

Financial statements

The financial statements are prepared in accordance with the Financial Reporting Manual 2022/23, published by HM Treasury, and comprise:

Statement of comprehensive net expenditure

A statement of CQC's 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 four financial statements.

Statement of comprehensive net expenditure

for the year ended 31 March 2023

Statement of comprehensive net expenditure

[2022-23-annual-report-statement-of-comprehensive-net-expenditure_0.xlsx](#)

Statement of Financial Position

as at 31 March 2023

Statement of financial position

[2022-23-annual-report-statement-of-financial-position.xlsx](#)

File title

Statement of Financial Position

Notes 1 to 21, on pages 106 to 149, form part of these financial statements.

Kate Terroni

Interim Chief Executive

23 July 2024

Statement of Cash Flows

for the year ended 31 March 2023

Statement of cash flows

[2022-23-annual-report-statement-of-cash-flows.xlsx](#)

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2023

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. DHSC 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 Financial Reporting Manual (FReM) 2022/23, issued by HM Treasury, as interpreted for the health sector in the DHSC Group Accounting Manual (GAM) 2022/23. 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

The following accounting standards have been adopted in the year:

- *IFRS 16 Leases*: effective across the public sector from 1 April 2022. The transition to *IFRS 16* has been completed in accordance with paragraph C5 (b) of the Standard, applying IFRS 16 requirements retrospectively recognising the cumulative effects at the date of initial application. For transition details see note 1.17.

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 9. In addition, grant-in-aid funding is drawn from DHSC 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, management is 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:

- **IAS 19 Employee Benefits:** the most significant judgements relate to the valuation of CQC's share of assets and liabilities in 13 local government pension schemes (LGPS). 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.
- **IAS 36 Impairments:** management 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).
- **IFRS 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 1.20 and note 9).
- **Indexation 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 1.13 and 1.14, note 6 and note 7).

1.6 Operating segments

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

1.7 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 one 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; and

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 2022/23. 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 11).

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

1.8 Employee benefits

1.8.1 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.

1.8.2 Retirement benefit costs

NHS pensions

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

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

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

Local government pensions

Some employees are members of the Local Government Pension Scheme (LGPS), which is a defined benefit pension 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 to 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 three financial years. The latest full valuation is based on 31 March 2022 and has set rates payable for the three 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.

1.9 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.

1.10 Grants receivable

Grants received, including grant-in-aid received for revenue and capital expenditure is treated as financing and credited to the general reserve.

1.11 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.

1.12 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.

1.13 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.

1.14 Intangible assets

1.14.1 Recognition

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

They are capitalised if:

- it is probable that future economic benefits will flow to, or service potential will be supplied to CQC
- it is expected to be used for more than one financial year

- the cost of the item can be measured reliably, and either:
 - the item has a cost of at least £5,000, or
 - collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.
- the total cost of the asset capitalised only includes costs which 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.

1.14.2 Measurement

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

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. All assets are revalued annually, 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.

1.15 Property, plant and equipment

1.15.1 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.

1.15.2 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 1.14.2.

1.16 Amortisation, depreciation and impairments

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

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

Estimated useful lives:

Intangible assets

Asset type	Estimated asset life
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

Asset type	Estimated asset life
Information technology	Up to 7 years

Asset type	Estimated asset life
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.

1.17 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.

1.17.1 Transition to IFRS 16

In the transition to *IFRS 16* several elections and practical expedients offered in the

Standard have been employed. These are as follows:

- CQC has applied the practical expedient offered in the Standard per paragraph C3

- to apply *IFRS 16* to contracts or arrangements previously identified as containing a lease under the previous leasing standards *IAS 17 Leases* and *IFRIC 4 Determining whether an arrangement contains a lease* and not to those that were identified as not containing a lease under previous leasing standards.
- On initial application CQC has measured the right of use assets for leases previously classified as operating leases per *IFRS 16 C8 (b)(ii)*, at an amount equal to the lease liability adjusted for accrued or prepaid lease payments.
- No adjustments have been made for operating leases in which the underlying asset is of low value per paragraph C9 (a) of the Standard.
- The transitional provisions have not been applied to operating leases whose terms end within 12 months of the date of initial application has been employed per paragraph C10 (c) of *IFRS 16*.
- Hindsight is used to determine the lease term when contracts or arrangements contain options to extend or terminate the lease in accordance with C10 (e) of *IFRS 16*.
- Due to transitional provisions employed the requirements for identifying a lease within paragraphs 9 to 11 of *IFRS 16* are not employed for leases in existence at the initial date of application. Leases entered on or after the 1 April 2022 will be assessed under the requirements of *IFRS 16*.

CQC has employed further expedients or election in applying *IFRS 16*. These include:

- The measurement requirements under *IFRS 16* are not applied to leases with a term of 12 months or less under paragraph 5 (a) of *IFRS 16*.
- The measurement requirements under *IFRS 16* are not applied to leases where the underlying asset is of a low value which are identified as those assets of a value of less than £5,000, excluding any irrecoverable VAT, under paragraph 5 (b) of *IFRS 16*.
- CQC will not apply *IFRS 16* to any new leases of intangible assets applying the treatment described in section 1.14 or 1.15 instead.

HM Treasury has adapted the public sector approach to IFRS 16, which affects the identification and measurement of leasing arrangements that will be accounted for under IFRS 16.

CQC is required to apply *IFRS 16* to lease like arrangements entered with other public sector entities that are in substance akin to an enforceable contract, that in their formal legal form may not be enforceable. Prior to accounting for such arrangements under *IFRS 16*, CQC has assessed that in all other respects these arrangements meet the definition of a lease under the Standard.

CQC is required to apply IFRS 16 to lease like arrangements entered into in which consideration exchanged is nil or nominal, therefore significantly below market value. These arrangements are described as peppercorn leases. Such arrangements are again required to meet the definition of a lease in every other respect prior to inclusion in the scope of IFRS 16. The accounting for peppercorn arrangements aligns to that identified for donated assets. Peppercorn leases are different in substance to arrangements in which consideration is below market value but not significantly below market value.

The nature of the accounting policy change for the lessee is more significant than for the lessor under IFRS 16. IFRS 16 introduces a singular lessee approach to measurement and classification in which lessees recognise a right of use asset.

For the lessor leases remain classified as finance leases when substantially all the risks and rewards incidental to ownership of an underlying asset are transferred to the lessee. When this transfer does not occur, leases are classified as operating leases.

The following reconciliation to the opening balance for the lease liabilities as at 1 April 2022 is based on the operating lease obligations as at 31 March 2022:

Item	Buildings (£000)	Other (£000)
Operating lease obligations as at 31 March 2022	10,422	50
Discounted using the incremental borrowing rate at the date of application	(254)	–
Less irrecoverable VAT not included in the lease liability	(1,222)	–
Less short-term leases recognised on a straight-line basis as expense	(295)	–
Less low value leases recognised on a straight-line basis as expense	–	(50)
Other adjustments	180	–
Lease liabilities as at 1 April 2022	8,831	–

1.17.2 CQC 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 unless cost is considered an appropriate proxy for current value in existing use or fair value 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.

1.18 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 1.70% (2021/22: minus 1.30%) in real terms. All other provisions are subject to three separate discount rates according to the expected timing of cash flows from the Statement of Financial Position date:

- a short-term rate of 3.27% (2021/22: 0.47%) for expected cash flows up to and including five years.
- a medium-term rate of 3.20% (2021/22: 0.70%) for expected cash flows over five years up to and including 10 years.
- a long-term rate of 3.51% (2021/22: 0.95%) for expected cash flows over 10 years.

All percentages are in real terms.

1.19 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.

1.20 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.

1.21 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.

1.21.1 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.

1.21.2 Impairment

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

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

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

HM Treasury has ruled that central government bodies may not recognise stage 1 or stage 2 impairments against other government departments, their executive agencies, the Bank of England, Exchequer Funds, and Exchequer Funds' assets where repayment is ensured by primary legislation. CQC therefore does not recognise loss allowances for stage 1 or stage 2 impairments against these bodies. Additionally, DHSC provides a guarantee of last resort against the debts of its ALBs 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.

1.22 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.

1.23 IFRS standards that have been issued but have not yet been adopted

The GAM does not require the following IFRS standards and interpretations to be applied in 2022/23. 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 regularly evaluate CQC's performance using operating segments.

CQC reports performance to Board and Executive Team against each of the operational directorates. Our operating structure, to support the implementation of our new strategy, was updated in 2022/23 and consists of:

- Operations Group
- Technology, Data and Insight (TDI)
- Change
- Regulatory, Customer and Corporate Operations (RCCO)
- Engagement, Policy and Strategy (EPS)
- Other includes Chief Executive, Healthwatch England, National Guardians Office and Regulatory Leadership.

The 2021/22 comparative is shown as the total expenditure across CQC and has not been restated into our new directorates. Our current structure became operational from April 2022 and there is no direct comparison to our previous directorates.

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

Segment	Pay costs	Non-pay costs	Total
Operations £000	113,174	4,412	117,586
TDI £000	15,529	16,966	32,495
Change £000	13,906	10,930	24,836
RCCO £000	15,421	8,478	23,899
EPS £000	10,267	3,980	14,247
Other £000	16,005	3,459	19,464
2022/23 total £000	184,302	48,225	232,527

Segment	Pay costs	Non-pay costs	Total
2021/22 total £000	175,028	40,411	215,439

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 which are not included within the operating segments analysis presented to the Board and ET.

Item	2022/23 total (£000)	2021/22 total (£000)
Pay costs	184,302	175,028
Non-pay costs	48,225	40,411
Total net expenditure	232,527	215,439

Items not included within operating segments

Item	2022/23 total (£000)	2021/22 total (£000)
Staff costs: Increase in provision for pension fund liabilities	2,108	2,393

Item	2022/23 total (£000)	2021/22 total (£000)
Depreciation, amortisation and impairment charges	11,197	14,162
Provisions	1,871	319
Other operating expenditure: Net interest expense on pension scheme assets and liabilities	787	1,510
Other operating expenditure: Expected credit loss	209	(136)

Total operating expenditure

Item	2022/23 total (£000)	2021/22 total (£000)
Total operating expenditure	248,699	233,687

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 grant-in-aid and reimbursement for external work.

Item	2022/23 Chargeable activities (£000)	2022/23 Non- chargeable activities (£000)	2022/ 23 Total (£000)	2021/22 Chargeable activities (£000)	2021/22 Non- chargeable activities (£000)
Funding: Revenue from contracts with customers	(215,751)	(2,838)	(218,589)	(207,909)	(2,822)
Funding: Grant-in-aid (cash)	–	(23,477)	(23,477)	–	(26,512)
Funding: Other operating income	(272)	–	(272)	(90)	–
Subtotal: funding	(216,023)	(26,315)	(242,338)	(207,999)	(29,334)
Operating expenditure: Staff costs	165,566	20,844	186,410	154,626	22,795
Operating expenditure: Purchase of goods and services	40,452	3,164	43,616	33,628	3,509

Item	2022/23 Chargeable activities (£000)	2022/23 Non- chargeable activities (£000)	2022/ 23 Total (£000)	2021/22 Chargeable activities (£000)	2021/22 Non- chargeable activities (£000)
Operating expenditure: Depreciation, amortisation and impairment charges	10,009	1,188	11,197	12,837	1,325
Operating expenditure: Provision expenses	1,871	–	1,871	319	–
Operating expenditure: Other operating expenditure	5,270	335	5,605	4,559	89
Subtotal: operating expenditure	223,168	25,531	248,699	205,969	27,718
Finance expenses	80	–	80	–	–
Total expenditure	223,248	25,531	248,779	205,969	27,718
Net excess of expenditure/(income)¹	7,225	(784)	6,441	(2,030)	(1,616)

¹ In agreeing annual budgets, DHSC allows CQC to incur certain non-cash expenses. In 2022/23 these items amounted to £6,243k (2021/22: £5,411k) and, if excluded from expenditure above, this would present an adjusted net deficit of £198k – comprising a chargeable deficit of £2,170k and a non-chargeable surplus of £1,972k (2021/22: adjusted net surplus of £9,057k comprising a chargeable surplus of £6,116k and a non-chargeable surplus of £2,941k).

3. Income

3.1 Revenue from contracts with customers

Item	2022/23 total (£000)	2021/22 total (£000)
Income from fees: NHS trusts	(66,653)	(60,529)
Income from fees: Adult social care – residential	(67,117)	(65,947)
Income from fees: Adult social care – community	(23,913)	(23,139)
Income from fees: Independent healthcare – hospitals	(3,964)	(4,040)
Income from fees: Independent healthcare – community	(7,134)	(7,218)
Income from fees: Independent healthcare – single specialty	(1,077)	(1,000)

Item	2022/23 total (£000)	2021/22 total (£000)
Income from fees: Dentists	(8,403)	(8,420)
Income from fees: NHS GP practices	(37,490)	(37,616)
Subtotal: income from fees	(215,751)	(207,909)
Income from other activities	(2,838)	(2,822)
Total revenue from contracts with customers	(218,589)	(210,731)

Income from other activities includes reimbursement for services performed in addition to our regulatory activities. This includes income in relation to the National Guardian Office, jointly funded by CQC, NHS England and NHS Improvement, and the provision of inspection services to the Office for Standards in Education, Children's Services and Skills (Ofsted), the Home Office and Defence Medical Services.

The total balance of contract liabilities at 31 March 2022, £18,641k has been recognised as operating income in 2022/23 (2021/22: £18,665k).

3.2 Other operating income

Item	2022/23 total (£000)	2021/22 total (£000)
Apprenticeship training grant (non-cash)	(272)	(90)
Total other operating income	(272)	(90)

4. Operating expenditure

4.1 Staff costs

Item	2022/23 total (£000)	2021/22 total (£000)
Wages and salaries	149,578	137,361
Social security costs	14,544	13,970
NHS pension costs	20,530	20,661
LGPS pension costs	3,390	3,448
Other pension costs	84	75
Apprenticeship levy	637	638
Termination benefits	2,255	3,014

Item	2022/23 total (£000)	2021/22 total (£000)
Less capitalised staff costs	(6,235)	(2,419)
Less recoveries in respect of outward secondments	(481)	(1,720)
Increase in provision for pension fund liabilities	2,108	2,393
Total staff costs	186,410	177,421

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

4.2 Other operating expenditure

Purchase of goods and services

Item	2022/23 total (£000)	2021/22 total (£000)
Establishment	24,528	20,718
Professional fees	9,337	7,962
Rentals under operating leases	430	536
Premises	2,995	2,771

Item	2022/23 total (£000)	2021/22 total (£000)
Training and development	1,239	1,486
Supplies and services	480	845
Travel and subsistence	4,288	2,437
Consultancy	100	135
External audit fee (statutory work)	195	173
Insurance	24	74
Subtotal: purchases of goods and services	43,616	37,137

Depreciation, amortisation and impairment charges

Item	2022/23 total (£000)	2021/22 total (£000)
Amortisation of intangible assets	6,647	6,424
Depreciation of property, plant and equipment	2,745	2,960

Item	2022/23 total (£000)	2021/22 total (£000)
Depreciation of right of use leased assets	1,962	–
(Reversal of)/impairment of intangible assets	(144)	4,361
(Reversal of)/impairment of property, plant and equipment	(13)	417
Subtotal: depreciation, amortisation and impairment charges	11,197	14,162
Provision expense	1,871	319

Other operating expenditure:

Item	2022/23 total (£000)	2021/22 total (£000)
Experts by Experience	2,260	1,866
Net interest expense on pension scheme assets and liabilities	787	1,510
Business rates paid to local authorities	647	1,154

Item	2022/23 total (£000)	2021/22 total (£000)
Loss on disposal of property, plant and equipment	289	–
Movement in expected credit loss provision	209	(136)
Irrecoverable debts	(3)	116
Apprenticeship training grant (non-cash)	272	90
Grants to other bodies	136	52
Other	1,008	(4)
Subtotal: other operating expenditure	5,605	4,648

Total other operating expenditure:

- 2022/23 total: £62,289,000
- 2021/22 total: £56,266,000

4.3 Finance costs

Item	2022/23 total (£000)	2021/22 total (£000)
Interest on right of use lease assets	74	–
Interest on late payment of commercial debt	4	–
Unwinding of discount on provisions	2	–
Total finance costs	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
- Local Government Pension Scheme (LGPS)
- National Employment Savings Trust (NEST)

Both the NHS Pension Scheme, which is the principal pension scheme for staff recruited directly by CQC, and NEST are not designed to run in a way that would allow CQC to identify its share of the underlying scheme assets and liabilities. See note 1.3 in the [People report](#), for additional details of the NHS Pension Scheme and NEST.

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 13 local pension funds that are part of LGPS at 31 March 2023.

Valuations of CQC's assets and liabilities in each LGPS as at 31 March 2023 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 £59.3m (31 March 2022: £9.3m) and net pension liabilities of £0.4m (31 March 2022: £44.5m) 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 2023 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 2023 (£000)	Re-measurements for change in asset ceilings 31 March 2023 (£000)	Liabilities 31 March 2023 (£000)	Surplus/(deficit) 31 March 2023 (£000)	Surplus/(deficit) 31 March 2022 (£000)
Avon	5,187	–	(5,454)	(267)	(2,348)

Pension fund	Assets 31 March 2023 (£000)	Re- measurements for change in asset ceilings 31 March 2023 (£000)	Liabilities 31 March 2023 (£000)	Surplus/(deficit) 31 March 2023 (£000)	Surplus/(deficit) 31 March 2022 (£000)
East Sussex	7,931	(3,109)	(4,977)	(155)	1,247
Shropshire	2,898	–	(2,901)	(3)	(1,067)
Subtotal: funds with a net liability	16,016	(3,109)	(13,332)	(425)	(2,168)³

Funds with a net surplus:

Pension fund	Assets 31 March 2023 (£000)	Re- measurements for change in asset ceilings 31 March 2023 (£000)	Liabilities 31 March 2023 (£000)	Surplus/(deficit) 31 March 2023 (£000)	Surplus/(deficit) 31 March 2022 (£000)
Cambridgeshire	4,522	(1,736)	(2,637)	149	1,016
Cheshire	4,684	(1,218)	(3,402)	64	377

Pension fund	Assets 31 March 2023 (£000)	Re- measurements for change in asset ceilings 31 March 2023 (£000)	Liabilities 31 March 2023 (£000)	Surplus/(deficit) 31 March 2023 (£000)	Surplus/(deficit) 31 March 2023 (£000)
Cumbria	4,815	(1,657)	(3,110)	48	978
Essex	8,147	(3,417)	(4,689)	41	(9)
Greater Manchester	23,120	(9,547)	(13,428)	145	2,667
Merseyside	7,819	(1,510)	(6,179)	130	–
Suffolk	4,518	(437)	(4,012)	69	(223)
Teesside	368,990	–	(310,559)	58,431	(38,256)
West Sussex	5,156	(2,303)	(2,767)	86	1,866
West Yorkshire	15,123	(4,798)	(10,209)	116	1,183
Subtotal: funds with a net asset	446,894	(26,623)	(360,992)	59,279	(30,401)³

Total

Pension fund	Assets 31 March 2023 (£000)	Re-measurements for change in asset ceilings 31 March 2023 (£000)	Liabilities 31 March 2023 (£000)	Surplus/(deficit) 31 March 2023 (£000)	Surplus/(deficit) 31 March 2022 (£000)
Total	462,910	(29,732)	(374,324)	58,854	(32,569)

All assets are held at bid value.

In 2022/23, 7 employees (2021/22: 6) retired early on ill-health grounds during the period. No additional pension costs (2021/22: £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 *IFRIC 14*⁴, to consider the impact of an asset ceiling on the recognition of assets in the Statement of Financial Position. Paragraph 8 of *IAS 19* 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. In the prior year this was estimated based on a refund of surplus. 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 2023, asset ceilings totalling £29,732k were applied to 10 funds (31 March 2022: 8) to ensure that any surplus presented is limited to the amount that CQC would expect to receive as a refund.

³ At 31 March 2023 Essex, Merseyside, Suffolk and Teesside had a net surplus but each were recognised with a net deficit at 31 March 2022. For comparative purposes, each of these funds have been included within the subtotal of funds with a net surplus. East Sussex had a net deficit at 31 March 2023 but was recognised with a net surplus at 31 March 2022 and has therefore been included within the subtotal of funds with a net deficit for comparative purposes. The Statement of Financial Position at 31 March 2022 recognises pension funds with a net surplus of £9,334k and pension funds with a net deficit of £41,903k.

⁴ IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* is an interpretation of IAS 19 which 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	2022/23 (£000)	2021/22 (£000)
Opening asset ceiling	7,127	4,284
Re-measurement of net defined pension asset for changes in asset ceiling	22,605	2,843
Closing asset ceiling	29,732	7,127

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:

Key assumptions used	Teesside Pension Fund (% per annum) Teesside Pension Fund (% per annum) 2022/23	Teesside Pension Fund (% per annum) 2021/22 ⁵	Other pension funds (% per annum) 2022/23	Other pension funds (% per annum) 2021/22
Discount rate	4.8	2.7	4.8 – 4.9	2.6 – 2.8
Expected rate of salary increases	4.0	4.3	3.0 – 4.5	3.3 – 5.0
Future pension increases	3.0	3.3	2.7 – 3.0	3.1 – 3.6
CPI inflation	3.0	3.3	2.7 – 3.0	3.1 – 3.5

⁵ The 2021/22 financial assumptions relating to Teesside Pension Fund were updated following the 2022 triennial valuation. All other funds used rolled forward data from the 2019 valuation.

5.2.2 Mortality assumptions

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

Key assumptions used	Teesside Pension Fund: 2022/23	Teesside Pension Fund: 2021/22 ⁶	Other pension funds 2022/23	Other pension funds 2021/22
Retiring today: Males	20.6	20.9	19.9 – 22.9	20.3 – 23.1
Retiring today: Females	23.7	23.9	23.5 – 24.8	23.0 – 25.3
Retiring in 20 years: Males	21.5	21.9	21.6 – 23.7	21.6 – 24.6
Retiring in 20 years: Females	25.2	25.5	25.0 – 27.0	25.1 – 27.3

⁶ The 2021/22 mortality assumptions relating to Teesside Pension Fund were updated following the 2022 triennial valuation. All other funds used rolled forward data from the 2019 valuation.

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:

Item	2022/23 (£000)	2021/22 (£000)
Service costs: - Current service cost	5,179	5,784
Service costs: - Past service cost	364	94
Service costs: - Administration expenses	69	76
Subtotal: service costs	5,612	5,954
Net interest expense	787	1,510
Amount recognised in net expenditure	6,399	7,464

Of the expense for the year, the service costs totalling £5.2m (2021/22: £5.8m) have been included in the Statement of comprehensive net expenditure as staff expenditure. Within note 4.1 £3.4m (2021/22: £3.4m) of this is included within LGPS pension costs and represents the amount paid as contributions during the year. The remaining £2.1m (2021/22: £2.4m) is a non-cash adjustment presented as an increase in provision for pension fund liabilities. The net interest expense of £0.8m (2021/22: £1.5m) 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:

Item	2022/23 (£000)	2021/22 (£000)
The loss/(return) on plan assets (excluding amounts included in net interest expense)	8,769	(41,043)
Other re-measurement losses/(gains) on plan assets	194	(1,125)
Actuarial gains arising from changes in demographic assumptions	(3,264)	(9,435)
Actuarial gains arising from changes in financial assumptions	(148,129)	(7,163)
Actuarial losses arising from experience adjustments	25,581	5,022
Other adjustments for restrictions on the defined benefit asset	(74)	–
Subtotal: actuarial (gain)/loss in pension schemes	(116,923)	(53,744)
Re-measurement of net defined pension asset for changes in asset ceiling	22,605	2,843
Re-measurement of the net defined benefit obligations	(94,318)	(50,901)

The cumulative re-measurements recognised in reserves since the date of transition to IFRS on 1 April 2008 to 31 March 2023 is a gain of £20m (31 March 2022: cumulative loss of £35m).

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 sharply increased throughout 2022/23 due to inflationary pressures, Bank of England interest rate increases and the market's reaction to the mini budget of September 2022.

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:

Item	31 March 2023 (£000)	31 March 2022 (£000)
Present value of funded benefit obligations	(374,247)	(495,566)
Fair value of scheme assets	462,910	470,216
Surplus/(deficit) in scheme	88,663	(25,350)
Present value of unfunded benefit obligations	(77)	(92)
Re-measurement of net defined benefit pension asset for changes in asset ceiling	(29,732)	(7,127)

Item	31 March 2023 (£000)	31 March 2022 (£000)
Re-measurement of the net defined benefit obligations	58,854	(32,569)

5.6 Reconciliation of fair value of scheme liabilities

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

Item	2022/23 (£000)	2021/22 (£000)
At 1 April	(495,658)	(514,280)
Current service cost	(5,179)	(5,784)
Administration expenses	(58)	(64)
Interest cost	(13,276)	(10,349)
Contributions from scheme members	(962)	(1,039)
Past service costs	(364)	(94)

Item	2022/23 (£000)	2021/22 (£000)
Re-measurement gains/(losses): - Actuarial gains arising from changes in demographic assumptions	3,264	9,435
Re-measurement gains/(losses): - Actuarial gains arising from changes in financial assumptions	148,129	7,163
Re-measurement gains/(losses): - Actuarial losses arising from experience adjustments	(25,581)	(5,022)
Benefits paid	15,361	15,189
Settlements – scheme cessation	–	9,187
At 31 March	(374,324)	(495,658)

5.7 Reconciliation of fair value of employer assets

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

Item	2022/23 (£000)	2021/22 (£000)
Assets at 1 April	470,216	436,698

Item	2022/23 (£000)	2021/22 (£000)
Interest income	12,563	8,839
Re-measurement gains/(losses): The return on plan assets (excluding amounts included in net interest expense)	(8,769)	41,043
Re-measurement gains/(losses): Other	(194)	1,125
Employer contributions – normal	3,504	3,561
Employer contributions – scheme cessation	–	2,299
Member contributions	962	1,039
Benefits paid	(15,361)	(15,189)
Administration expenses	(11)	(12)
Settlements – scheme cessation	–	(9,187)
Assets at 31 March	462,910	470,216
Re-measurements for change in asset ceilings	(29,732)	(7,127)
Net value of assets at 31 March	433,178	463,089

The cessation charge of £2.3m, paid in 2021/22, was funded by DHSC through grant-in-aid in accordance with their guarantee to underwrite any liability as they fall due.

5.8 Fair value of employer assets

The fair value of scheme assets at the Statement of Financial Position date were as follows:

Asset Type	Quoted assets as at 31 March 2023 (£000)	Unquoted assets as at 31 March 2023 (£000)	Total assets as at 31 March 2023 (£000)	Total assets as at 31 March 2022 (£000)
Equities	64,418	13,343	77,761	73,964
Properties	5,917	32,472	38,389	35,603
Government bonds	3,619	312	3,931	4,634
Other bonds	4,848	678	5,526	5,785
Managed investment funds: equities	232,808	2,498	235,306	233,004
Managed investment funds: bonds	4,858	1,122	5,980	7,190

Asset Type	Quoted assets as at 31 March 2023 (£000)	Unquoted assets as at 31 March 2023 (£000)	Total assets as at 31 March 2023 (£000)	Total assets as at 31 March 2022 (£000)
Managed investment funds: infrastructure	28,716	5,268	33,984	24,329
Alternatives	20,825	14,350	35,175	6,227
Cash	25,694	826	26,520	62,476
Other	–	338	338	17,004
Total	391,703	71,207	462,910	470,216

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 2023 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.

Adjustment to discount rate

Adjustment	Teesside Pension Fund (£000) + 0.1%	Teesside Pension Fund (£000) Current	Teesside Pension Fund (£000) - 0.1%	Other pension funds (£000) + 0.1%	Other pension funds (£000) Current	Other pension funds (£000) - 0.1%
Present value of total obligation	306,257	310,559	314,861	63,036	63,765	64,495
Movement	(4,302)	–	4,302	(729)	–	730

Adjustment to expected rate of salary increases

Adjustment	Teesside Pension Fund (£000) + 0.1%	Teesside Pension Fund (£000) Current	Teesside Pension Fund (£000) - 0.1%	Other pension funds (£000) + 0.1%	Other pension funds (£000) Current	Other pension funds (£000) - 0.1%
Present value of total obligation	311,010	310,559	310,108	63,802	63,765	63,727
Movement	451	-	(451)	37	-	(38)

Adjustment to CPI inflation rate

Adjustment	Teesside Pension Fund (£000) + 0.1%	Teesside Pension Fund (£000) Current	Teesside Pension Fund (£000) - 0.1%	Other pension funds (£000) + 0.1%	Other pension funds (£000) Current	Other pension funds (£000) - 0.1%
Present value of total obligation	314,471	310,559	306,647	64,487	63,765	63,045
Movement	3,912	-	(3,912)	722	-	(720)

Adjustment to life expectancy

Adjustment	Teesside Pension Fund (£000) - 1 year	Teesside Pension Fund (£000) Current	Teesside Pension Fund (£000) + 1 year	Other pension funds (£000) - 1 year	Other pension funds (£000) Current	Other pension funds (£000) + 1 year
Present value of total obligation	298,137	310,559	322,981	61,655	63,765	65,895
Movement	(12,422)	-	12,422	(2,110)	-	2,130

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 2023/24, 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 £2,453k (Teesside: £2,036k).

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. DHSC has provided a guarantee to meet the pension deficit liability that falls due.

All LGPS 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 2023, was 7% (31 March 2022: 7%).

6. Intangible Assets

2022/23

Cost or valuation

2022/23	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
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

2022/23	Information technology (£000)	Development expenditure (£000)	Software licences (£000)	Websites (£000)	Total (£000)
At 31 March 2023	62,368	21,628	1,985	6,129	92,110

Amortisation

2022/23	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)

2022/23	Information technology (£000)	Development expenditure (£000)	Software licences (£000)	Websites (£000)	Total (£000)
Indexation gains to revaluation reserve	1,309	-	51	191	1,551
Indexation gains to other operating expenditure	83	-	11	1	95
At 31 March 2023	47,509	-	1,974	5,798	55,281

Net book values

Net book value	Information technology (£000)	Development expenditure (£000)	Software licences (£000)	Websites (£000)	Total (£000)
1 April 2022	12,637	10,895	167	7	23,706

Net book value	Information technology (£000)	Development expenditure (£000)	Software licences (£000)	Websites (£000)	Total (£000)
31 March 2023	14,859	21,628	11	331	36,829

Intangible assets are indexed annually using the appropriate price index published by the Office for National Statistics. During 2022/23 the indices used have risen by 3% resulting in indexation gains being recognised.

The gross cost of intangible assets that were fully amortised but still in use at 31 March 2023 is £8,462k (31 March 2022: £6,001k).

The development expenditure relating to the components of our new regulatory platform is CQC's most material individual asset with a net book value of £18,773k at 31 March 2023. This development is the digital technology to support the delivery of our new framework and approach.

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 £6,235k (2021/22: £2,419k).

All intangible assets are owned by CQC.

2021/22

Cost or valuation

2021/22	Information technology (£000)	Development expenditure (£000)	Software licences (£000)	Websites (£000)	Total (£000)
At 1 April 2021	54,575	8,238	3,088	6,245	72,146
Additions	–	11,586	20	–	11,606
Reclassifications	8,808	(8,929)	–	–	(121)
Disposals	(407)	–	(198)	–	(605)
Impairments charged to revaluation reserve	(123)	–	–	–	(123)
Impairments charged to other operating expenditure	(3,153)	–	(335)	–	(3,488)
Indexation losses to revaluation reserve	(874)	–	(1)	(18)	(893)

2021/22	Information technology (£000)	Development expenditure (£000)	Software licences (£000)	Websites (£000)	Total (£000)
Indexation losses to other operating expenditure	(4,445)	–	(223)	(522)	(5,190)
At 31 March 2022	54,381	10,895	2,351	5,705	73,332

Amortisation

2021/22	Information technology (£000)	Development expenditure (£000)	Software licences (£000)	Websites (£000)	Total (£000)
At 1 April 2021	40,416	–	2,570	6,228	49,214
Charged in year	6,092	–	324	8	6,424
Reclassifications	(59)	–	–	–	(59)
Disposals	(407)	–	(198)	–	(605)

2021/22	Information technology (£000)	Development expenditure (£000)	Software licences (£000)	Websites (£000)	Total (£000)
Impairments charged to revaluation reserve	(98)	–	–	–	(98)
Impairments charged to other operating expenditure	(819)	–	(335)	–	(1,154)
Indexation losses to revaluation reserve	(907)	–	(8)	(18)	(933)
Indexation losses to other operating expenditure	(2,474)	–	(169)	(520)	(3,163)
At 31 March 2022	41,744	–	2,184	5,698	49,626

Net book values

Net book value	Information technology (£000)	Development expenditure (£000)	Software licences (£000)	Websites (£000)	Total (£000)
1 April 2021	14,159	8,238	518	17	22,932
31 March 2022	12,637	10,895	167	7	23,706

6.1 Movement in revaluation reserve: intangible assets

Item	2022/23 (£000)	2021/22 (£000)
Balance at 1 April	222	207
Net gain on indexation of intangible assets	823	40
Impairments charged to reserve	–	(25)
Transfers between reserves for intangible assets	(5)	–
Balance at 31 March	1,040	222

7. Property, plant and equipment

2022/23

Cost or valuation

2022/23	Information Technology (£000)	Furniture and 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)
Impairments transferred to revaluation reserve	(2)	(671)	(673)
Indexation gains to revaluation reserve	172	208	380
Indexation gains to other operating expenditure	97	11	108
At 31 March 2023	8,658	2,061	10,719

Depreciation

2022/23	Information Technology (£000)	Furniture and fittings (£000)	Total (£000)
At 1 April 2022	5,961	2,583	8,544
Charged in year	2,450	295	2,745
Disposals	(2,669)	(583)	(3,252)
Impairments transferred to other operating expenditure	(97)	(365)	(462)
Impairments transferred to revaluation reserve	(1)	(665)	(666)
Indexation gains to revaluation reserve	65	108	173
Indexation (losses)/gains to other operating expenditure	50	4	54
As 31 March 2023	5,759	1,377	7,136

Net book values

2022/23	Information Technology (£000)	Furniture and fittings (£000)	Total (£000)
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 are owned by CQC.

Property, plant and equipment are indexed using the appropriate price index published by the Office for National Statistics.

2021/22

Cost or valuation

2021/22	Information Technology (£000)	Furniture and fittings (£000)	Total (£000)
At 1 April 2021	15,939	3,308	19,247
Additions	2,656	81	2,737
Reclassifications	–	121	121

2021/22	Information Technology (£000)	Furniture and fittings (£000)	Total (£000)
Disposals	(4,092)	(28)	(4,120)
Impairments transferred to other operating expenditure	(2,860)	(787)	(3,647)
Impairments transferred to revaluation reserve	(170)	(6)	(176)
Indexation (losses)/gains to revaluation reserve	(72)	88	16
Indexation (losses)/gains to other operating expenditure	(165)	12	(153)
At 31 March 2022	11,236	2,789	14,025

Depreciation

2021/22	Information Technology (£000)	Furniture and fittings (£000)	Total (£000)
At 1 April 2021	9,769	3,146	12,915
Charged in year	2,910	50	2,960
Reclassifications	–	59	59
Disposals	(3,852)	(28)	(3,880)
Impairments transferred to other operating expenditure	(2,594)	(735)	(3,329)
Impairments transferred to revaluation reserve	(152)	(4)	(156)
Indexation (losses)/gains to revaluation reserve	(57)	86	29
Indexation (losses)/gains to other operating expenditure	(63)	9	(54)
At 31 March 2022	5,961	2,583	8,544

Net book values

Net book value	Information Technology (£000)	Furniture and fittings (£000)	Total (£000)
1 April 2021	6,170	162	6,332
31 March 2022	5,275	206	5,481

All property, plant and equipment were owned by CQC at 31 March 2022.

7.1 Movement in the revaluation reserve: property, plant and equipment

Item	2022/23 (£000)	2021/22 (£000)
Balance at 1 April	61	127
Net gain/(loss) on indexation of property, plant and equipment	207	(13)
Impairments charged to reserve	(7)	(20)
Transfers between reserves for property, plant and equipment	(20)	(33)
Balance at 31 March	241	61

8. Right of use assets

2022/23	Buildings (£000)	Total (£000)
Cost or valuation: At 31 March 2022	–	–
Impact of transition to IFRS 16	8,831	8,831
At 1 April 2022	8,831	8,831
Additions	183	183
Indexation gains to revaluation reserve	533	533
At 31 March 2023	9,547	9,547
Depreciation: At 31 March 2022	–	–
Impact of transition to IFRS 16	–	–
At 1 April 2022	–	–
Charged in year	1,962	1,962
Indexation gains to revaluation reserve	–	–
At 31 March 2023	1,962	1,962

2022/23	Buildings (£000)	Total (£000)
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

Right of use assets are indexed using the appropriate price index published by the Office for National Statistics.

8.1 Movement in the revaluation reserve: right of use assets

Item	2022/23 (£000)
Balance at 31 March 2022	-
Impact of transition to IFRS 16	-
Balance at 1 April 2022	-
Net gain on indexation of right of use assets	533
Balance at 31 March 2023	533

9. 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 DHSC as grant-in-aid 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. During the year neither the COVID-19 pandemic or the transition period following the United Kingdom's exit from the European Union have had a material impact on CQC's liquidity. This risk was mitigated throughout the financial year with regular reporting to the Executive Team 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 Executive Team.

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.

9.1 Financial assets

Item	31 March 2023 (£000)	31 March 2022 (£000)
Trade and other receivables with DHSC group bodies	538	843
Trade and other receivables with other bodies	9,647	9,371
Cash at bank and in hand	46,315	61,357
Total	56,500	71,571

9.2 Financial liabilities

Item	31 March 2023 (£000)	31 March 2022 (£000)
Trade and other payables with DHSC group bodies	1,465	3,265

Item	31 March 2023 (£000)	31 March 2022 (£000)
Trade and other payables with other bodies	20,260	21,707
Other financial liabilities	15	30
Total	21,740	25,002

10. Trade receivables and other current assets

Trade and other receivables:

Item	31 March 2023 (£000)	31 March 2022 (£000)
Contract receivables	9,443	8,787
Other receivables	1,729	2,675
Expected credit loss	(1,002)	(1,266)
Deposits and advances	15	18
Subtotal: Trade and other receivables	10,185	10,214

Other current assets:

Item	31 March 2023 (£000)	31 March 2022 (£000)
Prepayments	4,513	4,633
Subtotal: other current assets	4,513	4,633

Totals:

- 31 March 2023: 14,698
- 31 March 2022: 14,847

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

The expected credit loss relating to contract receivables totals £973k (31 March 2022: £1,222k) and other receivables totals £29k (31 March 2022: £44k).

Deposits and advances include advance salary payments and staff loans, these total £3k and £12k respectively (31 March 2022: £5k and £13k). Staff can apply for advance payments on salary and loans up to a maximum of £5k for rail season tickets.

10.1 Movement in expected credit loss

Item	2022/23 (£000)	2021/22 (£000)
Balance at 1 April	1,266	2,781

Item	2022/23 (£000)	2021/22 (£000)
Recognition of expected credit loss allowance	426	357
Changes to expected credit loss allowances	126	175
Provision utilised due to write-off	(473)	(1,379)
Provision reversed as unused (e.g. settlement of receivable)	(343)	(668)
Balance at 31 March	1,002	1,266

11. Cash and cash equivalents

Item	2022/23 (£000)	2021/22 (£000)
Balance at 1 April	61,357	42,725
Net change in cash and cash equivalent balances	(15,042)	18,632
Balance at end of period	46,315	61,357

The following balances at the end of the period were held at:

Item	2022/23 (£000)	2021/22 (£000)
Government banking service and cash in hand	46,315	61,357
Total balance at end of period	46,315	61,357

12. Trade payables and other current liabilities

Amounts falling due within one year

Item	31 March 2023 (£000)	31 March 2022 (£000)
VAT	(173)	(521)
Other taxation and social security	(3,610)	(3,693)
Trade payables	(5,795)	(6,065)
Other payables	(3,244)	(3,689)
Accruals	(9,935)	(12,412)
Capital creditors – intangible assets	(2,621)	(1,371)

Item	31 March 2023 (£000)	31 March 2022 (£000)
Capital creditors – property, plant and equipment	–	(1,435)
Total trade and other payables	(25,378)	(29,186)
Current pension liabilities	(15)	(16)
Contract liabilities: fee income in advance	(18,886)	(18,641)
Total current trade payables and other current liabilities	(44,279)	(47,843)

Amounts falling after more than one year:

Item	31 March 2023 (£000)	31 March 2022 (£000)
Pension liabilities	–	(14)
Total non-current trade payables and other non-current liabilities	–	(14)

Trade payable days at 31 March 2023 were equivalent to 31 days (31 March 2022: 20 days) purchases, based on the daily average amount invoiced by suppliers during the year. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter interest is charged on the outstanding balance at various interest rates.

13. Right of use lease liabilities

13.1 Right of use lease liabilities detailed movements

Item	2022/23 (£000)
Balance at 31 March 2022	-
Impact of transition to IFRS 16	8,831
Balance at 1 April 2022	8,831
Addition of new right of use assets	183
Cash payments made in year	(1,422)
Interest charges	74
Balance at 31 March 2023	7,666
Current lease liabilities at 31 March 2022	-
Impact of transition to IFRS 16	1,814

Item	2022/23 (£000)
Current lease liabilities at 1 April 2022	1,814
Current lease liabilities at 31 March 2023	2,339
Non-current lease liabilities at 31 March 2022	–
Impact of transition to IFRS 16	7,017
Non-current lease liabilities at 1 April 2022	7,017
Non-current lease liabilities at 31 March 2023	5,327

13.2 Maturity of right of use lease liabilities

Time Period	31 March 2023 (£000)
In one year or less	2,392
In more than one year but not more than five years	3,876
In more than five years	1,582
Subtotal	7,850
Less interest element	(184)

Time Period	31 March 2023 (£000)
Total	7,666

14. Provisions for liabilities and charges

Item	2022/23 Leased property dilapidations (£000)	2022/ 23 Other (£000)	2022/ 23 Total (£000)	2021/22 Leased property dilapidations (£000)	2021/ 22 Other (£000)	2021/ 22 Total (£000)
Balance at 1 April	473	723	1,196	521	466	987
Provided in year	–	2,381	2,381	–	709	709
Provisions not required written back	(17)	(467)	(484)	–	(386)	(386)
Provisions utilised in year	(127)	(225)	(352)	(44)	(66)	(110)

Item	2022/23 Leased property dilapidations (£000)	2022/ 23 Other (£000)	2022/ 23 Total (£000)	2021/22 Leased property dilapidations (£000)	2021/ 22 Other (£000)	2021/ 22 Total (£000)
Change in discount rate	(26)	–	(26)	(4)	–	(4)
Unwinding of discount	2	–	2	–	–	–
Balance at 31 March	305	2,412	2,717	473	723	1,196

14.1 Analysis of expected timings of discounted cash flows

Time period	2023 Leased property dilapidations (£000)	2023 Other (£000)	2023 Total (£000)	2022 Leased property dilapidations (£000)	2022 Other (£000)	2022 Total (£000)
Not later than one year	–	2,412	2,412	144	723	867
Later than one year and not later than five years	305	–	305	329	–	329
Later than five years	–	–	–	–	–	–
Balance at 31 March	305	2,412	2,717	473	723	1,196

Leased property dilapidations are the costs that would be payable on the termination of the leases.

Other provisions include costs relating to ongoing legal cases, tribunals and judicial reviews estimated at £1.4m (31 March 2022: £0.5m) and also in respect of employment termination costs totalling £1.0m (31 March 2022: £0.2m).

Provisions falling due up to 5 years have been discounted by a factor of 3.27% (2021/22: 0.47%) in accordance with HM Treasury guidance.

15. Reconciliation of movements in the Statement of Cash Flows

15.1 Adjustment for non-cash transactions

Item	Note	2022/23 (£000)	2021/22 (£000)
Depreciation, amortisation and impairment charges	4.2	11,197	14,162
Increase in provision for pension fund deficit	4.1	2,108	2,393
Net interest expenses on pension scheme assets and liabilities	4.2	787	1,510
Provisions expense	4.2	1,871	319
Loss on disposal of property, plant and equipment	4.2	289	–

Item	Note	2022/23 (£000)	2021/22 (£000)
Interest on right of use lease assets	4.3	74	–
Unwinding of discount on provisions	4.3	2	–
Total adjustment for non-cash transactions	-	16,328	18,384

15.2 Movement in trade and other payables

Item	Note	2022/23 (£000)	2021/22 (£000)
(Decrease)/increase in trade and other payables	12	(3,808)	5,243
Less increase in capital creditors – intangible assets	12	(1,250)	(571)
Less decrease/(increase) in capital creditors – property, plant and equipment	12	1,435	(1,432)
Total movement in trade and other payables	-	(3,623)	3,240

15.3 Purchase of intangible assets

Item	Note	2022/23 (£000)	2021/22 (£000)
Additions	6	(18,803)	(11,606)
Increase in capital creditors – intangible assets	12	1,250	571
Total purchase of intangible assets	-	(17,553)	(11,035)

15.4 Purchase of property, plant and equipment

Item	Note	2022/23 (£000)	2021/22 (£000)
Additions	7	(923)	(2,737)
(Decrease)/increase in capital creditors – property, plant and equipment	12	(1,435)	1,432
Total purchase of property, plant and equipment	-	(2,358)	(1,305)

15.5 Proceeds from disposal of property, plant and equipment

Item	Note	2022/23 (£000)	2021/22 (£000)
Cost or valuation: disposals	7	3,541	4,120
Depreciation: disposals	7	(3,252)	(3,880)
Loss on disposal of property, plant and equipment	4.2	(289)	-
Total proceeds from disposal of property, plant and equipment	-	-	240

16. Movements on reserves

Period	General reserve (£000)	Revaluation reserve (£000)	Retained earnings (£000)	Total (£000)
Balances at 1 April 2021	(60,801)	334	23,889	(36,578)
Increase/(decrease) in the period	60,510	(51)	(112)	60,347
Balance at 31 March 2022	(291)	283	23,777	23,769

Period	General reserve (£000)	Revaluation reserve (£000)	Retained earnings (£000)	Total (£000)
Increase/(decrease) in the period	97,481	1,531	(9,579)	89,433
Balance at 31 March 2023	97,190	1,814	14,198	113,202

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. £10,148k 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 £19,727k was utilised to fund capital expenditure resulting in a net utilisation of £9,579k.

17. Commitments

17.1 Capital Commitments

Contracted capital commitments at 31 March 2023, not otherwise included within these financial statements:

Asset Type	31 March 2023 (£000)	31 March 2022 (£000)
Intangible assets	1,381	416
Property, plant and equipment	27	62
Total	1,408	478

17.2 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:

Time Period	31 March 2023 (£000)	31 March 2022 (£000)
Not later than one year	34,232	27,985
Later than one year and not later than five years	19,435	30,560
Later than five years	–	–

Time Period	31 March 2023 (£000)	31 March 2022 (£000)
Total	53,667	58,545

Material contracts include £20.7m relating to the provision of Microsoft licences for our digital platforms and £6.8m relating to outsourced IT support services contract for the provision of an operation centre and digital workplace.

18. Contingent liabilities

CQC has the following contingent liabilities:

Liability	31 March 2023 (£000)	31 March 2022 (£000)
Employment tribunals and legal advice	739	916
Backdated VAT charges	213	313
Total	952	1,229

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

19. Related party transactions

CQC is a non-departmental public body sponsored by DHSC. DHSC is regarded as a related party. During the year CQC has had a significant number of material transactions with DHSC, and with other entities for which DHSC is also regarded as the parent department. 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, HMRC for social security costs and the Government Property Agency 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.

20. 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.

The last member of the following pension funds left CQC after the 31 March 2023 resulting in cessation events: West Sussex in December 2023, Essex in April 2024 and Suffolk in June 2024. A final cessation valuation has been calculated for Essex which determined that an exit credit was due to CQC of £1,653k, no adjustment has been made to note 5.1. Final cessation valuations remain outstanding for both West Sussex and Suffolk but we do not expect the cessation surplus or deficit to be materially different to those presented in note 5.1.

It was announced during 2022/23 that the Maternity and Newborn Safety Investigations (MNSI) programme, formerly part of the Healthcare Safety Investigation Branch which was hosted by NHS England, would be hosted by CQC from 1 October 2023. Property, plant and equipment with a net book value of £139k and prepayments of £115k relating to MNSI will be accounted for as an absorption transfer in 2023/24.

21. Authorised date for issue

CQC's annual report and accounts are laid before Parliament. The authorised for issue date is the date of the Comptroller and Auditor General's audit certificate.

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