

*News of floatation of a care home business has prompted questions about the rights and wrongs of 'the private sector' making money out of the support needs of people with learning disabilities. Lessons for the (different) Welsh care market?*

Our man in London, reports.

## Public or Private?

### **'Caretech founders plan £60m Aim Float'**

This was how the 'Daily Telegraph' of 19th September headlined the story of the Sheikh Brothers floating their 61 residential homes and two day centres business, in South England and the West Midlands. The two former property developers said they noticed a gap in the market in 1993. They have built up over the past twelve years a successful business catering for 300 to 400 people. (The article quotes both 435 beds and 300 patients - a juxtaposition

suggesting rather a lot of voids if both figures are right and both for the same date.) They plan more rapid expansion on the back of the floatation.

There has been some criticism of the term 'patients' used by the City Correspondent, and of the 'average 6-8' residents per homes - contrasted with the claim to be providing supported living in ordinary houses in ordinary streets. One critic quoted an unfavourable CSCI report on a particular home. However, the main criticism seems to have been of the commercialism, and that people

should have become 'multi-millionaires' on the profits from supporting people with learning disabilities.

### **Are profits a bad thing?**

The debates leading up to and during the Labour Party Blackpool Conference have highlighted the broader 'privatisation' debate - with 'contestability', 'modernisation' and 'choice' bringing the private sector into education, health, etc, which were once seen as strictly public sector areas when paid for out of public funds.

# Llais

The Labour Government and the Conservative Opposition are at one in arguing that there is nothing inherently wrong in public services being provided by the private sector. There is a feeling out there – sometimes explicit and sometimes implicit that public services run by public agencies and involving public sector unions, have fallen short of requirements.

On this basis, some competition is no bad thing. The more radical approach – which has gone much further in social care than in education or health – is to restrict the public sector role to commissioning, and leave provision to the private and voluntary sector.

If you are happy with the politics of the sort of (semi) market approach we have now, the profit issue is something of a red herring. Whether you are a private or a voluntary sector provider, you have to seek to secure funding at a level that not only covers your full costs, but also allows for some reserves and for investment. If you are a private sector provider, you are not going to be able to top up with charitable funding, even if you wanted to. Dividends to shareholders or profits to founders are arguably just covering the legitimate costs of the investment that made the business possible.

## **What does matter?**

Again accepting without arguing the view that there is nothing

inherently wrong with having private sector providers, and nothing wrong with any provider 'making a profit', the next question is whether there comes a point at which the size

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of the profit is too great. The accountant would no doubt see the issue in terms of the return on investment. What might seem a very large profit on an investment of £y would not seem so large on an investment of 10x£y. Nor is it obvious why small private sector should be OK and big private sector should be inherently bad, any more than why big voluntary sector should be inherently bad. A big provider is quite likely to make more money, both because of scale and because of economies of scale.

Where the debate shifts from politics to ethics is in the matter of quality; and since I have absolutely no idea how good or bad Caretech services in general are, I am not pretending to



judge them. Logically, if any provider can provide services measuring up to Care Standards requirements, with good support for individuals living a full life in their local communities according to individual needs and wishes (measured by person-centred plans), they should be free to make as much profit from those services as they like. The reason for the discomfort about this particular commercial success story is the conviction of many people in the field that at current funding levels it is hard/impossible to provide a good quality service and still make a lot of money. If any private sector provider were seen to be successfully combining good quality and substantial profit, local

authorities and Central Government might well argue that there is a good case for switching all the business to that provider and cutting the price paid. (There would of course be a major loss of competition in that extreme case.)

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## **Individual Services**

For at least the past three centuries, there have been people working within service systems who have aimed to provide for individuals as individuals. The evidence is that some service systems have not really lent themselves to individuality. The suspicion is that a multi-million pound care home business does not provide the most favourable context for individual services. It would be nice to believe that the historic evidence is not conclusive for what is possible today, and that the suspicion about inconsistency between a large business and a genuinely individual outcome is unfounded. If the public sector has not traditionally been very good at this, and the voluntary sector has not so far been very good at creating individual solutions on a large scale, maybe the private sector could show the way. The 'Telegraph' article double reference to the learning disability market having the distinct advantage of providing a norm of a steady income flow over twenty years of residential care is not hugely encouraging in this respect!

*Our Man In London*

