 <b>Regulatory Policy Committee</b>	<b>Opinion</b>	
<b>Impact Assessment (IA)</b>	Fit and proper persons requirement for directors	
<b>Lead Department/Agency</b>	Department of Health	
<b>Stage</b>	Final	
<b>IA number</b>	Not provided	
<b>Origin</b>	Domestic	
<b>Expected date of implementation</b>	October 2014 (SNR 8)	
<b>Date submitted to RPC</b>	2 May 2014	
<b>RPC Opinion date and reference</b>	10 June 2014	RPC14-DH-1991(2)
<b>Departmental Assessment</b>		
<b>One-in, Two-out status</b>	IN	
<b>Estimate of the Equivalent Annual Net Cost to Business (EANCB)</b>	£1.41 million	
<b>RPC Overall Assessment</b>	<b>GREEN</b>	
<p><b>RPC comments</b></p> <p>The IA is fit for purpose. The Department has addressed the key points made in our previous consultation stage opinion of 14 February 2014. In particular, the IA provides more information on the rationale for the proposal, more discussion of alternative options and greater clarification of how the costs have been estimated. The Committee confirms the estimated equivalent annual net cost to business of £1.41 million.</p>		
<p><b>Background (extracts from IA)</b></p> <p><b>What is the problem under consideration? Why is government intervention necessary?</b></p> <p><i>“Directors of health and adult social care organisations play a crucial role in determining the safety and quality of care provided by the organisation through the decisions that they make and the culture that they set for the organisation as a whole. However, there are currently no requirements to ensure that directors of these organisations are, and continue to be, fit and able to carry out their role. It is at the discretion of the provider to ensure that the directors they appoint are of the right character and possess the necessary skills to carry out the role and to remove those who are not. In some cases this does not occur. Government intervention is required to close this gap in regulations.”</i></p> <p><b>What are the policy objectives and the intended effects?</b></p> <p><i>“The policy objective is to ensure providers take proper steps to ensure that their directors are fit and proper for their role. Requirements will be placed on providers to undertake the necessary checks to ensure that all directors exhibit the correct types of personal behaviour, technical competence and business practices</i></p>		

*required for their role. This is expected to have a positive impact on the quality of care by reducing the risk that unfit directors can negatively impact on the safety and quality of care. This will also strengthen the performance of directors by increasing the incentives on providers to scrutinise their performance and will enable CQC to take action against unfit directors including barring them from individual posts.”*

### **Comments on the robustness of the OITO assessment**

The IA says that this is a regulatory proposal (an ‘IN’) with an estimated equivalent annual net cost to business of £1.41 million. The Department’s OITO assessment is consistent with the current Better Regulation Framework Manual (paragraph 1.9.10) and, based on the evidence presented, the EANCB appears to provide a reasonable assessment of the likely impacts.

### **Comments on the robustness of the Small & Micro Business Assessment (SaMBA)**

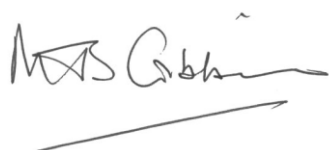
The proposals regulate business and a SaMBA is, therefore, required. This now includes much more detail on the number of small and micro businesses affected. The SaMBA states that the “*large majority of private providers registered with the CQC will be small or micro businesses*” (paragraph 190). The Department explains why it would not be possible to exempt small and micro businesses, as the proposal should apply equally to providers of all sizes (pages 45-47). The IA provides detail on why the proposal would not affect disproportionately on small and micro businesses, eg. shorter and less intensive CQC inspections (paragraph 196). The SaMBA is sufficient.

### **Quality of the analysis and evidence presented in the IA**

The Department has addressed the key points made in our previous opinion of 14 February 2014. In particular, the IA provides more information on the rationale for the proposal and the alternative options considered (paragraphs 13 to 22); the number of providers affected (paragraph 61 to 64); and the estimation of costs and benefits (section D, pages 13 to 44). The Committee can now confirm the EANCB of £1.41 million, which is higher than that estimated at consultation stage (£0.94 million). This mainly results from the consultation indicating that the average number of directors per provider is higher than the Department had previously assumed.

The new EANCB, therefore, appears to be supported by evidence from the consultation and we are content to validate it.

**Signed**



**Michael Gibbons, Chairman**