

# Financial statements

The financial statements are prepared in accordance with the Financial Reporting Manual (FrM) 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.

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# Statement of Comprehensive Net Expenditure

for the year ended 31 March 2024

Item	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

Item	Note	2023/ 24 £000	2022/ 23 £000
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

Item	Note	2023/ 24 £000	2022/ 23 £000
- 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		85,313	(65,956)

Notes 1 to 23 form part of these financial statements.

## Statement of Financial Position

**as at 31 March 2024**

Non-current assets

Item	Note	31 March 2024 £000	31 March 2023 £000
Intangible assets	6	36,831	36,829
Property, plant and equipment	7	2,264	3,583

Item	Note	31 March 2024 £000	31 March 2023 £000
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

Item	Note	31 March 2024 £000	31 March 2023 £000
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

Item	Note	31 March 2024 £000	31 March 2023 £000
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

Item	Note	31 March 2024 £000	31 March 2023 £000
Right of use lease liabilities	14.1	(3,654)	(5,327)
Provisions	16.1	(298)	(305)

Item	Note	31 March 2024 £000	31 March 2023 £000
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

Item	Note	31 March 2024 £000	31 March 2023 £000
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 form part of these financial statements.

**Sir Julian Hartley**

Chief Executive

14 July 2025

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## Statement of Cash Flows

**for the year ended 31 March 2024**

Cash flows from operating activities

Item	Note	2023/24 £000	2022/23 £000
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

Item	Note	2023/24 £000	2022/23 £000
Use of provisions	16	(1,157)	(352)
Net cash outflow from operating activities		(31,343)	(17,186)

### Cash flows from investing activities

Item	Note	2023/24 £000	2022/23 £000
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

Item	Note	2023/24 £000	2022/23 £000
Grant-in-aid from DHSC: cash drawn down in year		41,836	23,477

Item	Note	2023/24 £000	2022/23 £000
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

Item	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

Item	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
Grant-in-aid from DHSC: cash drawn down		23,477	-	-	23,477
Net expenditure for the year		(29,918)	-	-	(29,918)

### Revaluation gains

Item	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
- intangible assets	6.3	-	823	-	823

Item	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
- property, plant and equipment	7.3	-	207	-	207
- right of use lease assets	8.3	-	533	-	533

### Impairments and reversals

Item	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
- intangible assets	6.3	-	-	-	-
- property, plant and equipment	7.3	-	(7)	-	(7)

### Transfer between reserves

Item	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
- 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

Item	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
Grant-in-aid from DHSC: cash drawn down <sup>3</sup>		41,836	-	-	41,836
Net expenditure for the year		(60,882)	-	-	(60,882)

### Revaluation gains/(losses)

Item	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
- 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

Item	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
- intangible assets	6.3	-	(63)	-	(63)

### Transfer between reserves

Item	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
- 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)

Item	Note	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total reserves £000
Balance at 31 March 2024		55,712	3,692	10,321	69,725

Notes 1 to 23 form part of these financial statements.

<sup>1</sup> 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.

<sup>2</sup> 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:

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 assess 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.

Cost Type	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

Cost Type	Operations £000	TDI £000	Change £000	Corporate Services £000	EPS £000	Other £000	2023/ 24 total £000	2022/ 23 total £000
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.

Item	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

Item	2023/24 total £000	2022/23 total £000
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

Item	2023/24 total £000	2022/23 total £000
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.

## Funding

Item	2023/24			2022/23		
	Chargeable activities £000	Non-chargeable activities £000	Total £000	Chargeable activities £000	Non-chargeable activities £000	Total £000
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

Item	2023/24			2022/23		
	Chargeable activities £000	Non-chargeable activities £000	Total £000	Chargeable activities £000	Non-chargeable activities £000	
Staff costs	176,552	33,754	210,306	165,566	20,844	
Purchase of goods and services	44,753	4,511	49,264	40,452	3,164	
Depreciation, amortisation and impairment charges	26,449	1,259	27,708	10,009	1,188	
Provision expenses	488	-	488	1,871	-	
Other operating expenditure	(672)	478	(194)	5,270	335	
Subtotal: operating expenditure	247,570	40,002	287,572	223,168	25,531	
Finance expenses	97	-	97	80	-	

Item	2023/24			2022/23		
	Chargeable activities £000	Non-chargeable activities £000	Total £000	Chargeable activities £000	Non-chargeable activities £000	
Net (gain)/loss on transfers by absorption	-	(254)	(254)	-	-	
Total expenditure	247,667	39,748	287,415	223,248	25,531	
Net excess of expenditure/(income) <sup>4</sup>	24,240	2,461	26,701	7,225	(784)	

<sup>4</sup> 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

Item	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

Item	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

Item	2023/24 total £000	2022/23 total £000
Wages and salaries	173,970	149,578
Social security costs	15,299	14,544

Item	2023/24 total £000	2022/23 total £000
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
<b>Total staff costs</b>	<b>210,306</b>	<b>186,410</b>

More detailed disclosure of our staff costs is included in the [People report](#).

## 4.2 Other operating expenditure

### Purchase of goods and services

Item	Note	2023/24 total £000	2022/23 total £000
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

Item	Note	2023/24 total £000	2022/23 total £000
Amortisation of intangible assets	6	8,084	6,647
Depreciation of property, plant and equipment	7	1,983	2,745
Depreciation 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

Item	Note	2023/24 total £000	2022/23 total £000
Experts by Experience		2,219	2,260

Item	Note	2023/24 total £000	2022/23 total £000
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

Item	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

Pension fund	Actuary
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:

### Funds with a net deficit

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
Avon	5,273	-	(5,391)	(118)	(267)

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
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	23,24 9	(6,522)	(17,611)	(884)	(289) <sup>5</sup>

## Funds with a net surplus

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
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	24,08 4	(10,650)	(13,289)	145	145
Merseyside	7,634	(300)	(5,691)	1,643	130
Shropshire	3,167	-	(2,909)	258	(3)
Teesside	393,3 63	(54,342)	(308,390)	30,631	58,431
West Sussex <sup>6</sup>	-	-	-	-	86
West Yorkshire	15,76 9	(5,711)	(9,939)	119	116

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
Subtotal: funds with a net asset	462,7 23	(77,183)	(350,951)	34,589	59,143

## Total

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
Total	485,9 72	(83,705)	(368,562)	33,705	58,854

<sup>5</sup> 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.

<sup>6</sup> 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.

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.

For any fund in surplus we are required, in accordance with paragraph 64 of IAS 19 and International Financial Reporting Interpretations Committee (IFRIC) 14<sup>7</sup>, 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.

<sup>7</sup> 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.

### 5.1.1 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:

Item	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:

#### 5.2.1 Financial assumptions

Key assumptions used:	Teesside Pension Fund % per annum		Other pension funds % per annum	
	2023/24	2022/23	2023/ 24	2022/ 23
Discount rate	4.8	4.8	3.2 – 4.9	4.8 – 4.9

Key assumptions used:	Teesside Pension Fund % per annum		Other pension funds % per annum	
	2023/24	2022/23	2023/ 24	2022/ 23
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

## 5.2.2 Mortality assumptions

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

### Retiring today

Key assumptions used:	Teesside Pension Fund		Other pension funds	
	2023/24	2022/23	2023/24	2022/23
Males	20.5	20.6	19.8 – 22.4	19.9 – 22.9

Key assumptions used:	Teesside Pension Fund		Other pension funds	
	2023/24	2022/23	2023/24	2022/23
Females	23.5	23.7	23.3 – 25.5	23.5 – 24.8

### Retiring in 20 years

Key assumptions used:	Teesside Pension Fund		Other pension funds	
	2023/24	2022/23	2023/24	2022/23
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

	2023/24 £000	2022/23 £000
- 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)	(23,5 13)	8,769
Other re-measurement losses on plan assets	-	194
Actuarial gains arising from changes in demographic assumptions	(2,62 6)	(3,26 4)
Actuarial gains arising from changes in financial assumptions	(12,4 34)	(14 8,12 9)
Actuarial losses arising from experience adjustments	10,99 1	25,58 1
Other adjustments for restrictions on the defined benefit asset	(82)	(74)
Subtotal: actuarial (gain)/loss in pension schemes	(27,6 64)	(11 6,92 3)
Re-measurement of net defined pension asset for changes in asset ceiling	53,97 3	22,60 5
Re-measurement of the net defined benefit obligations	26,30 9	(94,3 18)

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)

	31 March 2024 £000	31 March 2023 £000
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
Re-measurement gains/(losses):		
At 1 April	(374,324)	(495,658)
Current service cost	(2,784)	(5,179)
Administration expenses	-	(58)
Interest cost	(17,398)	(13,276)

	2023/ 24 £000	2022/ 23 £000
Re-measurement gains/(losses):		
Contributions from scheme members	(909)	(962)
Past service costs	(126)	(364)
- 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	462,9 10	470,2 16
Interest income	21,57 9	12,56 3
Re-measurement gains/(losses):		
- The return on plan assets (excluding amounts included in net interest expense)	23,51 3	(8,76 9)
- Other	(77)	(194)
Employer contributions – normal	2,397	3,504
Member contributions	909	962
Benefits paid	(20,0 69)	(15,3 61)
Administration expenses	(11)	(11)

	2023/ 24 £000	2022/ 23 £000
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

	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
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

	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
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%	Curr ent	- 0.1%	+ 0.1%	Curr ent	- 0.1%
Present value of total obligation	30 3,83 2	30 8,39 0	31 2,94 8	59,4 80	60,1 72	60,8 64
Movement	(4,55 8)	-	4,55 8	(692)	-	692
Adjustment to expected rate of salary increases	+ 0.1%	Curr ent	- 0.1%	+ 0.1%	Curr ent	- 0.1%
Present value of total obligation	30 8,63 1	30 8,39 0	30 8,14 9	60,2 04	60,1 72	60,1 40
Movement	241	-	(241)	32	-	(32)
Adjustment to CPI inflation rate	+ 0.1%	Curr ent	- 0.1%	+ 0.1%	Curr ent	- 0.1%
Present value of total obligation	31 2,78 5	30 8,39 0	30 3,99 5	60,8 57	60,1 72	59,4 87

	Teesside Pension Fund			Other pension funds		
	£000	£000	£000	£000	£000	£000
Movement	4,395	-	(4,395)	685	-	(684)
Adjustment to life expectancy	- 1 year	Curr ent	+ 1 year	- 1 year	Curr ent	+ 1 year
Present value of total obligation	29 6,054	30 8,390	32 0,726	58,042	62,323	61,881
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

#### Cost or valuation

	Information technology £000	Development expenditure £000	Software licences £000	Websites £000	Total £000
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	(63)	-	-	-	(63)
Impairments charged to other operating expenditure	(19,555)	-	-	-	(19,555)
Indexation gains to revaluation reserve	6,942	-	290	865	8,097

	Information technology £000	Development expenditure £000	Software licences £000	Websites £000	Total £000
Indexation gains to other operating expenditure	258	-	1	8	267
At 31 March 2024	88,532	4,525	2,276	7,619	10 2,95 2

## Amortisation

	Information technology £000	Development expenditure £000	Software licences £000	Websites £000	Total £000
At 1 April 2023	47,509	-	1,974	5,798	55,2 81
Charged in year	7,965	-	6	113	8,08 4
Reclassifications	(16)	-	-	16	-

	Information technology £000	Development expenditure £000	Software licences £000	Websites £000	Total £000
Transfers under absorption accounting	141	-	-	3	144
Impairments charged to revaluation reserve	-	-	-	-	-
Impairments charged to other operating expenditure	(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

	Information technology £000	Development expenditure £000	Software licences £000	Websites £000	Total £000
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.

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 value in use.

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

### Cost or valuation

	Information technology £000	Development expenditure £000	Software licences £000	Websites £000	Total £000
At 1 April 2022	54,381	10,895	2,351	5,705	73,332

	Information technology £000	Development expenditure £000	Software licences £000	Websites £000	Total £000
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

	Information technology £000	Development expenditure £000	Software licences £000	Websites £000	Total £000
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

	Information technology £000	Development expenditure £000	Software licences £000	Websites £000	Total £000
Indexation gains to other operating expenditure	83	-	11	1	95
At 31 March 2023	47,509	-	1,974	5,798	55,2 81
Net book value at 1 April 2022	12,637	10,895	167	7	23,7 06
Net book value at 31 March 2023	14,859	21,628	11	331	36,8 29

### 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

	2023/24 £000	2022/23 £000
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

#### Cost or valuation

	Information Technology £000	Furniture & fittings £000	Total £000
At 1 April 2023	8,658	2,061	10,719
Additions	567	-	567
Disposals	-	-	-
Transfers under absorption accounting	53	-	53

	Information Technology £000	Furniture & fittings £000	Total £000
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

	Information Technology £000	Furniture & fittings £000	Total £000
At 1 April 2023	5,759	1,377	7,136

	Information Technology £000	Furniture & fittings £000	Total £000
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

	Information Technology £000	Furniture & fittings £000	Total £000
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

### Cost or valuation

	Information Technology £000	Furniture & fittings £000	Total £000
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)

	Information Technology £000	Furniture & fittings £000	Total £000
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	10,7 19

## Depreciation

	Information Technology £000	Furniture & fittings £000	Total £000
At 1 April 2022	5,961	2,583	8,54 4
Charged in year	2,450	295	2,74 5

	Information Technology £000	Furniture & fittings £000	Total £000
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

#### Cost or valuation

	Buildings £000	Total £000
At 1 April 2023	9,547	9,547
Additions	-	-

	Buildings £000	Total £000
Indexation gains to revaluation reserve	50	50
At 31 March 2024	9,597	9,597

## Depreciation

	Buildings £000	Total £000
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

## Cost or valuation

	Buildings £000	Total £000
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

	Buildings £000	Total £000
At 31 March 2022	-	-
Impact of transition to IFRS 16	-	-
At 1 April 2022	-	-

	Buildings £000	Total £000
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

### Trade and other receivables

	31 March 2024 £000	31 March 2023 £000
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

	31 March 2024 £000	31 March 2023 £000
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:

	2023/24 £000	2022/23 £000
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)

	31 March 2024 £000	31 March 2023 £000
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

	2023/24			2022/23		
	Leased property dilapidations £000	Other £000	Total £000	Leased property dilapidations £000	Other £000	Total £000
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)	-

	Note	2023/ 24 £000	2022/ 23 £000
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		26,84 9	16,32 8

## 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

	Note	2023/ 24 £000	2022/ 23 £000
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

	General reserve £000	Revaluation reserve £000	Retained earnings £000	Total £000
Balance at 31 March 2023	97,190	1,814	14,198	11 3,20 2
Increase/(decrease) in the period	(41,478)	1,878	(3,877)	(43,4 77)
Balance at 31 March 2024	55,712	3,692	10,321	69,7 25

### **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	-

	31 March 2024 £000	31 March 2023 £000
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.