CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

1. INTRODUCTION

1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) welcomes the opportunity to contribute to the Committee’s Inquiry on Regulation of Care. The Inquiry addresses four specific questions. CIPFA’s submission specifically addresses one of the questions, namely - are there any weaknesses in the current system?

2. INQUIRY QUESTION: ARE THERE ANY PARTICULAR WEAKNESSES IN THE CURRENT SYSTEM?

2.1 Our response addresses the detail of one specific question. The submission is based upon research on the controls in place to assess the financial viability of providers in Scotland, England and Wales.

Regulation of Care in Scotland

2.2 In Scotland regulation is the responsibility of the Social Care and Social Work Improvement Scotland (SCSWIS). Prior to April 2011, that role was undertaken by the Care Commission.

2.3 Within the present system, financial assessment comes into focus at two points. Firstly, in the registration process where specific information of the financial position of a care provider is required to be provided to the regulator as prescribed by The Regulation of Care (Requirements as to Care Services) (Scotland) Regulations 2002. The requirement is for:

- Annual accounts;
- Bank reference;
- Financing and financial resources information; and
- Certificate of insurance

2.4 The practical interpretation of this regulation is that information is requested by the regulator at the point of registration. There is no

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1 Regulation of Care (Scotland) Act 2001, Scottish Statutory Instrument 2002 No 114, The Regulation of Care (Requirements as to Care Services) (Scotland) Regulations 2002.
ongoing prescribed assessment of the financial position by the regulator. This can be contrasted with care delivery generally, where there is ongoing monitoring of quality of care.

2.5 The National Care Standards\textsuperscript{2} set out ‘...what each individual person can expect from the service provider’. There is no reference to assurance on financial viability of the chosen provider.

2.6 The second identified point of focus upon financial assessment is during the contract commissioning process by a local authority. In assessing the suitability of prospective tenderers an evaluation of financial health will be conducted and typically will include a review of the financial statements. There is no prescribed requirement for subsequent ongoing financial health assessment by local authorities. As part of procurement, supply chain management would generally result in ongoing assessment.

2.7 Without ongoing financial assessment, the risk is that any financial assessment is only valid at the time at which it is conducted. Any subsequent deterioration in the financial position will not be detected until at worst, the point of business failure.

**Regulation of Care in England**

2.8 In England, regulation of care is the responsibility of the Care Quality Commission\textsuperscript{3}. As in Scotland, there is an initial test of financial viability at the point of registration. The process is based on self evaluation and the following single question is asked: ‘Does the organisation take all reasonable steps to remain financially viable in order to achieve its aims and objectives’

2.9 The registration process requires only one further reference to financial stability or arrangements where applicants are requested to advise of ‘any financial interest in another registered company’.

2.10 Standards of care are set out in the Essential Standards of Quality and Safety\textsuperscript{4} and, as in Scotland, there is no reference to any required standard on financial viability.

2.11 Again as in Scotland there is no ongoing assessment of financial stability by the regulator. Our understanding is that formal interest by the regulator will only become apparent at the point of business failure.

2.12 We further understand that as in Scotland there is no prescribed requirement for ongoing financial assessment by local authorities.

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\textsuperscript{2} National Care Standards November 2007, page 5
\textsuperscript{3} Care Quality Commission \url{www.cqc.org.uk}, guidance booklet section/paragraph 26.
\textsuperscript{4} Essential Standards of Quality and Safety.
Regulation of Care in Wales

2.13 The regulation of care in Wales is the responsibility of the Care and Social Services Inspectorate\(^5\).

2.14 The initial process is similar to both England and Scotland in that financial information is required at the point of registration. Applicants will be required to provide:

- financial statements for two years;
- cash flow predictions; and
- evidence of sources of funding.

2.15 The National Minimum Standards for Care Homes for Older People\(^6\) do not set any standard on financial viability.

2.16 There is no prescribed requirement for ongoing assessment of financial viability by the regulator.

Conclusion

2.17 We have examined the arrangements in place which are designed to confirm the financial viability of care home providers. We have identified that a gap exists because the financial tests are at registration and then at the point of commissioning only, without any ongoing test of financial viability.

2.18 Importantly, the professional skills required to assess and regulate the provision of care are different to the professional skills required to conduct initial and ongoing financial viability assessments. We consider however that the regulatory process would be strengthened by introduction of prescribed financial assessments.

We recommend:

2.19 That the current inquiry should be widened to specifically examine the key area of tests of financial viability.

Don Peebles
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CIPFA in Scotland
29 August 2011

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\(^5\) Care and Social Services Inspectorate Wales.

\(^6\) Care and Social Services Inspectorate, National Minimum Standards for Care Homes for Older People.