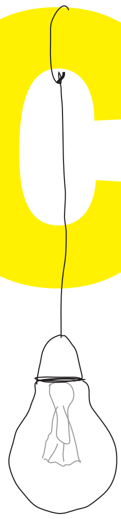

CAPITAL PAINS

What happens when profit overtakes patients' wellbeing in supported housing? **Phil Frampton** investigates how the growing use of venture capital in the care sector has left vulnerable people at risk

Mary is a supported housing manager in the north of England. She has worked in the sector for more than 20 years and is happy in a job she finds rewarding. Her residents may be elderly, have learning disabilities or mental health problems such as schizophrenia.

'We provide accommodation where they can feel safe,' she says. 'The service users' needs come first, and it is important to respect that. At the end of the day, it's their home.'

But ask Mary about her last management position, working for a venture capital company in social care and she describes what happens when profit overrides patient care. She turns her head and rolls her eyes. 'That company was desperate to squeeze every penny of profit out of the business,' she says.

'From day one the management was under pressure. In this business, empty beds are lost income, so they took in people to fill beds regardless of their suitability. Unsuitable placements lead to a rapid increase in placement breakdowns.'

Unhappy clients displayed aggressive behaviour, became unmanageable and frightened staff. A number were removed to hospitals or prison. The discontent intensified pressure on care workers and led to long-standing staff members leaving. The exodus left residents in the hands of poorly trained or casual agency staff.

Staff levels are mandatory and the proportion of agency staff grew until the level reached 85 per cent. The residents were mostly in the care of complete strangers, who did their shift and disappeared. The carers didn't get to know residents and didn't know the individual triggers that led to disruptive behaviour – or what was needed to calm residents down. And lack of intimate knowledge can lead to poor risk assessments.

High staff turnover also impacts on management skills. At one company, with no one to fill the post of manager, a care assistant with three years' experience was appointed. It meant a big increase in responsibility, for which she hadn't been trained. However, there is no regulation dictating that the occupier of such a post should be formally qualified or authorised by the local authority to manage in residential care – and the loophole has been used to 'dumb down' management, with residents left to suffer the consequences. It's not just poor audit trails, poor training can result in mistakes over the supply of medication. A carer reported that her management paid too little attention to procedures, resulting in staff leaving because, as she said: 'We didn't feel safe working there.'

Faced with the departure of experienced staff, companies are under pressure to evade the costs associated with legal mandatory training by fast-tracking NVQs. One devised a tick-box test to secure verification for untrained carers within a couple of days.

'Some of the residents came up to me in tears telling me how badly they feel they are being treated'

In 2007, Regard Partnership had its Anglesey care home for vulnerable adults suspended from taking new clients by the Welsh government after reports of lapses in care of residents. One visitor was 'horrified' at conditions at the home. The manager and another member of staff were suspended following a statement from the company that it would not tolerate failings and would carry out a thorough investigation. An official enquiry criticised levels of staff training.

And companies are under pressure to boost income. 'One company introduced a regime of charging for the smallest maintenance service, such as £120 for changing a light bulb, dressed up with call out charges,' another carer told me.

Companies are also often responsible for claiming residents' benefits, particularly when they have learning disabilities – and for managing the payments.

But there is insufficient monitoring by the authorities, the carer told me. 'A member of staff managed to get backdated disability living allowance money for clients. The company demanded that it be put in the company client accounts, and when she tried to give it to the clients, the company took the responsibility away from her. The clients' remaining allowance funds were then put into the company client accounts.'

The carer expressed serious concern that the company client accounts were not audited by the authorities. She told me that the company's response to her complaints had made her job increasingly difficult.

'I love my job but I became distraught and so depressed that I didn't want to go to work,' she said. 'They made me feel worthless. I lost the will to do anything, stopped eating and couldn't sleep, but felt I had to go to work.

'Eventually I decided I had to quit. I didn't want to leave my residents. Sometimes when I am out I see residents and they look like tramps – shabbily dressed. It makes me angry. Some of them come up to me in tears telling me how badly they feel they are being treated.'

As part of its privatisation drive, the government has spent years encouraging the use of venture capital in the public sector, and care in particular. Venture capitalists are firms that mainly invest to secure a short-term growth, then sell the company at a huge profit – which can be up to two or three times the initial investment.

The care sector has a particular attraction because local authority and NHS-funded clients provide guaranteed income. Venture capital companies argue that they improve efficiency, while trade unions complain that they drive down staff conditions. Many improved and modernised care homes are run by venture capital backed companies.

However, the real honeypot was in buying care home properties in a booming market, which ensured quick short-term growth in company assets. Loans secured against the growth were used to fund improved services and buy other properties and care companies.

Illustration by Sonja Friedrich

It was a sure fire-way to make profit and pay big returns to investors. Social care companies became the darlings of the stock market.

The fixed income paid by the state for care of the sick and elderly was used as a platform to launch what critics argue was a gamble on the property market.

The warning signs were there for a long time. In early 2007, leading accountants Ernst & Young warned the government that a string of collapses of private equity and venture capital companies was likely as debt-laden deals began to unravel with increased repayment charges. This was before the credit crunch and the recession that has hit the property market.

Ernst & Young's Alan Hudson said firms such as his had already seen companies being broken up. Local authorities owed funds or services were often last on the list of creditors.

Once the property market turned downward, many social care venture capital companies were left holding recently purchased properties, sharply declining in value and unlikely to find new buyers. Company assets dwindled, pushing down the ability to secure further loans to pay for increased costs and debt charges. Today, venture capital backed companies are under pressure to cut costs and find ways of boosting income.

In 2005, Andrew Rome, was managing director of Sedgemoor. Bought by venture capital company ECI, it was one of Britain's largest providers of residential care for children. Rome told *Community Care* magazine: 'One of the things that venture capital firms can bring is synergy and strategic focus to the development of a company. It's not just about the extra funding. They bring in new people with new expertise and help the firm grow in ways that might not have been possible before.'

Rome predicted that ECI and venture capital in general would be in the children's sector for the long term. But in 2007, facing mounting losses, ECI's 45 homes went into administration, with staff desperately phoning around to find places for vulnerable children.

In July 2007, Pete Calveley, head of social care housing company Four Seasons, told the same magazine that 'the private sector can provide quality care much more efficiently than the public sector at a fraction of the cost, yet is frequently overlooked because of an institutional bias against the profit motive'.

A year later, Four Seasons, which employs 21,000 staff and has 400 care homes for adults, was facing serious difficulties – as was one of its main competitors, Southern Cross. There were fears that two of Britain's biggest social care companies could close down and empty the 54,000 beds in their 1,000 care homes.

However, the prospect of such a large number of the elderly, physically and mentally infirm and adults with severe learning difficulties spending the winter in shelters looks highly unlikely – because local authorities and the government would be forced to step in.

The Royal Bank of Scotland is one of Four Seasons' financial backers with £80 million tied up in loans. If Four Seasons' problems worsen, the government-backed bank will bear the burden, leaving taxpayers to pick up the tab.

The government is under pressure to throw good money after bad. But it needs to recognise the extent to which venture capital is contributing to disaster. The cost of bailing out the sector's failed companies, paying fees to local monopoly service providers, relocating residents and administering the failed systems will come to billions of pounds.

Such sums could have ensured permanent improvements for local authority run care services. But privatisation of social care has failed to ensure the safety of many clients.