1,239
Supplies and services		364	480
Travel and subsistence		5,353	4,288
Consultancy		–	100
External audit fee (statutory work)		220	195
Insurance		22	24
Subtotal: purchases of goods and services		**49,264**	**43,616**
Depreciation, amortisation and impairment charges:			
Amortisation of intangible assets	6	8,084	6,647
Depreciation of property, plant and equipment	7	1,983	2,745
Deprecation of right of use leased assets	8	1,993	1,962
Impairment of intangible assets	9	15,698	–
Indexation gain of intangible assets	6	(50)	(144)
Indexation gain of property, plant and equipment	7	–	(13)
Subtotal: depreciation, amortisation and impairment charges		**27,708**	**11,197**
Provision expense		**488**	**1,871**
Other operating expenditure:			
Experts by Experience		2,219	2,260
Net interest (income)/expense on pension scheme assets and liabilities		(4,099)	787
Business rates paid to local authorities		769	647
Loss on disposal of property, plant and equipment		–	289
Movement in expected credit loss provision		332	209
Irrecoverable debts		162	(3)
Apprenticeship training grant (non-cash)		101	272
Grants to other bodies		2	136
Other		320	1,008
Subtotal: other operating expenditure		(194)	5,605
Total other operating expenditure		**77,266**	**62,289**

4.3 Finance costs

	2023/24 total £000	2022/23 total £000
Interest on right of use lease assets	57	74
Interest on late payment of commercial debt	30	4
Unwinding of discount on provisions	10	2
Total finance costs	**97**	**80**

5. Pension costs

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

- NHS Pension Scheme
- LGPS
- NEST

Both the NHS Pension Scheme (which is the principal pension scheme for staff recruited directly by CQC) and NEST are not designed to run in a way that would allow CQC to identify its share of the underlying scheme assets and liabilities. See Pension information in the People report, for additional details of the NHS Pension Scheme and NEST.

The LGPS is a multi-employer defined benefit scheme, as described in *IAS 19 Employee Benefits*. Due to legacy arrangements from predecessor organisations CQC has active members in 12 local pension funds that are part of the LGPS at 31 March 2024.

Valuations of CQC's assets and liabilities in each LGPS as at 31 March 2024 have been prepared in accordance with IAS 19. The results relating to each LGPS are disclosed in note 5.1 below.

The Statement of Financial Position shows net pension assets totalling £34.6 million (31 March 2023: £59.3 million) and net pension liabilities of £0.9 million (31 March 2023: £0.4 million) relating to CQC's membership in the LGPS.

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

The actuarial assessment of each obligation was carried out at 31 March 2024 by:

Pension fund	Actuary
Avon	Mercers Ltd
Cambridgeshire	Hymans Robertson LLP
Cheshire	Hymans Robertson LLP
Cumbria	Mercers Ltd
East Sussex	Barnett Waddingham
Essex	Barnett Waddingham
Greater Manchester	Hymans Robertson LLP
Merseyside	Mercers Ltd
Shropshire	Mercers Ltd
Suffolk	Hymans Robertson LLP
Teesside	Hymans Robertson LLP
West Sussex	Hymans Robertson LLP
West Yorkshire	Aon Hewitt

5.1 Pension assets and liabilities

The pension assets and liabilities attributable to CQC for each local government defined pension benefit scheme are as follows:

Pension fund	Assets 31 March 2024 £000	Re-measurements for change in asset ceilings 31 March 2024 £000	Liabilities 31 March 2024 £000	Surplus/ (deficit) 31 March 2024 £000	Surplus/ (deficit) 31 March 2023 £000
Funds with a net deficit:					
Avon	5,273	–	(5,391)	**(118)**	**(267)**
Cheshire	5,092	(2,160)	(3,408)	**(476)**	**64**
East Sussex	8,062	(3,213)	(4,924)	**(75)**	**(155)**
Suffolk	4,822	(1,149)	(3,888)	**(215)**	**69**
Subtotal: funds with a net liability	**23,249**	**(6,522)**	**(17,611)**	**(884)**	**(289)**[5]
Funds with a net surplus:					
Cambridgeshire	4,935	(2,191)	(2,636)	**108**	**149**
Cumbria	4,977	(220)	(3,073)	**1,684**	**48**
Essex	8,794	(3,769)	(5,024)	**1**	**41**
Greater Manchester	24,084	(10,650)	(13,289)	**145**	**145**
Merseyside	7,634	(300)	(5,691)	**1,643**	**130**
Shropshire	3,167	–	(2,909)	**258**	**(3)**
Teesside	393,363	(54,342)	(308,390)	**30,631**	**58,431**
West Sussex[6]	–	–	–	–	**86**
West Yorkshire	15,769	(5,711)	(9,939)	**119**	**116**
Subtotal: funds with a net asset	**462,723**	**(77,183)**	**(350,951)**	**34,589**	**59,143**[5]
Total	**485,972**	**(83,705)**	**(368,562)**	**33,705**	**58,854**

All assets are held at bid value.

In 2023/24 5 employees (2022/23: 7) retired early on ill-health grounds during the period.

£822k additional pension costs (2022/23: £nil) were levied on CQC as a result.

[5] At 31 March 2024 Cheshire and Suffolk had a net deficit but was recognised with a net surplus at 31 March 2023. Shropshire had a net surplus at 31 March 2024 but recognised with a net deficit at 31 March 2023. For comparative purposes this fund has been included within the subtotal of funds with a net deficit. The Statement of Financial Position at 31 March 2023 recognises pension funds with a net surplus of £59,279k and pension funds with a net deficit of £425k.

[6] Membership in West Sussex ended on 31 December 2023 resulting in an exit credit totalling £1,057k being payable to CQC, which was the assessed pension surplus at that date.

For any fund in surplus we are required, in accordance with paragraph 64 of *IAS 19* and International Financial Reporting Interpretations Committee (*IFRIC) 14*[7], to consider the impact of an asset ceiling on the recognition of assets in the Statement of Financial Position. Paragraph 8 of IAS19 states that *"the asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan"*. CQC does not have an unconditional right to a refund, per LGPS Regulation 64**,** and following updated guidance, therefore we have determined that the most appropriate estimation method for the calculation of the asset ceiling is now the reduction of future contributions to the scheme. The reduction in future contributions is calculated as the present value of future service costs less the present value of future service contributions. At 31 March 2024, asset ceilings totalling £83,705k (31 March 2023 – asset ceilings totalling £29,732k) were applied to 9 funds (31 March 2023: 10) to ensure that any surplus presented is limited to the amount that CQC would expect to receive as a refund.

5.1.1 Effect of the asset ceiling

Changes in the effect of limiting a net defined benefit asset to the asset ceiling, excluding amounts included in interest, is shown below:

	2023/24 £000	2022/23 £000
Opening asset ceiling	**29,732**	**7,127**
Re-measurement of net defined pension asset for changes in asset ceiling	53,973	22,605
Closing asset ceiling	**83,705**	**29,732**

5.2 Actuarial assumptions

5.2.1 Financial assumptions

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

	Teesside Pension Fund % per annum		Other pension funds % per annum	
Key assumptions used:	**2023/24**	**2022/23**	**2023/24**	**2022/23**
Discount rate	4.8	4.8	3.2 – 4.9	4.8 – 4.9
Expected rate of salary increases	3.8	4.0	3.0 – 4.2	3.0 – 4.5
Future pension increases	2.8	3.0	2.2 – 3.0	2.7 – 3.0
CPI inflation	2.8	3.0	2.2 – 3.4	2.7 – 3.0

[7] IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* is an interpretation of IAS 19 that relates to the recognition of surpluses.

5.2.2 Mortality assumptions

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

	Teesside Pension Fund		Other pension funds	
Key assumptions used:	**2023/24**	**2022/23**	**2023/24**	**2022/23**
Retiring today:				
Males	20.5	20.6	19.8 – 22.4	19.9 – 22.9
Females	23.5	23.7	23.3 – 25.5	23.5 – 24.8
Retiring in 20 years:				
Males	21.3	21.5	21.4 – 23.3	21.6 – 23.7
Females	25.0	25.2	24.7 – 26.4	25.0 – 27.0

5.3 Charges to net expenditure

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

	2023/24 £000	2022/23 £000
Service costs:		
- Current service cost	2,784	5,179
- Past service cost	126	364
- Administration expenses	11	69
Subtotal: service costs	**2,921**	**5,612**
Net interest expense	(4,099)	787
Amount recognised in net expenditure	**(1,178)**	**6,399**

Of the expense for the year, the service costs totalling £2.8 million (2022/23: £5.2 million) have been included in the Statement of Comprehensive Net Expenditure as staff expenditure. Within note 4.1 £2.3 million (2022/23: £3.4 million) of this is included within LGPS pension costs and represents the amount paid as contributions during the year. The remaining £0.1 million (2022/23: £2.2 million) is a non-cash adjustment presented as an increase in provision for pension fund liabilities. The net interest income of £4.1 million (2022/23 expense of £0.7 million) has been included in other expenditure, note 4.2. The re-measurement of the net defined benefit liability is included as other comprehensive expenditure in the Statement of Comprehensive Net Expenditure.

5.4 Charges to other comprehensive net expenditure

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

	2023/24 £000	2022/23 £000
The (return)/loss on plan assets (excluding amounts included in net interest expense)	(23,513)	8,769
Other re-measurement losses on plan assets	-	194
Actuarial gains arising from changes in demographic assumptions	(2,626)	(3,264)
Actuarial gains arising from changes in financial assumptions	(12,434)	(148,129)
Actuarial losses arising from experience adjustments	10,991	25,581
Other adjustments for restrictions on the defined benefit asset	(82)	(74)
Subtotal: actuarial (gain)/loss in pension schemes	**(27,664)**	**(116,923)**
Re-measurement of net defined pension asset for changes in asset ceiling	53,973	22,605
Re-measurement of the net defined benefit obligations	**26,309**	**(94,318)**

The cumulative re-measurements recognised in reserves since the date of transition to IFRS on 1 April 2008 to 31 March 2024 is a gain of £34 million (31 March 2023: cumulative gain of £59 million).

The actuarial gain arising from changes in financial assumptions is mostly attributable to a change in the discount rate applied by the actuaries. In accordance with *IAS 19 Employee Benefits* the discount must be equal to the yield on high quality corporate bonds. These yields have increased throughout 2023/24 which has reduced the value of liabilities and therefore generates a gain. The losses from experience adjustments results largely from the application of the actual Pensions Increase Order which increases the value of future obligations.

5.5 Amount recognised in the Statement of Financial Position

The amount included in the Statement of Financial Position arising from CQC's obligations in respect of its defined benefit schemes is as follows:

	31 March 2024 £000	31 March 2023 £000
Present value of funded benefit obligations	(368,487)	(374,247)
Fair value of scheme assets	485,972	462,910
Surplus/(deficit) in scheme	**117,485**	**88,663**
Present value of unfunded benefit obligations	(75)	(77)
Re-measurement of net defined benefit pension asset for changes in asset ceiling	(83,705)	(29,732)
Re-measurement of the net defined benefit obligations	**33,705**	**58,854**

5.6 Reconciliation of fair value of scheme liabilities

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

	2023/24 £000	2022/23 £000
At 1 April	**(374,324)**	**(495,658)**
Current service cost	(2,784)	(5,179)
Administration expenses	-	(58)
Interest cost	(17,398)	(13,276)
Contributions from scheme members	(909)	(962)
Past service costs	(126)	(364)
Re-measurement gains/(losses):		
- Actuarial gains arising from changes in demographic assumptions	2,626	3,264
- Actuarial gains arising from changes in financial assumptions	12,434	148,129
- Actuarial losses arising from experience adjustments	(10,914)	(25,581)
Loss on curtailments	(54)	–
Benefits paid	20,069	15,361
Settlements – scheme cessation	2,818	–
At 31 March	**(368,562)**	**(374,324)**

5.7 Reconciliation of fair value of employer assets

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

	2023/24 £000	2022/23 £000
Assets at 1 April	**462,910**	**470,216**
Interest income	21,579	12,563
Re-measurement gains/(losses):		
- The return on plan assets (excluding amounts included in net interest expense)	23,513	(8,769)
- Other	(77)	(194)
Employer contributions – normal	2,397	3,504
Member contributions	909	962
Benefits paid	(20,069)	(15,361)
Administration expenses	(11)	(11)
Settlements – scheme cessation	(5,179)	–
Assets at 31 March	**485,972**	**462,910**
Re-measurements for change in asset ceilings	(83,705)	(29,732)
Net value of assets at 31 March	**402,267**	**433,178**

5.8 Fair value of employer assets

The fair value of scheme assets at the Statement of Financial Position date were as follows:

	Quoted assets as at 31 March 2024 £000	Unquoted assets as at 31 March 2024 £000	Total assets as at 31 March 2024 £000	Total assets as at 31 March 2023 £000
Equities	314,125	12,088	**326,213**	**77,761**
Properties	5,525	39,019	**44,544**	**38,389**
Government bonds	4,662	403	**5,065**	**3,931**
Other bonds	5,839	2,087	**7,926**	**5,526**
Managed investment funds: equities	3,363	3,194	**6,557**	**235,306**
Managed investment funds: bonds	3,069	1,600	**4,669**	**5,980**
Managed investment funds: infrastructure	37,845	5,723	**43,568**	**33,984**
Alternatives	1,374	4,488	**5,862**	**35,175**
Cash	(22)	15,036	**15,014**	**26,520**
Other	18,816	7,738	**26,554**	**338**
Total	**394,596**	**91,376**	**485,972**	**462,910**

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

5.9 Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation of the pension schemes is between 11 and 14 years (Teesside: 14 years).

5.10 Sensitivity analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2024 is set out below. In each case only the assumption specified is altered and all other assumptions remain the same as disclosed in note 5.2.

	Teesside Pension Fund			Other pension funds		
	£000	£000	£000	£000	£000	£000
Adjustment to discount rate	**+ 0.1%**	**Current**	**- 0.1%**	**+ 0.1%**	**Current**	**- 0.1%**
Present value of total obligation	303,832	308,390	312,948	59,480	60,172	60,864
Movement	(4,558)	–	4,558	(692)	–	692
Adjustment to expected rate of salary increases	**+ 0.1%**	**Current**	**- 0.1%**	**+ 0.1%**	**Current**	**- 0.1%**
Present value of total obligation	308,631	308,390	308,149	60,204	60,172	60,140
Movement	241	–	(241)	32	–	(32)
Adjustment to CPI inflation rate	**+ 0.1%**	**Current**	**- 0.1%**	**+ 0.1%**	**Current**	**- 0.1%**
Present value of total obligation	312,785	308,390	303,995	60,857	60,172	59,487
Movement	4,395	–	(4,395)	685	–	(684)
Adjustment to life expectancy	**- 1 year**	**Current**	**+ 1 year**	**- 1 year**	**Current**	**+ 1 year**
Present value of total obligation	296,054	308,390	320,726	58,042	60,172	62,323
Movement	(12,336)	–	12,336	(2,130)	–	2,151

The sensitivity analysis is prepared by scheme actuaries by calculating and comparing the value of the scheme obligations at the accounting date on varying bases. The approach taken is consistent with that adopted to derive the accounting figures provided in note 5.1 and is based on the membership data at the date of the most recent valuation at 31 March 2022.

5.11 Funding arrangements

The funded nature of the LGPS requires participating employers and employees to pay contributions into the fund calculated at a level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in the LGPS Regulations 2013 and the Funding Strategy Statement of each fund.

Contribution rates for each of the schemes are reviewed at least every 3 years following a full actuarial valuation. The last triennial actuarial valuation was completed as at 31 March 2022, which set the employer contribution rates for 3 years from 1 April 2023 to 31 March

2026. Some of the funds have also levied a cash sum in addition to a percentage of payroll costs as part of the deficit recovery plan. Increases to local government pensions in payment and deferred pensions have been linked to annual increases in the consumer price index (CPI), rather than the retail prices index (RPI).

Contribution rates for 2024/25, set by the 2022 triennial valuation, range between 0% and 49.6% (17.9% for Teesside Pension Fund) with annual cash sums ranging from £20k to £258k (£nil for Teesside Pension Fund). It is estimated that employer contributions for 2023/24 will total £2,570k (Teesside: £2,388k).

When the active membership in any of the funds falls to zero, the administering authority will obtain an actuarial valuation of the current and former employees as at the termination date. CQC would be required to pay any cessation deficit that is determined. However, any surplus would be refunded. The Department of Health and Social Care has provided a guarantee to meet the pension deficit liability that falls due.

All LGPSs are multi-employer defined benefit plans. CQC's share of the total fund assets is immaterial in all funds except for in the Teesside Pension Fund which, at 31 March 2024, was 7% (31 March 2023: 7%).

6. Intangible assets

6.1 Intangible assets 2023/24

	Information technology £000	Development expenditure £000	Software licences £000	Websites £000	Total £000
Cost or valuation:					
At 1 April 2023	**62,368**	**21,628**	**1,985**	**6,129**	**92,110**
Additions	–	21,317	–	537	**21,854**
Reclassifications	38,395	(38,420)	–	25	–
Transfers under absorption accounting	187	–	–	55	**242**
Impairments charged to revaluation reserve – Note 9	(63)	–	–	–	**(63)**
Impairments charged to other operating expenditure – Note 9	(19,555)	–	–	–	**(19,555)**
Indexation gains to revaluation reserve	6,942	–	290	865	**8,097**
Indexation gains to other operating expenditure	258	–	1	8	**267**
At 31 March 2024	**88,532**	**4,525**	**2,276**	**7,619**	**102,952**
Amortisation:					
At 1 April 2023	**47,509**	–	**1,974**	**5,798**	**55,281**
Charged in year	7,965	–	6	113	**8,084**
Reclassifications	(16)	–	–	16	–
Transfers under absorption accounting	141	–	–	3	**144**
Impairments charged to revaluation reserve	–	–	–	–	–
Impairments charged to other operating expenditure – Note 9	(3,857)	–	–	–	**(3,857)**
Indexation gains to revaluation reserve	5,187	–	289	776	**6,252**
Indexation gains to other operating expenditure	210	–	1	6	**217**
At 31 March 2024	**57,139**	–	**2,270**	**6,712**	**66,121**
Net book value at 1 April 2023	**14,859**	**21,628**	**11**	**331**	**36,829**
Net book value at 31 March 2024	**31,393**	**4,525**	**6**	**907**	**36,831**

Intangible assets are indexed annually using the appropriate price index published by the Office for National Statistics. During 2023/24 the indices used have risen by 15% resulting in indexation gains being recognised.

Our new regulatory platform, classified as Information Technology, is CQC's most material individual asset with a net book value at 31 March 2024 of £21,873k (31 March 2023: £20,681k). The regulatory platform is a bespoke cloud-based suite of applications underpinning the delivery of our new regulatory framework.

The gross cost of intangible assets that were fully amortised but still in use at 31 March 2024 is £47,170k (31 March 2023: £8,462k). These assets were replaced by the regulatory platform and due to be decommissioned from April 2024.

Events and circumstances, described in note 22, have resulted in an impairment loss of £15,761k to the regulatory platform being recognised. There is no active market therefore the net book value and recoverable amount of the regulatory platform is equal to its depreciated replacement cost. To support this significant judgement an independent valuation was commissioned to determine the cost of replacing the assessed level of service potential. The valuation is awaiting finalisation to determine the exact quantum and timing of the impairment. The value carried is a management estimate based upon the initial findings from this technical review. The critical judgements relating to this are disclosed in note 1.5.

Research expenditure associated with intangible asset development has been recognised as an expense in note 4 and is categorised by the nature of the spend incurred.

The value of staff costs capitalised within intangible asset additions amounts to £7,718k (2022/23: £6,235k).

All intangible assets are owned by CQC.

6.2 Intangible assets 2022/23

	Information technology £000	Development expenditure £000	Software licences £000	Websites £000	Total £000
Cost or valuation:					
At 1 April 2022	**54,381**	**10,895**	**2,351**	**5,705**	**73,332**
Additions	–	18,629	–	174	**18,803**
Reclassifications	7,676	(7,896)	–	220	–
Disposals	(2,025)	–	(403)	(180)	**(2,608)**
Impairments charged to other operating expenditure	–	–	(29)	–	**(29)**
Indexation gains to revaluation reserve	2,114	–	51	209	**2,374**
Indexation gains to other operating expenditure	222	–	15	1	**238**
At 31 March 2023	**62,368**	**21,628**	**1,985**	**6,129**	**92,110**
Amortisation:					
At 1 April 2022	**41,744**	**–**	**2,184**	**5,698**	**49,626**
Charged in year	6,398	–	161	88	**6,647**
Disposals	(2,025)	–	(403)	(180)	**(2,608)**
Impairments charged to other operating expenditure	–	–	(30)	–	**(30)**
Indexation losses to revaluation reserve	1,309	–	51	191	**1,551**
Indexation gains to other operating expenditure	83	-	11	1	**95**
At 31 March 2023	**47,509**	**–**	**1,974**	**5,798**	**55,281**
Net book value at 1 April 2022	**12,637**	**10,895**	**167**	**7**	**23,706**
Net book value at 31 March 2023	**14,859**	**21,628**	**11**	**331**	**36,829**

6.3 Movement in revaluation reserve: intangible assets

	2023/24 £000	2022/23 £000
Balance at 1 April	**1,040**	**222**
Net gain on indexation	1,845	823
Impairments charged to reserve	(63)	–
Transfers between reserves	–	(5)
Balance at 31 March	**2,822**	**1,040**

7. Property, plant and equipment

7.1 Property, plant and equipment 2023/24

	Information Technology £000	Furniture & fittings £000	Total £000
Cost or valuation:			
At 1 April 2023	**8,658**	**2,061**	**10,719**
Additions	567	–	**567**
Disposals	–	–	–
Transfers under absorption accounting	53	–	**53**
Impairments transferred to other operating expenditure	–	–	–
Impairments transferred to revaluation reserve	–	–	–
Indexation gains to revaluation reserve	57	48	**105**
Indexation gains to other operating expenditure	–	–	–
At 31 March 2024	**9,335**	**2,109**	**11,444**
Depreciation:			
At 1 April 2023	**5,759**	**1,377**	**7,136**
Charged in year	1,662	321	**1,983**
Disposals	–	–	–
Transfers under absorption accounting	12	–	**12**
Impairments transferred to other operating expenditure	–	–	–
Impairments transferred to revaluation reserve	–	–	–
Indexation gains to revaluation reserve	25	24	**49**
Indexation (losses)/gains to other operating expenditure	–	–	–
At 31 March 2024	**7,458**	**1,722**	**9,180**
Net book value at 1 April 2023	**2,899**	**684**	**3,583**
Net book value at 31 March 2024	**1,877**	**387**	**2,264**

All property, plant and equipment are owned by CQC.

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

7.2 Property, plant and equipment 2022/23

	Information Technology £000	Furniture & fittings £000	Total £000
Cost or valuation:			
At 1 April 2022	**11,236**	**2,789**	**14,025**
Additions	247	676	**923**
Disposals	(2,958)	(583)	**(3,541)**
Impairments transferred to other operating expenditure	(134)	(369)	**(503)**
Impairments transferred to revaluation reserve	(2)	(671)	**(673)**
Indexation (losses)/gains to revaluation reserve	172	208	**380**
Indexation (losses)/gains to other operating expenditure	97	11	**108**
At 31 March 2023	**8,658**	**2,061**	**10,719**
Depreciation:			
At 1 April 2022	**5,961**	**2,583**	**8,544**
Charged in year	2,450	295	**2,745**
Disposals	(2,669)	(583)	**(3,252)**
Impairments transferred to other operating expenditure	(97)	(365)	**(462)**
Impairments transferred to revaluation reserve	(1)	(665)	**(666)**
Indexation (losses)/gains to revaluation reserve	65	108	**173**
Indexation (losses)/gains to other operating expenditure	50	4	**54**
At 31 March 2023	**5,759**	**1,377**	**7,136**
Net book value at 1 April 2022	**5,275**	**206**	**5,481**
Net book value at 31 March 2023	**2,899**	**684**	**3,583**

All property, plant and equipment were owned by CQC at 31 March 2024.

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

	2023/24 £000	2022/23 £000
Balance at 1 April	**241**	**61**
Net gain on indexation of property, plant and equipment	56	207
Impairments charged to reserve	–	(7)
Transfers between reserves for property, plant and equipment	–	(20)
Balance at 31 March	**297**	**241**

8. Right of use assets

8.1 Right of use assets 2023/24

	Buildings £000	Total £000
Cost or valuation:		
At 1 April 2023	**9,547**	**9,547**
Additions	–	**–**
Indexation gains to revaluation reserve	50	**50**
At 31 March 2024	**9,597**	**9,597**
Depreciation:		
At 1 April 2023	**1,962**	**1,962**
Charged in year	1,993	**1,993**
Indexation gains to revaluation reserve	10	**10**
At 31 March 2024	**3,965**	**3,965**
Net book value at 1 April 2023	**7,585**	**7,585**
Net book value at 31 March 2024	**5,632**	**5,632**

Right of use assets are indexed using the appropriate price index published by the Office for National Statistics.

8.2 Right of use assets 2022/23

	Buildings £000	Total £000
Cost or valuation:		
At 31 March 2022	–	**–**
Impact of transition to IFRS 16	8,831	**8,831**
At 1 April 2022	**8,831**	**8,831**
Additions	183	**183**
Indexation gains to revaluation reserve	533	**533**
At 31 March 2023	**9,547**	**9,547**
Depreciation:		
At 31 March 2022	–	**–**
Impact of transition to IFRS 16	–	**–**
At 1 April 2022	–	**–**
Charged in year	1,962	**1,962**
Indexation gains to revaluation reserve	–	**–**
At 31 March 2023	**1,962**	**1,962**
Net book value at 31 March 2022	–	**–**
Net book value at 1 April 2022	**8,831**	**8,831**
Net book value at 31 March 2023	**7,585**	**7,585**

8.3 Movement in the revaluation reserve: right of use assets

	2023/24 £000	2022/23 £000
Balance at 1 April	**533**	–
Net gain on indexation of property, plant and equipment	40	533
Balance at 31 March	**573**	**533**

9. Impairments

	Charged to Statement of Comprehensive Net Expenditure £000	Charged to Revaluation Reserve £000	Total £000
Intangible assets: Information technology			
- Regulatory platform	15,698	63	**15,761**

A significant impairment has been recognised in year relating to the Regulatory Platform. The events and circumstances that led to the recognition of this impairment loss are described in note 22.

These charges have been disclosed in the Statement of Comprehensive Net Expenditure within operating expenditure and other comprehensive net expenditure.

10. Financial instruments

Liquidity risk

The main source of CQC's cash is fees paid by registered providers, which funds our chargeable activities. Additional cash is provided by the Department of Health and Social Care as GIA to fund our non-chargeable activities and capital expenditure. CQC has no borrowings.

CQC manages liquidity risk through regular cash flow forecasting to ensure that enough funds are available to cover working capital requirements. This risk was mitigated throughout the financial year with regular reporting to the ET and considered as part of our decision-making.

Credit risk

Credit risk arises from cash and cash equivalents and receivable balances. CQC monitors its receivables balances closely, particularly the collection of fees, and all undisputed debts that have reached 61 days past due. All overdue receivables are regularly reported by income source, fees by sector and non-fees, to the ET. Where internal recovery processes have been exhausted, debts are sent to an external debt collection company or recommendation of enforcement action is made against the provider for non-payment of fees under Health & Social Care Act 2008.

Regulation 13 of the CQC (Registration) Regulations 2009 requires that a provider must take all reasonable steps to meet the financial demands of providing safe and appropriate services and have the financial resources needed to provide and continue to provide the services described in the statement of purpose to the required standards. New provider applications must be supported by a statement from an accredited financial specialist such as an accountant or bank. A notice of proposal to refuse a registration application can be based on financial viability due to the inadequacy of financial planning.

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

Market risk

CQC has no material exposure to currency or commodity risk. All material assets and liabilities are denominated in sterling. Except for cash and cash equivalents, CQC has no interest-bearing assets or borrowing subject to variable interest rates. Income and cash flows are largely independent of changes in market interest rates.

10.1 Financial assets

	31 March 2024 £000	31 March 2023 £000
Trade and other receivables with DHSC group bodies	314	538
Trade and other receivables with other bodies	9,338	9,647
Cash at bank and in hand	30,931	46,315
Total	**40,583**	**56,500**

10.2 Financial liabilities

	31 March 2024 £000	31 March 2023 £000
Trade and other payables with DHSC group bodies	2,556	1,465
Trade and other payables with other bodies	18,915	20,260
Other financial liabilities	2	15
Total	**21,473**	**21,740**

11. Trade receivables and other current assets

	31 March 2024 £000	31 March 2023 £000
Trade and other receivables:		
Contract receivables	8,824	9,443
Other receivables	1,921	1,729
Expected credit loss	(1,101)	(1,002)
Deposits and advances	8	15
Subtotal: Trade and other receivables	**9,652**	**10,185**
Other current assets:		
Prepayments	4,014	4,513
Subtotal: other current assets	**4,014**	**4,513**
Total	**13,666**	**14,698**

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

The expected credit loss relating to contract receivables totals £1,082k (31 March 2023: £973k) and other receivables totals £19k (31 March 2023: £29k).

Deposits and advances include advance salary payments and staff loans, these total £4k and £4k respectively (31 March 2023: £3k and £12k). Staff can apply for advance payments on salary and loans up to a maximum of £5k for rail season tickets.

11.1 Movement in expected credit loss

	2023/24 £000	2022/23 £000
Balance at 1 April	**1,002**	**1,266**
Recognition of expected credit loss allowance	551	426
Changes to expected credit loss allowances	150	126
Provision utilised due to write-off	(233)	(473)
Provision reversed as unused (e.g. settlement of receivable)	(369)	(343)
Balance at 31 March	**1,101**	**1,002**

12. Cash and cash equivalents

	2023/24 £000	2022/23 £000
Balance at 1 April	**46,315**	**61,357**
Net change in cash and cash equivalent balances	(15,384)	(15,042)
Balance at end of period	**30,931**	**46,315**
The following balances at the end of the period were held at:		
Government banking service and cash in hand	30,931	46,315
Total balance at end of period	**30,931**	**46,315**

13. Trade payables and other current liabilities

	31 March 2024 £000	31 March 2023 £000
Amounts falling due within one year:		
VAT	(228)	(173)
Other taxation and social security	(3,938)	(3,610)
Trade payables	(1,616)	(5,795)
Other payables	(4,935)	(3,244)
Accruals	(13,798)	(9,935)
Capital creditors – intangible assets	(1,147)	(2,621)
Capital creditors – property, plant and equipment	–	–
Total trade and other payables	**(25,662)**	**(25,378)**
Current pension liabilities	(2)	(15)
Contract liabilities: fee income in advance	(19,841)	(18,886)
Total current trade payables and other current liabilities	**(45,505)**	**(44,279)**

There were no trade payables and other current liabilities falling due after more than one year (31 March 2023: £nil).

14. Right of use lease liabilities

14.1 Right of use lease liabilities detailed movements

	2023/24 £000	2022/23 £000
Balance at 1 April	**7,666**	**8,831**
Addition of new right of use assets	–	183
Cash payments made in year	(1,982)	(1,422)
Interest charges	57	74
Balance at 31 March 2024	**5,741**	**7,666**
Current lease liabilities at 1 April	**2,339**	**1,814**
Current lease liabilities at 31 March	**2,087**	**2,339**
Non-current lease liabilities at 1 April	**5,327**	**7,017**
Non-current lease liabilities at 31 March	**3,654**	**5,327**

14.2 Maturity of right of use lease liabilities

	31 March 2024 £000	31 March 2023 £000
In one year or less	2,124	2,392
In more than one year but not more than five years	2,773	3,876
In more than five years	971	1,582
Subtotal	**5,868**	**7,850**
Less interest element	(127)	(184)
Total	**5,741**	**7,666**

15. Net gain on transfer by absorption

Business combinations within the public sector are accounted for using absorption accounting principles.

On 1 October 2023 NHS England transferred responsibility for the functions of the Health Services Safety Investigation Branch, to the Health Services Safety Investigation Body and CQC. The assets and liabilities related to the transfer to CQC are shown in the table below:

	From NHS England
Transfer of intangible assets	98
Transfer of property, plant and equipment	41
Transfer of other current assets	115
Net gain on transfer by absorption	**254**

16. Provisions for liabilities and charges

			2023/24			2022/23
	Leased property dilapidations £000	Other £000	Total £000	Leased property dilapidations £000	Other £000	Total £000
Balance at 1 April	**305**	**2,412**	**2,717**	**473**	**723**	**1,196**
Provided in year	–	1,585	**1,585**	–	2,381	**2,381**
Provisions not required written back	–	(1,124)	**(1,124)**	(17)	(467)	**(484)**
Provisions utilised in year	(44)	(1,113)	**(1,157)**	(127)	(225)	**(352)**
Change in discount rate	27	–	**27**	(26)	–	**(26)**
Unwinding of discount	10	–	**10**	2	–	**2**
Balance at 31 March	**298**	**1,760**	**2,058**	**305**	**2,412**	**2,717**

16.1 Analysis of expected timings of discounted cash flows

	2023/24			2022/23		
	Leased property dilapidations £000	Other £000	Total £000	Leased property dilapidations £000	Other £000	Total £000
Not later than one year	–	1,760	**1,760**	–	2,412	**2,412**
Later than one year and not later than five years	298	–	**298**	305	–	**305**
Later than five years	–	–	–	–	–	**–**
Balance at 31 March	**298**	**1,760**	**2,058**	**305**	**2,412**	**2,717**

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

Other provisions include the costs relating to ongoing legal cases, tribunals and judicial reviews estimated at £1.2 million (31 March 2023: £1.4 million) and also in respect of employment termination costs totalling £0.6 million (31 March 2023: £1.0 million).

Provisions falling due up to 5 years have been discounted by a factor of 4.26% (2022/23: 3.27%) in accordance with HM Treasury guidance.

17. Reconciliation of movements in the Statement of Cash Flows

17.1 Adjustment for non-cash transactions

	Note	2023/24 £000	2022/23 £000
Depreciation, amortisation and impairment charges	4.2	27,708	11,197
Increase in provision for pension fund deficit	4.1	2,939	2,108
Net interest expenses on pension scheme assets and liabilities	4.2	(4,099)	787
Provisions expense	4.2	488	1,871
Loss on disposal of property, plant and equipment	4.2	**–**	289
Net gain on transfers by absorption	15	(254)	**–**
Interest on right of use lease assets	4.3	57	74
Unwinding of discount on provisions	4.3	10	2
Total adjustment for non-cash transactions		**26,849**	**16,328**

17.2 Movement in trade and other receivables and other current assets

	Note	2023/24 £000	2022/23 £000
Decrease in trade and other receivables	11	533	29
Decrease in other current assets	11	499	120
Less other current assets transferred by absorption	15	115	–
Total movement in trade and other payables		**1,147**	**149**

17.3 Movement in trade and other payables

	Note	2023/24 £000	2022/23 £000
Increase/(decrease) in trade and other payables	13	284	(3,808)
Less decrease/(increase) in capital creditors – intangible assets	13	1,474	(1,250)
Less decrease in capital creditors – property, plant and equipment	13	–	1,435
Total movement in trade and other payables		**1,758**	**(3,623)**

17.4 Purchase of intangible assets

	Note	2023/24 £000	2022/23 £000
Additions	6	(21,854)	(18,803)
(Decrease)/increase in capital creditors – intangible assets	13	(1,474)	1,250
Total purchase of intangible assets		**(23,328)**	**(17,553)**

17.5 Purchase of property, plant and equipment

	Note	2023/24 £000	2022/23 £000
Additions	7	(567)	(923)
Decrease in capital creditors – property, plant and equipment	13	–	(1,435)
Total purchase of property, plant and equipment		**(567)**	**(2,358)**

17.6 Proceeds from disposal of property, plant and equipment

	Note	2023/24 £000	2022/23 £000
Cost or valuation: disposals	7	–	3,541
Depreciation: disposals	7	–	(3,252)
Loss on disposal of property, plant and equipment	4.2	–	(289)
Total proceeds from disposal of property, plant and equipment		–	**–**

18. Movements on reserves

	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balances at 1 April 2022	**(291)**	**283**	**23,777**	**23,769**
Increase/(decrease) in the period	97,481	1,531	(9,579)	**89,433**
Balance at 31 March 2023	**97,190**	**1,814**	**14,198**	**113,202**
Increase/(decrease) in the period	(41,478)	1,878	(3,877)	**(43,477)**
Balance at 31 March 2024	**55,712**	**3,692**	**10,321**	**69,725**

General reserve

The general reserve reflects the total assets less liabilities of CQC which are not assigned to another special purpose reserve. The balance includes CQC's annual net excess of income or expenditure (see note 2.3) and any actuarial gains or losses arising from the assessment of CQC's share of assets and liabilities in LGPS pension funds (see note 5.4).

Revaluation reserve

The revaluation reserve is a capital reserve used when an asset has been revalued but for which no cash benefit is received. Revaluations are completed annually to reflect their fair value at the reporting date.

Retained earnings

The retained earnings reserve was initially created during 2016/17 to reflect the recovery of amortisation, depreciation and impairments as an element of the fees charged to providers. £10,889k was transferred into the reserve this year reflects the depreciation, amortisation and impairments relating to assets that support the regulatory functions where costs can be recovered from providers. During the year £14,766k was utilised to fund capital expenditure resulting in a net utilisation of £3,877k.

19. Commitments

19.1 Capital commitments

Contracted capital commitments at 31 March 2024, not otherwise included within these financial statements:

	31 March 2024 £000	31 March 2023 £000
Intangible assets	912	1,381
Property, plant and equipment	11	27
Total	**923**	**1,408**

19.2 Other financial commitments

CQC has entered non-cancellable contracts in addition to operating leases and capital commitments. The total payments to which CQC is committed are as follows:

	31 March 2024 £000	31 March 2023 £000
Not later than one year	44,358	34,232
Later than one year and not later than five years	8,339	19,435
Later than five years	–	–
Total	**52,697**	**53,667**

Material contracts include £20.7 million relating to the provision of Microsoft licences for our digital platforms and £6.8 million relating to outsourced IT support services contract for the provision of an operation centre and digital workplace.

20. Contingent liabilities

CQC has the following contingent liabilities:

	31 March 2024 £000	31 March 2023 £000
Employment tribunals and legal advice	1,346	739
Disputed change requests for change programme	461	–
Backdated VAT charges	257	213
Total	**2,064**	**952**

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

21. Related party transactions

CQC is a non-departmental public body sponsored by the Department of Health and Social Care, which is regarded as a related party. During the year CQC has had a significant number of material transactions with the Department, and with other entities for which the Department is also regarded as the parent department. We also have transactions with all NHS foundation trusts and NHS trusts, as each are charged an annual statutory fee as providers of regulated activities.

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

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

22. Events after the reporting period date

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

Impairment of intangible assets
Dr Penny Dash's review into the operational effectiveness of CQC published in July 2024 highlighted significant challenges with the regulatory platform (RP). In response, CQC commissioned an independent IT review to look specifically at the technology. This was published in March 2025.

This report highlighted significant issues with the functionality, design and useability of the regulatory platform that have resulted in significant operational issues for both CQC staff and registered providers. Workarounds were introduced during 2024/25 to address these issues whilst urgent fixes are implemented to enable RP to deliver the required functionality.

An impairment review concluded that these issues were present at 31 March 2024 resulting in an impairment loss totalling £15.8m being recognised as an adjustment to the Statement of Comprehensive Net Expenditure and is analysed in notes 6 and 9.

Local Government Pension Scheme cessation events
The last member of the following pension funds left CQC after 31 March 2024 resulting in cessation events: Essex in April 2024, Shropshire in June 2024 and Cumbria in September 2024.

No adjustment has been made to note 5.1 in each case as the cessation event was not initiated until after 31 March 2024:

- Essex where an exit credit of £1,653k was payable to CQC
- Shropshire where an exit liability of £29k was calculated as being due to the pension fund
- Cumbria where an exit credit of £1,610k was payable to CQC.

The 10 Year Health Plan for England

In July 2025 the Secretary of State for Health and Social Care published Fit for the Future: The 10 Year Health Plan for England. The plan outlines that CQC will take on aspects of regulation from the Health Services Safety Investigations Body (HSSIB), the National Guardians Office will be abolished and Healthwatch England will move out of our oversight into the Department of Health and Social Care.

23. Authorised date for issue

CQC's Annual report and accounts is laid before Parliament. The Financial Statements were authorised for issue by the Chief Executive as Accounting Officer on the same date of the Comptroller and Auditor General's audit certificate.

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