



# **Cynulliad Cenedlaethol Cymru The National Assembly for Wales**

## **Y Pwyllgor Iechyd a Gofal Cymdeithasol The Health and Social Care Committee**

**Dydd Iau, 14 Mehefin 2012  
Thursday, 14 June 2012**

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Mick Antoniw	Llafur Labour
Mark Drakeford	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Rebecca Evans	Llafur Labour
Vaughan Gething	Llafur Labour
William Graham	Ceidwadwyr Cymreig Welsh Conservatives
Elin Jones	Plaid Cymru The Party of Wales
Kirsty Williams	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

**Eraill yn bresennol**  
**Others in attendance**

Matthew Flinton	Cyfarwyddwr Materion Cyfreithiol a Pholisi, Bupa Director of Legal and Policy, Bupa
Mario Kreft	Cadeirydd, Fforwm Gofal Cymru Chair, Care Forum Wales
Jim McCall	Rheolwr Gyfarwyddwr Cymru a Gogledd Iwerddon, Four Seasons Managing Director Wales and Northern Ireland, Four Seasons
Peter Regan	Cartref Gofal Haulfryn Haulfryn Care Home
Sandra Regan	Cartref Gofal Haulfryn Haulfryn Care Home
Eithne Wallis	Terra Firma
Mary Wimbury	Uwch Gynghorwr Polisi, Fforwm Gofal Cymru Senior Policy Adviser, Care Forum Wales

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Stephen Boyce	Y Gwasanaeth Ymchwil Reserach Service
Catherine Hunt	Dirprwy Glerc Deputy Clerk
Meriel Singleton	Clerc Clerk

*Cynhaliwyd y cyfarfod yng Nghanoľfan Catrin Finch, Prifysgol Glyndŵr, Wrexham*  
*The meeting was held at the Catrin Finch Centre, Glyndŵr University, Wrexham*

*Dechreuodd y cyfarfod am 10.43 a.m.*  
*The meeting began at 10.43 a.m.*

## Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[1] **Mark Drakeford:** Bore da a chroeso ichi i gyd i'r Pwyllgor Iechyd a Gofal Cymdeithasol. Diolch yn fawr i bob aelod o'r pwyllgor am ddod lan i Wrecsam dros nos neu'r bore yma. Croeso i'r tystion sydd gyda ni am y sesiwn. Mae'r meicroffonau yn gweithio fel arfer, felly nid oes rhaid i neb wneud dim. Mae popeth arall yn gweithio fel arfer hefyd.

**Mark Drakeford:** Good morning and welcome to you all to the Health and Social Care Committee. I thank all the committee members for coming up to Wrexham overnight or this morning. I welcome the witnesses who are with us for this session. The microphones are working as per usual, so no-one has to do anything. Everything else works exactly the same as usual.

10.44 a.m.

### Ymchwiliad i Ofal Preswyl i Bobl Hŷn—Tystiolaeth gan Ddarparwyr Preifat Inquiry into Residential Care for Older People—Evidence from Private Providers

[2] **Mark Drakeford:** Mae'n bleser mawr gennyf gyflwyno'r panel am y sesiwn gyntaf: Mario Kreft, cadeirydd Fforwm Gofal Cymru; Mary Wimbury, uwch-gynghorydd polisi, Fforwm Gofal Cymru; a Peter a Sandra Regan o gartref gofal Haulfryn yma yn y gogledd. Croeso mawr ichi i'r pwyllgor.

**Mark Drakeford:** It gives me great pleasure to introduce the panel for the first session: Mario Kreft, chair of Care Forum Wales; Mary Wimbury, senior policy adviser for Care Forum Wales; and Peter and Sandra Regan from Haulfryn care home here in north Wales. A warm welcome to the committee.

[3] We normally begin by asking whether there are any brief opening remarks that you would like to make. Mario, I will see whether there are any points that you want to make to us as an opener, or whoever is ready to do that, and then I will turn straight to members of the committee. Most of the rest of the three quarters of an hour will go quickly with questions, but, with a bit of luck, we might have a minute at the end for you to return to any points that may have not arisen in questions that you want to make sure we know about. Over to you to begin with.

10.45 a.m.

[4] **Mr Kreft:** This is a very important opportunity. Care Forum Wales, as I think all Assembly Members are aware, has been working for a considerable period of time to raise these issues, so it is a delight for us to have the opportunity to present evidence. We will want to look in particular at certain outcomes for social care in Wales generally, as opposed to just residential care, but it reads across. If you want us to give you an opening gambit, we would say, as is reflected in the papers, that we need to look at people as individuals, look at the communities where they live, and look at how we can better provide those services. We see residential care homes as important parts of that, but there is no silver bullet for this. We are facing a tsunami of need, and we all understand that.

[5] As we see it, there are two sides to the coin. The first is how, in the future, we will improve the connectivity of small and medium-sized enterprises. Wales is made up primarily of small and medium-sized enterprises, and social care is no different. We have providers in all areas of Wales, in rural communities, just as we have in the larger cities. It is worth mentioning that the membership of the care forum, of about 500 members, goes right across from domiciliary care through to what you might think of as traditional residential homes for older people to much more specialist units, possibly for people who have learning disabilities

or mental health issues, and there are even separate areas for the hospice movement, which is connected. The Welsh Government asked us to work with others to bring under our umbrella children's residential homes, too. So, we have a wide policy overview and the issue is how we build a much stronger structure of working collaboratively, which absolutely applies to the services that are currently provided in residential homes, and indeed those services that we would like to see integrated in an innovative way in the future. The other side of the coin, which I am sure we will be able to touch on in the next half an hour or so, is the workforce. That is absolutely vital, and we feel that there are some wonderful opportunities in Wales on both sides of the coin.

[6] We signed a memorandum of understanding about three years ago with the Welsh Local Government Association and the Association of Directors of Social Services Cymru, and Gwenda Thomas, the Deputy Minister for Social Services as she was at the time, came along to the launch. That set an opportunity for the structure, and we believe that that particular structure is to be commended. For residential care and so many things that flow from it, such as quality, availability and accessibility, that is vital. It is absolutely the case that people have to be inclusive. Social isolation is probably one of the worst things—unless you are a hermit or something. It really is a big issue and leads to a lot of problems. What we really need is to ensure that we have a structure. I was talking to one of your number earlier, and if it were agriculture you would understand that there has to be something like the Farmers Union of Wales or the National Farmers Union, which are the two organisations that the Government talks to. Government has been talking to Care Forum Wales, and we are delighted about that, but we need to get everybody connected, every small provider in Wales, because only together can we make that tapestry, of something that is joined up and that really matters. As I said, the other side of that is workforce development.

[7] Those are our two main planks, and you can see those themes in everything that we do.

[8] **Mark Drakeford:** Diolch yn fawr. That was very helpful.

[9] **Kirsty Williams:** The committee has heard a lot of evidence to date about the value of reablement services, and there has been a lot of discussion about how we can maintain people's independence and good health, which prevents their needing higher levels of intervention. What contribution can the independent care sector make to short-term care services for older people, such as reablement after a period in hospital?

[10] On maintaining health and wellbeing, how easy is it for the independent care sector to access services from the NHS that could make your residents as healthy as possible and maintain their independence and their care needs as much as possible?

[11] **Mr Regan:** The independent sector has a role to play in reablement. We have resources and are developing expertise all the time to specialise in all sorts of different areas. One problem that we have is that we are not, to use the word that Mario used, engaged with local authorities at this stage. As an independent provider, we do not get sight of local authorities' requirements. There are no commissioning plans, certainly in the local authorities that we liaise with. As a provider, it is difficult to ascertain what those services might be. However, we have provided those services in the past, albeit on an ad-hoc basis, and we have had generally very good results from doing so. We have allowed people, despite the fact that we have a dementia home, to return to normal living.

[12] To answer the second part of the question on being able to access resources, that is sporadic. In the past two to three years, certain types of funding have been withdrawn. It is difficult to get physiotherapists for improving people's mobility in homes. Two or three years ago, it was more prevalent than it is today. Those services, under local authorities and local

health boards that have problems with budgets, have definitely been withdrawn. We think that that is completely wrong, because people who reside in care should have the same resources as people who reside in their own homes, but that has definitely been eroded in the past two to three years.

[13] **Ms Wimbury:** Peter has talked about physiotherapy, but we hear the same story about other services across the piece. Out-of-hours GP services, in particular, can be a problem and can lead to inappropriate hospital admissions, because the out-of-hours GP service will not come to visit someone in a care home. From the hospital's point of view, that is not good because it does not want inappropriate admissions, but from the individual's point of view, taking them out of their setting in quite a disturbing way is not good for them or their future health and wellbeing either. For other services, like continence services and out-of-hours social services and so on, a lack of priority is given to people who live in care homes when, as citizens, they have as much right to those support services as anybody else.

[14] **William Graham:** Thank you for your evidence. What are your experiences of initial admissions? We have had a lot of evidence over past months that they seem to be almost inevitable at a time of crisis. Clearly, for admissions to be successful, it is crucial that the right information be provided as early as possible. There is some emphasis in your evidence on the fact that, sometimes, it is better for people to look at that long before they need the service provision. What is your reply to that?

[15] **Ms Wimbury:** As we said in our evidence, every residential home provider to whom I spoke in compiling the evidence said that, where people can afford to self-fund their own services, they come into residential care much earlier, much healthier and in a much better state. Although they are declining, they recognise that that decline will continue and they choose, while they have the time to prepare, to establish themselves somewhere before they deteriorate further. Publicly funded admissions generally happen at a time of crisis, which makes it difficult for the person or their families to be involved in choosing of home. It tends to depend on where there is a vacancy, and the need is to get people out of the potentially dangerous situation that they are in and into care. It is much more disruptive for them because they do not feel that they have any control over that. I know that colleagues who run homes will be able to give examples if that is useful.

[16] **William Graham:** How do you feel about the provision of information? Is it the same in each authority or does it vary considerably?

[17] **Ms Wimbury:** It is patchy. It varies considerably. Providers are obviously required to produce the appropriate information, but people often feel that it is very difficult to find guidance. As Care Forum Wales, one of the things we have done is develop a dignity in care charter, which we ask our members to sign up to. If they do, they get a plaque to display on the premises to show that they have the dignity in care mark and that that accords with the service they provide. We hope that things like that will start to become markers that people can look for. However, with regard to the information given out to the public, it is often a case of people being given a very long list.

[18] **Mr Kreft:** One of the issues is that some people go into residential care who, to be quite frank, should not go into residential care. If we had really intensive rehabilitation it would not always be necessary. Many people go directly from hospital. There are ways to do this. Recently, I was looking at a model in New York where an organisation has developed a completely new purpose-built facility. They take people from hospital and the average stay is 27 days. There are 105 beds, and it is totally focused on getting people home. It has a success rate of more than 90%. Some people do move on to residential care, but they have had that chance. There is also evidence to suggest that, using that model, when people then do go on to residential care because their needs are so great or they require nursing care or whatever, they

feel that they have exhausted every avenue themselves. That is important because, let us be honest, people do not wake up one morning and choose to go into residential care.

[19] The downside with a lot of the discussion that is ongoing in Wales and in other places is that we tend to ask people, in this case older people who are quite active and fit and might still be playing golf, whether they would like to go into residential care. What we probably need to do is get Age Cymru or some other body to ask the people in residential care whether they would like to go back to the service they were having before they came into residential care. Care Forum Wales is absolutely clear about how things would be if we were able to do more on the preventive side, which is very much the point. I have to be honest that if I talked to 10 different people, reablement would mean 10 different things. However, in the context that you are using the word, Kirsty, I think that we have the opportunity to do things in a different way in Wales. We should not then demonise residential care, because it is vital. Wherever you go in the world—and I have been to four continents looking at it—although they might call it something different, it is essentially residential care. We have to make sure that we can give people as much input as possible when they need it to try to get them back to their normal situation, if we can.

[20] **Mark Drakeford:** Thank you, Mario. I think that Kirsty and Rebecca want to follow up on this point and then we will have questions from Vaughan.

[21] **Rebecca Evans:** My question is on a separate point.

[22] **Mark Drakeford:** Okay; I will come to you later. Kirsty, is your question on this point?

[23] **Kirsty Williams:** Yes. I am interested in whether you have some figures. Often, people who start off as self-funders become the responsibility of the state once their resources run out. Do you have any figures on what those numbers look like? Some people start off paying for their care, but eventually, because their resources run out, they become the responsibility of the state. If people who are using their own resources, as your evidence seems to show, are going in earlier and fitter, but then potentially become the responsibility of the state, how can we get better information to self-funders about alternative services that, if they were not self-funders, they would have been directed to by the local authority? Other people would be directed to reablement and other services to prevent an admission to residential care, but a self-funder might not be aware of those services.

[24] **Ms Wimbury:** There are certainly some people who would find themselves in that situation, but there are also significant numbers of people who start off as self-funders who continue as self-funders throughout that process. I could not give you exact figures, but, for example, I know that there are care homes in more affluent areas in Wales whose residents are almost totally self-funding. Based on the fees that are paid, those homes feel that they can afford to take only a small number of publicly funded clients. They will keep people there, but, predominantly, people continue to fund themselves. In other areas we also see self-funders cross-subsidising people who are publicly funded, and that eats away at resources more quickly, but people can speak from their own experiences.

11.00 a.m.

[25] **Mr Krefft:** There are two parts to that question. There are the people who, undoubtedly, are self-funders and would benefit from more information so that they could make a more informed choice and access services that would sustain them longer, which, almost certainly, would be their wish. However, there is another group of people. One of our leading members is Barchester Healthcare, which most people have heard of, and which is a huge supporter of Care Forum Wales and the work that we are doing—I think that its chief

executive came to the launch of the academy. It is engaged in quite a large building programme across the UK, but in what you might call the leafy suburbs of England—I am not aware of a single home that it is building in Wales. It is finding that there is a group of self-funders who are choosing a different sort of life in a care home that might be very different to what we think of as a traditional care home. It is a choice not to be lonely, to have somebody there at the press of a button, to have a life and to gain independence through being in residential care. Not everybody would agree with that, but, believe me, there are some people who are prepared to spend a lot of their own money to regain their independence in a residential care setting. As I said, for one of our leading members, Barchester, that is a niche market that it appears to have and it is doing a very good job.

[26] **Mark Drakeford:** William will ask a question on this point.

[27] **William Graham:** It is particularly on this point. One care home owner mentioned to me that one of his difficulties was people who came in as self-funders, but then became state funded at a lower rate, which could create budgetary problems. Is that your experience?

[28] **Mr Kreft:** It is an experience across the sector. I cannot speak for everybody, and, of course, not everyone is a member of Care Forum Wales, but I am not aware of a single person who has been evicted.

[29] **William Graham:** I was not suggesting that; it was about the cost element.

[30] **Mr Kreft:** It is significant. We had a situation in north Wales, and it exists in other parts of Wales, where if you were under continuing healthcare and your needs became much greater, so naturally the service needed to be greater, the fees went down, believe it or not. That was rectified in April, but there are still parts of Wales where that situation exists. It is a difficult situation right now for people, and they are managing it the best that they can. Some families in certain situation are asked to pay more, but that is not always the case. Most homes will take people without subsidies.

[31] **Vaughan Gething:** I am interested in moving on to talk a bit more about the models of care provision. We have heard quite a lot of evidence that there is a consensus about moving towards a more enabling model of care, so that it is not simply about leaving older people in residential care to exist rather than to live, and in particular about the social engagement. I am interested in how you see smaller independent providers dealing with the challenges in terms of the potential capital investment, because a lot of your members will be historic providers with older premises, as well as the challenge of changing the ethos and staffing levels or the nature of staffing, as there are continuing challenges in that people are living longer with limiting conditions, whether they are physical or mental. So, I am interested in what experiences you have, like I said, on the capital challenges, and then on the staffing and cultural challenges of care.

[32] **Mr Regan:** I will start on that. We are providers of residential dementia care. We are a small home; I think that I can safely say that we are categorised within that bracket, being a 24-bed establishment. The challenges are changing all the time. The model of care in the time that we have run our business has changed significantly and remains in a state of flux. The requirements on us are increasing all the time. Clients' needs when they are admitted into our care are far greater. The assessment processes that are going on in local authorities are such that the clients need far more care physically and mentally—they are far more demanding than they were before. That has an impact on staffing levels, training and the infrastructure and equipment we need to use.

[33] The climate that we are working in makes it difficult to see sustainability. In the long term, I would be concerned about whether new people could take on the business that we

currently run. We came into the industry at a time when property values and acquisition values were far lower than they are now, and there were financial institutions that supported us at that time. It would be difficult for us to get into the industry that we think we are doing a good job in, if we were trying to come into it now. That is of great concern with regard to the sustainability of the type of business we run.

[34] As a small business, we are mindful of the fact that we serve the local community. Most of our residents are local people. So, we are providing a service to locals that we think, in the long term, may not be sustainable.

[35] There is a constant struggle between fee levels and the job that we are asked to do within the constraints of those fee levels. We have already talked about services being pulled back, so that the resources that we need to deliver good quality care do not seem as accessible as they did two to three years ago. The job has changed significantly in the last few years—it all melds into a much more difficult trading position.

[36] **Mick Antoniw:** On that point, is it not the case that for a significant proportion of your members, particularly in the independent sector rather than the third sector, viability is a real issue? Is there a view about whether some of the providers really can survive within this changing environment?

[37] **Mr Regan:** You can only speak about your own, and I can speak strongly about my organisation, but there are companies that will definitely be struggling. This is all about quality and putting the clients—the residents—at the centre of everything that we do. We have a desire to provide top-quality care. The dilemma for institutions is not one of viability—although it is about viability as well—but quality and how we can maintain and progress quality in the environment we work in.

[38] **Mick Antoniw:** May I just quickly pursue that, perhaps with Mario in particular? Surely, quality and viability are interconnected. Being able to maintain the quality determines the viability. We heard in previous evidence that a significant percentage of companies were seriously considering their viability. Of course, that is a concern to providers through the local authorities and so on. I am really trying to get a better picture of the extent to which viability is now a real issue that has to be addressed.

[39] **Mr Kreft:** As we are meeting here, it is perfectly appropriate to use Wrexham as an example. In April, the local authority, in these very difficult times, found it necessary, having done an open-book accounting process, to increase the fee for basic residential care in Wrexham by over £100 per week. Either that is a gross waste of public money at a very difficult time or there was a real need for it.

[40] As we move into this more open-book approach, which we have been calling for over a long time, we are looking at the real costs of care. In principle, where we are talking about public money—and 70% of people in Wales are funded, whether it is domiciliary care or residential care, by public money—what is wrong with the public knowing the real costs? It is absolutely right that the public should know how much these places turn over, what their surpluses are if they are third sector members and, in the case of private sector members, what their profit is, if you want to use that word. However, it is really all about reinvestment, which relates to your point about quality, because, obviously, a lot of the reinvestment goes into the fabric of the building. This is partly what Peter was saying. The real quality in a care setting is the people. There is no doubt about that.

[41] However, there are other things. We have had several years of high inflation and you all know from judicial reviews that funding has been an issue, so it is difficult, and it would be absurd to sit here and suggest that there will not be some organisations—and not just the



smaller ones—that will hang up their boots at some point in the next year or two. However, to suggest that smaller organisations cannot do the job well is to miss the point. I could take you—present company excepted—to some of the finest dementia care settings that are well-run very small homes of 20 or 30 beds. The recent Robinson programme proved that it is about what goes on. That is not to say that they have to be small. As I have said, one of our leading members is Barchester Healthcare, which does not normally build small care homes.

[42] The other side of the question, which is where viability really comes in, is the question of what we will do about the workforce. At the moment, we are in an economic cycle in which things are lower than we would like them to be and jobs are at a premium, but we will come out of this and there will be a change, as these things happen. Will we then sustain the high-quality people and will they see this as a profession? That is the problem with regard to viability. Changes have been made recently in relation to immigration. There are very good homes in north Wales—and in the rest of Wales, but I am talking about north Wales today—that would have folded had they not benefited from the bringing in of immigrant workers. That was partly because so many of their qualified care practitioners had gone into nursing when the doors were opened, quite properly, for many more people to enter the nursing profession, which is right because we are very short of nurses. So, there are many links here.

[43] This issue on the one hand is about what we will do for our workforce and how we will professionalise it, raise its status and have a viable workforce for the future—people with the necessary skills, who see it as a profession and a pathway. That is the path towards viability that we would point you towards. It is not just a question of whether the fee is enough to make a profit to run the home. It may well be that fees go up, but, with regard to the three counties that have done the model that we are using in Wrexham, the workforce might say ‘Actually, I am not going to work for a model’. That model sets the wage at just over the minimum wage. That is what the model of local government is setting it at. The point that we are making is that there will come a time—and this might be a couple of years from now—when people might not be able to afford to do the job that they love.

[44] On the other side, with regard to the memorandum of understanding, we need to ensure, on the models of care question, that we understand what exists beforehand. We want to avoid throwing the baby out with the bathwater at all costs. Residential homes can do other things. They can be the basis for community outreach services in communities. We are talking about rural settings, but this could also be true in parts of Cardiff, where someone is looking after the day centre, the meals on wheels, or some outsourced domiciliary care. It is a question of how you make them viable. That will be the challenge for us. Our view is that we have to have a structure in Wales—we can do it in Wales as we are small and smart enough to do something that has not been done anywhere else in the UK, namely to plug all of these important providers into a structure that enables us properly to plan for the future.

[45] **Mark Drakeford:** Mae gennym lai na chwarter awr ar ôl o’r sesiwn hon ac rwyf am roi cyfle i bob aelod o’r pwyllgor sydd am ofyn cwestiynau i wneud hynny. **Mark Drakeford:** We have less than a quarter of an hour left of this session and I want to give every committee member who wishes to ask a question the opportunity to do so.

[46] **Vaughan Gething:** I just wanted to pick up one of the points that you raised in relation to having an open-book exercise and transparency in the cost of care. I would like to clarify whether you are also saying that there is transparency in the operation of the business that would be providing that care, so that there would be a greater understanding of the financial stability of that business as well. This is a question that we will be considering—whether it is regulation or otherwise—to ensure that we can see the health of the business, taking on board what you and other witnesses have said about those people who may not

expect to be in business in 12 months' time.

11.15 a.m.

[47] **Mr Kreft:** Currently, our regulations mean that the Care and Social Services Inspectorate for Wales can request our accounts and all of our costs, and there is also HM Revenue and Customs. In our view, it is absolutely right that we should be able to provide that, because it will hugely strengthen the case of the value of social care in our communities and the value of the people who provide it.

[48] **Rebecca Evans:** You said previously that quality in the care setting is the people, and I would absolutely agree with that. However, we have been hearing that care home staff feel particularly undervalued by society for the work that they do. Do you have any ideas as to how we could address that? Is it having an impact on your ability to recruit and retain staff in the sector?

[49] **Mr Kreft:** I refer you to the notes, which I will leave with you, about the Academy of Care Practitioners, which is something that we have helped. It is not a Care Forum Wales initiative; it is a group of those with an interest, including further education colleges, accrediting bodies, the Care Council for Wales and so on. We have, for some time, seen it as a huge deficit that this profession of social care workers does not have its obvious professional body—it is bonkers really, to be quite frank with you. These people are the glue that keeps society together in Wales. The NHS would cease to function probably within a week without 70,000 social care workers, who enable us to continue to effectively sustain what we do. The other side of it, which I think is grossly unfair—it is grotesque, really—is that people who need care are seen as a drain on society and that it is bad for the economy that we have to spend money on care and cannot put it into other things. It is actually a very important part of our economy, particularly in rural areas. I think that the more enlightened local authorities are waking up to how important it is. It is almost a form of quantitative easing, because 65% of a care home's money goes straight out in wages; it is even higher in domiciliary care. So, you are providing quality in your community and sustaining people at home, or in another setting such as a care home, providing jobs and enabling other people to remain economically active.

[50] I must refer you to the academy. There is nothing in Europe like the academy, valuing social care workers. The Chair was there at the launch in the Senedd a few weeks ago, and it is something that I would commend. It is not going to solve the world's problems, but it will be a good step in the right direction.

[51] **Rebecca Evans:** I will just follow up with one more question. Will you expand on your particular concerns about the availability and quality of training for staff? Perhaps you have one or two examples of good practice to share with us.

[52] **Mr Kreft:** There is some very good practice here that I will refer to, but I will just say one thing about training. In line with the wider responsibility of the Assembly, we must take this opportunity to look at training. The current arrangements for qualifications need to be looked at seriously. Typically, an NVQ qualification—or diploma, as they have been called since April—would cost the taxpayer £3,500 to £4,000 each. We do not see that as money well spent; it is not best practice. I am not suggesting for a moment that it is withdrawn, because this sector needs all the help that it can get, but if you look at the Care Standards Act 2000—some of us were heavily involved with that—it seemed quite sensible 10 years ago to say that 50% of the workforce qualified to NVQ level 2 was a good place to aim for. What we should be saying now is that 100% of the workforce should have the tools to do the job at the level that they are working at, while we encourage professional development and qualifications.

[53] To answer your point, the blurring of qualifications and training is something that we need to address and there is an awful lot of public money going into qualifications, whereas we probably need to channel more of that into training. You have speakers coming in later who will also be able to talk about good practice. I think that we have some particular issues with what you have been doing on dementia.

[54] **Mr Regan:** We are servicing people with dementia, so we have done a lot of training with regard to dementia awareness, right through every level of the organisation. Some of it has been quite radical, even in terms of how we have laid our building out, leading to better environments for those people to reside in. Instead of having people in larger groups, we have thinned it out into smaller groups. We have done a lot of work on how those people interact with each other. We have looked at feeding times and processes with regard to how people take up activities, and we have done quite a lot of work with Bangor University on dementia mapping for people with severe dementia who cannot communicate using their voice at all, but can communicate with body language. So, the staff get understanding of a client's requirements just by observing body language, which is a great move forward in terms of understanding the dementia that we are dealing with. We were fortunate to be part of the pilot scheme—we were recommended by other social service people as a good example to try to use—and we have benefitted greatly from that. That training will be rolled out to other providers. We talk a lot about quality, but quality is all about your staff, their understanding, and their ability to deliver those services and that care to those people.

[55] **Mark Drakeford:** Peter or Sandra—I am sorry that we are so short of time—we have just one minute to ask you, as the people who are providing the service, to pick up the questions that have been asked about recruiting and retaining staff. Is that a struggle?

[56] **Ms Regan:** I would say that, because of unemployment being as it is at the moment, no, it is not a struggle. Two or three times a week we are having someone phoning us looking for employment, but as soon as things start to progress, unless we make this a professional environment to work in, we will have problems. To keep your quality up, and to keep good quality staff, we need to be professionalising the environment.

[57] **Elin Jones:** Roeddwn eisiau gofyn am eich barn am gyflwyno mwy o hyblygrwydd mewn gofal; rydym wedi cael rhywfaint o dystiolaeth yn cefnogi hyn gan yr arolygiaeth hefyd. Os oedd unigolyn mewn cartref gofal preswyl dementia ar hyn o bryd, a bod anghenion yr unigolyn hwnnw'n cynyddu, gyda'r dementia yn mynd yn ddwysach a'r asesiad yn newid i asesiad gofal nyrzio dementia, yn hytrach na'r unigolyn yn gorfod symud i sefydliad arall, a fyddai'r gofal yn gallu newid o fewn yr un sefydliad? A oes digon o hyblygrwydd yn y system i ganiatáu i hynny ddigwydd? Beth yw eich barn ynglŷn â chyflwyno newidiadau felly yn y math o gartrefi rydych yn gweithio ynddynt ac yn gyfrifol amdanynt?

**Elin Jones:** I wanted to ask for your views on introducing greater flexibility in care; we have had some evidence supporting this from the inspectorate as well. If an individual was in a residential care home for people with dementia at the moment, and there was an increase in the needs of that individual, with the dementia getting more severe, and the assessment turning into a dementia nursing care assessment, rather than that individual having to move to another institution, would it be possible to change the care within the same establishment? Is there sufficient flexibility within the system to allow that to happen? What is your view on introducing those kinds of changes in the kinds of homes that you are working in and responsible for?

[58] **Mr Kreft:** We are obviously aware of some of the evidence that has been given previously, not least from Imelda Richardson, the chief inspector of CSSIW. There is a view that care needs to be more flexible, and we would concur with the notion that there are

artificial barriers. However, we would also have to point out that, although there has been some very positive experience in England—in fact, one of our members was talking very positively recently about how changes that they had made had led to a lot of positive benefits—we need to be careful that we do not just rely on a statement of purpose. That, I think, is the CSSIW approach—to set out in a document what it is that somebody is actually going to provide. It is difficult for residents to live with some other residents if their behaviour is challenging. This is where small units come in so well. A lot of the cutting-edge stuff is to use larger organisations, but to have people living in, effectively, very small units. The answer has to be a flexible approach, and we have to recognise that you do not ever regulate quality into a system; you only ever build quality into a system.

[59] This where the quality of the management, how the organisation is run, the quality of the staff and the whole ethos and values on which the service is based, is vital. Where we have very small organisations serving particular communities, which might be a very long bus ride from the next community, we need flexibility in the system. Otherwise, for someone with a particular form of dementia, who needs familiarity, and who might still recognise a relative despite their condition, the last thing they need is to be hawked out somewhere 30 miles away, where the relative, instead of going in every day, goes once a week. This is where we need to be careful and this is why, surely, providers, regulators, commissioners and Assembly Members have to work together in Wales to give us the best chance of coping with the need that is undoubtedly on the horizon for us all.

[60] **Ms Wimbury:** I think what we have at the moment are, effectively, some centres of excellence in dementia care, such as that provided by Peter and Sandra and many other people across Wales. We would not want to lose that, while bearing in mind that it absolutely comes down to looking at individual cases. Is the person's dementia and likely progression going to mean that it would be better for them to move to a specialist centre, or is it better for them to stay where they are at that particular point, looking at their likely progress? That is the decision that has to be taken in individual cases.

[61] **Mark Drakeford:** Thank you all very much indeed. Diolch yn fawr iawn. I am afraid the clock has ticked away and beaten us in terms of any closing statement, but I will just say, as I say to everybody, when you think back over the session, if there are points which you feel have not had a chance to be drawn out with the significance that they warrant and that you want to ensure that we as a committee do not lose sight of, we would be very happy to receive anything further that you would like to send to us.

[62] **Mr Kreft:** There is one issue that we will write to you about, namely the licensing, which is suggested in the new Bill. We will furnish you with our full thoughts on that.

[63] **Mark Drakeford:** Thank you very much. We will look out for that coming our way. Diolch yn fawr iawn. I thank all of you for some very interesting and useful evidence.

[64] Mae'n amser i ni fwrw ymlaen at ein tystion nesaf. Matthew, a ydych chi'n gallu clywed beth rwy'n ei ddweud? It is time to move on to our next witness. Matthew, can you hear what I am saying?

[65] **Mr Flinton:** Yes.

[66] **Mark Drakeford:** Da iawn. Croeso i chi felly, Matthew Flinton, cyfarwyddwr materion cyfreithiol a pholisi yn Bupa. Fel gyda'r tystion diwethaf, gofynnaf am unrhyw sylwadau agoriadol byr sydd gennych ac, ar ôl hynny, trof at aelodau'r pwyllgor i ofyn eu **Mark Drakeford:** Very good. I therefore welcome Matthew Flinton, the director of legal and policy at Bupa. As with previous witnesses, I ask whether you have any brief opening remarks and, following that, I will turn to committee members for their

cwestiynau. Diolch yn fawr am y papur; mae aelodau'r pwyllgor wedi cael cyfle i'w ddarllen, felly drosodd atoch chi.

questions. Thank you very much for the paper; committee members will have had an opportunity to read that, so over to you.

[67] **Mr Flinton:** I have a short statement. First, thank you very much for inviting us to give evidence to the committee. Wales is an important market, if I can call it that, in which we operate, and it is fundamental to us that we are engaged with the processes in terms of the structures here in Wales.

11.30 a.m.

[68] I will share some experience of operating internationally. I know that this is not necessarily Welsh-specific in some cases, but we find that dementia and the conditions people have are pretty much the same whether they are in Australia, Spain, Wales, Scotland or, indeed, England. We currently have 12 care homes in Wales. They are all in Powys as a result of an arrangement we made with Powys about 12 years ago to run its care homes for it. We are looking at opening another one, potentially in Cardiff. There are some discussions going on. There is a site that we hope to exchange on shortly with the city council.

[69] We look after very vulnerable people. We have about 300 beds, and 67% of those residents are funded by the state. The rest pay for themselves. Through our Bupa Home Healthcare business, we provide out-of-hospital care for the Welsh health service across Wales, particularly in relation to drug delivery and some other issues. That potentially gives us the opportunity to operate on a more integrated basis across a spectrum of various settings and types of care.

[70] We are a company limited by guarantee. The organisation whose structure is probably most similar to ours in the world is Glas Cymru in that we do not have shareholders and we do not pay dividends. The overall objective of the organisation is to serve more people and deliver more healthcare over a period of time. We reinvest the profits in the business to provide more and better healthcare for our customers and commissioners.

[71] I know that you are looking at a variety of issues in relation to residential care. I have a couple of brief points to make. Our experience reflects that of others in that the overall level of need of the residents we serve has risen over the years and continues to rise. The whole sector, here in Wales and internationally, is on a scale of escalating severity in terms of the people it looks after. That leads me to a point made in a previous evidence session about the need to professionalise the staff. Perhaps 20 years ago, it was more about a housing solution. It is now much more about a care solution with people having higher levels of need. We do an international survey across all six markets in which we operate. Two thirds of our residents have some sort of neurodegenerative disease, such as dementia, stroke or Parkinson's; three quarters need help with their mobility or are immobile; and 95% effectively have a clinical reason for seeking care—that is the underlying cause of their problem. Looking at UK-wide figures, in 2003, we were looking after about 4,000 people with dementia; by 2011 it was about 7,000, so you can see that there has been quite a large increase in that particular need.

[72] One thing we would say, and these issues are related in various ways, is that, given that gradual increase in need and for increasing professionalisation and, to some extent, medicalisation of what is required—and I use that word as shorthand; I do not mean it quite as precisely as that—funding becomes an issue because, in order to develop care and services, there needs to be sufficient funding to allow for that trajectory to continue on a sustainable basis. The other thing to say is that you are looking at a reform process in Wales, and that gives you an opportunity to take the lead, partly because, from my experience, there seems to be quite a lot of common purpose in the way that you approach things that will hopefully allow you to make progress in a way that is perhaps more difficult in other areas in which we

operate.

[73] **Mark Drakeford:** Thank you very much for that. William, do you wish to start?

[74] **William Graham:** Thank you, Chair. First, thank you for your evidence. An organisation the size of yours clearly has more ability to help raise the pay and status of social care staff. Can you indicate how that is a priority for your organisation?

[75] **Mr Flinton:** In one sense I agree with the previous evidence in that it is a function of training and making sure that people understand the career path. The difficulty is that it has to be at a sustainable level. There is no magic pot of money that is available because of our size. Each individual residential facility, or out-of-hospital facility or service, needs to be sustainable in the long term. In the longer term, the money that comes through the door has to pay for the investment that needs to be made in staff and training. Coming back to the issues of attracting staff, the current economic cycle is difficult. You can get people who want to work in the sector, but it takes quite a special person to work in the sector and do a proper job. You would not want to take everyone who rang you and take them straight onto the floor and have them deliver care. I do not think that it is quite as easy as saying that a lot of people need jobs at present and therefore those people could come into care. They need induction, training monitoring and supervision as they come into the sector. There is no wide pool of people who are already delivering it up to the standards that are potentially necessary for people with very high levels of needs. It is about training and providing people with career paths. In particular areas, we are pretty flexible about how we pay people, and we look at the quality. It is common that it is the quality of the staff that you have in a home that delivers the quality of the service. Therefore, we have to constantly monitor and look at the availability of staff, and make sure that our pay rates are competitive to attract good nurses, carers and home managers.

[76] **William Graham:** Thank you for your candid reply, but the committee is keen to establish how we can encourage better standards not only in the homes themselves, but in terms of the training of staff. Could you indicate what you do on that aspect?

[77] **Mr Flinton:** Some work has already been done in relation to that. There is a Skills for Care induction, which is now compulsory nationally for all care home workers. It is a pretty good programme. Several fairly expert people have put quite a lot of work into it. We operate that induction process and we are now in the process of putting all of our staff, whenever they joined us, although it came into force on 1 August 2011, through the whole induction programme. With 27,000 members of staff, that is quite a big investment in time and effort. People may have joined a month before the official deadline but we need to make sure that everyone is up to the same levels of standards and training.

[78] We operate residential care homes in the technical sense in Wales at present, although we are involved in the redevelopment of the Bwlth Wells care home. A decision has not been made as to who will operate that once it is completed. If it will be us, we will obviously be doing some nursing care work there. We are looking at professional qualifications for the nurses—a development programme and so forth. It is important to attract people in what we find to be quite a competitive market, particularly for registered mental health nurses. They are a relatively rare breed, and we need to attract and retain people of those levels in order to deal with the needs of the people we are looking after in our care homes. There is not one easy answer. The pay is obviously an element, but training and career development are other elements. If there was an easy answer, someone somewhere would have found it by now; but everyone is working at it as hard as they can.

[79] **Mark Drakeford:** Rebecca has a question on this point. I will then call on Kirsty and Mick.

[80] **Rebecca Evans:** We have heard evidence during the inquiry that staffing levels in care homes are not always sufficient to meet the needs of residents, particularly at night time. How do you determine the ratio of staff in your care homes, and do you think that clearer requirements around that ratio would be either useful or desirable?

[81] **Mr Flinton:** The difficulty with staffing ratios and clearer requirements is that they become a default position and they may not be appropriate, whatever level you set. So, how do we determine it? In general terms, we have an overview of how many hours per week we have on average across the business. I do not know what it is in Wales, but that is what we tend to use. However, it depends on who you have in a care home at a particular time, as someone may need 24-hour, one-to-one care. You cannot necessarily legislate for that level of need in a care home, because one person coming in who needs 24-hour, one-to-one care may mean that your staff ratio is wildly out and then, the minute they leave, you have, in theory, too many staff. The reality is that, were you to have a staffing level in which staff were surplus to requirements, then you would end up paying the commissioners and private residents would end up paying for staff that are not needed.

[82] People tend to think of social care as a homogenous service, but it is not; it depends on what people need. There is always a tension between setting minimum standards and giving people what they need, right now, today, or even this hour rather than the next hour. So, there is an element of understanding what the basic levels are, but I would not say that that is necessarily enough to deliver the care that I think all of us would like to see across the whole of social care. A classic example, although we are not directly involved in it, is domiciliary care, where some of the time slots that are given to people to look after people with quite severe needs seem ludicrously short in some cases, but the alternative to that is them having no assistance at all. So, that is something that you struggle with.

[83] **Kirsty Williams:** The committee has spent a great deal of time looking at how people enter residential care in the first place. There seems to be some evidence to suggest that that is different depending on whether you are funded by the state or a self-funder. Would you agree with the evidence given by our previous witnesses, who felt that self-funders tend to go in earlier with lesser needs, as opposed to people funded by the state, who tend to go into residential care at a later stage? How best do you think we could give information to people who are self-funding about the range of options that may be available to them?

[84] **Mr Flinton:** There are two separate questions there, but, to answer your first question, I would have said that I would agree with that were it not for the results of some work that we did in England to help the Dilnot commission, which looked at funding. We did some work looking at our residents by type, because the Dilnot commission focused on self-funders. We looked at 8,000 admissions over a period of two years and we found that, in the main—the figures are in years; I cannot do it in months—self-funders stayed for 1.8 years and state-funded residents stayed for 2.3 years. So, from that, I take it that self-funders are coming in later, because they have the same conditions—these are permanent residents, not respite residents—as the state-funded residents. However, before we did that work, I would have said the same thing as the evidence that was given in the previous session. When we looked at the information that we had—and it seems to be quite statistically significant—the self-funders come in later. When you think about it, it probably makes some sense, given that those people are paying for themselves. The difficulty that that gives you is the issue of whether they leave it too late, whether they prepare themselves and whether there are things that they could be doing. Are they hanging on too long and under-consuming care, and could they perhaps avoid residential care completely if they took steps to keep themselves rehabilitated and so on?

11.45 a.m.

[85] I do not know the answers to those questions. I would say that there needs to be a source of information that they trust that will give them that information. The difficulty that the whole social care system struggles with internationally is that people do not like to think about it, in the same way as people do not go to the doctor when they know that they are really ill. The classic example is people with cancer who knew that they had something wrong with them, but did not want to go to the doctor. It is exactly the same with social care. There is a whole psychological area behind how you get over that unwillingness to confront the issue. What we really want is for people to think about it much earlier and to plan for it so that the outcomes will be better. There is no easy solution, other than there being a very clear source of credible information about what you should be doing right now. Then, on the margins, some people will do that.

[86] This is not directly related to your point, but, assuming that people get to the stage where they have to make a decision, there needs to be some independent view of the quality of the residential care setting that they might choose to go into, because it is a vital decision. It is usually a decision that is made quite quickly under quite a lot of stress, and people do not really understand what they are buying. In our case, we often get feedback from relatives who say, 'I had no idea what I was buying when I came in', but, once their relative has been in our care home, and passed away in many cases, they say, 'I now understand the quality'. They are able to make a decision afterwards, but they were not able to make a decision beforehand, and that is where a regulator could, potentially, come in in terms of not only providing minimum standards but also saying, 'This is a good residential care setting'. They will make mistakes—they will never get it perfectly right—but, in general, if you can achieve that in some way, that will help you to make a better quality decision.

[87] **Mark Drakeford:** Is the evidence that you collected for Dilnot publicly available?

[88] **Mr Flinton:** Yes, we can let you have a copy of that information.

[89] **Mark Drakeford:** That would be very helpful. It would be very interesting to see that. Thank you very much.

[90] **Mick Antoniw:** You are a not-for-dividend company, and, as you say, you reinvest profits back in the business. At the moment, all of your business in Wales is focused in Powys. What is the turnover of your company in Powys?

[91] **Mr Flinton:** I will have to refer to my colleague, who may have the answer.

[92] We do not have the answer. I could do a rough calculation in my head, but I would not want to—

[93] **Mick Antoniw:** What sort of profitability margin do you work on? I understand that you are a not-for-dividend company, but, in terms of your business planning, what do you work on?

[94] **Mr Flinton:** I would say, before I mention the profitability margin, that we are an organisation that owns its own property, therefore we do not make any charge for the occupation of the property. In Powys, for example, the arrangement is that we took over 12 care homes and we invested some money in upgrading the facilities, but we do not pay a high rent for occupying them. My feeling is that the margin will be in the late 20% to early 30%, but that includes reinvesting in the property. We spent £2 million on the homes in Powys last year, which, effectively, comes out of that margin.

[95] **Mick Antoniw:** In terms of planning, would 20% to 30% be an unusual margin?



[96] **Mr Flinton:** I do not think so, but that would include reinvesting in the fabric of the property and so on.

[97] **Mick Antoniw:** The point that I want to come to is, in terms of the model that you have, what do you think is the tangible impact or benefit in terms of the quality, and what do you do to deliver on your ethos of service by virtue of the fact that you do not have a dividend distribution?

[98] **Mr Flinton:** My personal view in relation to it is that we have a financial structure that means, fundamentally, that we have a lot of assets behind us that are not geared up, to use a technical term. I know that Mark has written some articles on the ownership structures and how they matter. The easiest way for me to put this is to say that my chief executive has been in the care homes business, running care homes, for 12 years now. He is not going anywhere, and he is committed to it. The management structure within my businesses has a lot of stability in it, which gives us a level of perspective and experience that is important over time. For example, it is a tough time in terms of fees and public expenditure at the moment. One of the things that may not be clear is that, nationally, across the UK, 70% of our beds are state-funded. It is the same in Wales as everywhere else. So, we are not focused on private provision. We had been through a tough expenditure cycle previously, and we therefore made sure that our structure was robust enough to get us through this current round. As was said in the previous evidence session, we will come out of that at some point. At that point, we want to be stronger and better and providing better services. What that gives you is stability, experience and an ownership structure that is committed to the provision of care over the longer term.

[99] There is one other thing to say about us, which is fairly unusual, and that is that we have a home healthcare initiative, and one of the things that we are looking to do—I think that it will become a theme—is joined-up provision of services. So, hopefully, it will not be just residential care, but a series of services. I do not want to make too much of this, but, in terms of the international experience, the reality is that someone with dementia, whether they are in Spain, Australia, New Zealand or here, has similar issues. In many cases, best practice is transportable. There are things to learn, there are opportunities to share that knowledge, and that is what we try to do. Ultimately, this comes down to the delivery of the service on the ground. That comes down to individual people, but, hopefully, what the structure gives us is the ability to support that and to provide support to our staff. It also gives us the ability to engage with these processes and, hopefully, to assist people in terms of the international experience.

[100] **Mark Drakeford:** Mr Flinton, I would like to follow up on something for one moment. You will have heard our previous witnesses advocate an open-book approach to costs in residential care. I guess that, from their point of view, if you have an open book, commissioners have to respond to the real costs involved in providing this sort of service. Do you think that an open book should apply to providers as well? Should the public purse be able to see more transparently how company accounts are drawn up and the financial health of particular providers? On the one side of the coin, local authorities have to meet the costs, but, on the other, the public purse would be able to see how much it is contributing to care and how much to profit.

[101] **Mr Flinton:** Well, yes. To some extent, there is already an open book, and I will explain the reasons why. The accounts of any company incorporated in the UK are available. Ours are available to other people. The second thing to say is that, in respect of the Care and Social Services Inspectorate for Wales, in common with other regulators, part of the regulatory structure, unsurprisingly, is the ability to understand the financing of the organisations that are delivering care, because that is fundamental to their sustainability and their ability to deliver care. The Southern Cross example, which raised issues in Wales as well

as across the other UK nations, has woken regulators up to the fact that there are issues. However, that said, there are quite a lot of care homes that are going out of business or closing for various different reasons pretty regularly. The fundamental issue with Southern Cross was the sheer scale of what could have happened had it really closed the doors on its care homes overnight. I do not think that that was ever likely to happen, for a variety of different reasons. So, there is an issue of understanding the financial status of organisations that provide care. Where this potentially gets more difficult is that, with a single-site care home, there is no real issue about the relationship with any other parts of the business, either within or outside Wales, but once you get to the larger groups of care homes, decisions are made, such as on charges for management time and so on, which are more difficult to work through and to understand the implications of. So, to some extent, that is why there have been difficulties in the past.

[102] So, I think that there is an open book, but the difficulty that you would have is in defining what you mean by that for a large group of care homes. I am not saying that it cannot be done, but there are some issues that need to be worked through. That process is already going on between certain bigger providers and regulators, certainly across the UK. We have not been asked to do it yet, but that is because of the assumption that, because of our structure, we are financially stable, to be frank. However, I think, or rather I know that it is going on with some other providers.

[103] **Mark Drakeford:** Your evidence echoes what the regulator has said to us, which is that it was confident that, at the level of an individual home, it would probably have a pretty good idea of whether it was financially viable. However, if that home belonged to a much bigger group—and sometimes that residential care group belongs to something that does many other things as well—there came a point at which it felt that it simply did not have the expertise to know whether, although the individual home was viable, what lay behind it was viable, too.

[104] **Mr Flinton:** It also cuts both ways, as there are care homes within our group that occasionally hit financial difficulties, and we support them through those difficulties. If it was an individual care home on its own, it probably would not get through. Frankly, we take the profits from elsewhere in the business and reinvest them in rebuilding that care home and getting it back on its feet again. With an individual care home, you might get a situation where it says to the regulator that it is going to shut the campus down because it is not financially viable, but we could say, ‘No, we can deal with that issue’. So, in principle, it can be done, but it gets quite complicated once you get into the bigger structures, it seems to me.

[105] **Mark Drakeford:** I am just looking to see whether anyone else wants to come in, because, if not, I have another question to ask on regulation. I will ask it while I am looking. One thing that we have heard consistently is that the regulatory framework for residential care is no longer fit for purpose, in that it is insufficiently flexible to recognise the emerging models of the sort that you have already described, in which not just one sort but quite a wide range of care is provided, and sometimes from a single site, but certainly by a single provider. Bupa is an organisation that provides residential care services, but also a lot of services at the more medical/nursing side of things. Do you think that the regulatory system is fit for purpose? Does it need to be made more flexible, as William Graham asked one of our last witnesses?

[106] **Mr Flinton:** I do not regard it as a major restriction on new models of care—not so far, anyway. I am not aware of a situation, either in Wales or elsewhere in the UK, in which we have been prevented from doing something that a commissioner wanted us to do because the regulatory structures prevented it. That is because the regulators, on the whole, are looking for a high quality of care, but they also have a level of pragmatism about what it is that is trying to be delivered. What strikes me about the bigger restrictions on new models of

care, as we discussed earlier, Kirsty, is that, in tight times, the money tends to go to where the people who have really high care needs are, and it is then difficult to bring the money back down to put into preventative stuff. So, that is a restriction.

12.00 p.m.

[107] The second issue is the different funding models for social care and healthcare. There is a real interface in the UK created by the difference between the funding models. It is difficult, although in smaller local markets where there is much more stability about the people involved and much more common purpose, it is possible to get around that structure. In England, there is the example of Torbay, which is not too far from here, where they managed to say, ‘Let us put all that to one side and find a way of creating an admissions avoidance structure’. That is the only example that I have seen with hard evidence of reducing the number of hospital admissions of people who, frankly, should not be admitted to hospital anyway. The King’s Fund looked at that particular issue. However, that was despite the structures. It is a tragedy, to some extent, that what is going on over the border may put that in peril. So, there are ways of doing it, and I would not say that the regulator is the biggest hurdle that needs to be overcome in order to deliver.

[108] **Mark Drakeford:** That is interesting, given that you operate in Wales, and primarily in some of the most rural parts of Wales. We have heard evidence about people being looked after in a home that is not registered to provide care for people who have dementia, and so the point comes at which that person has to be moved maybe a very long way away from where they are, because the system is insufficiently flexible to allow them to continue to be cared for there. That has not been a feature of your experience in Powys, has it?

[109] **Mr Flinton:** I am just looking behind me at my colleague, Conor. I do not think so, but this comes back to being a large provider, to some extent, because it means that we have the resources to draw on to allow us to cope with that issue in a way that may be more difficult for a single-site care home. From where I sit, I do not think that it has been quite so much of an issue for us, but we can perhaps give you a bit more information on that afterwards.

[110] **Mark Drakeford:** That would be useful, given the problems that we have heard of elsewhere. In case there was anything that did not come out in the questioning that you think we ought to take into account as we, quite soon, come to our final thoughts, as a committee, there is one minute left.

[111] **Mr Flinton:** It is interesting for me, as a policy professional—if it is not self-contradictory to call myself that—to see how the developments here are operating and to see the real impetus to make changes in Wales. It is quite an exciting time. The one thing that we have not discussed in much detail, although I know that it is in the background, is my view, based on the Australian social care market, which works pretty well, in some ways, that an element of planning is needed to understand the community’s needs and, therefore, what needs to be delivered with the available resources. Once you get to a certain size of population, you can make a fairly easy demographic calculation about the levels of certain types of care required. That works quite well, and it allows you, potentially, to address this issue of the money always being drawn to where the needs are greatest, and to say, ‘Well, actually, we need this many packages of this sort of care’ and so on. The other thing about that, from a provider perspective is that it potentially allows providers to plan for the package of care that they know will be commissioned, so they can make an investment, because they know that this will happen and that it will not be diverted on a local or tactical level, which can happen. That would be the one thing that I would say and, to some extent, I get the impression that that is the zeitgeist. I think that that is potentially pretty helpful.

[112] **Mark Drakeford:** There are a couple of things that you offered to provide for us as a result of today's discussions. We look forward to having those, but thank you very much indeed for your evidence today. Diolch yn fawr.

[113] Prynawn da i'r tystion newydd a chroeso i'r Pwyllgor Iechyd a Gofal Cymdeithasol. Diolch i'r ddau ohonoch am ddod i'n helpu gyda'n hymchwiliad i ofal preswyl i bobl hŷn. Rydym am fwrw ymlaen gyda'n sesiwn olaf heddiw. Croeso i Eithne Wallis o Terra Firma, ac i Jim McCall, rheolwr gyfarwyddwr Cymru a Gogledd Iwerddon i Four Seasons.

Good afternoon to the new witnesses and welcome to the Health and Social Care Committee. Our thanks to both of you for coming to help us with our inquiry into older people's residential care. Let us proceed with this, the last session of the day. We welcome Eithne Wallis from Terra Firma, and Jim McCall, Four Seasons's managing director for Wales and Northern Ireland.

[114] Byddwn yn cynnal y sesiwn hon yn yr un modd â rhai'r bore yma, sef gofyn i chi ddechrau gydag unrhyw sylwadau agoriadol sydd gennych, gan droi'n syth ar ôl hynny at aelodau'r pwyllgor am y cwestiynau.

This session will be conducted in the same way as this morning's sessions, in that we will ask you to start with any opening comments you may have, and then we will turn directly to the committee members for the questions.

[115] So, if you have any brief opening remarks to make, we would be happy to hear them before we turn to members of the committee for questions.

[116] **Ms Wallis:** Good afternoon. I am Eithne Wallis, and this is my colleague, Jim McCall. Thank you very much indeed for the invitation. We are here to assist you in whatever way we can this afternoon. I work with Terra Firma and Jim is with Four Seasons.

[117] In recent weeks, Four Seasons Health Care Ltd was acquired by Terra Firma. That means that agreement has been reached—in layman's terms, I guess that it was a kind of heads of agreement—and, essentially, we are now in the process of transferring ownership. That has not been fully completed yet, so I need to say that a process is ongoing that may make it difficult for me to answer certain questions, although I hope not. We aim to achieve full ownership by 16 July.

[118] I want to say from the outset that the first priority for Terra Firma and Four Seasons is the continuity of care, so that services continue to be of the same high quality through this period and that, post 16 July, our ongoing commitment will be to the delivery of that high-quality care.

[119] I will just make a couple of quick comments about Four Seasons and then about Terra Firma, to set the scene. As I said, we are here to help. Four Seasons Health Care is the largest independent provider in the health and social care sector in the UK. It operates 445 care homes. There are about 22,300 registered beds in the UK, and I believe that there are two in the Isle of Man and a couple in Jersey, as well. It also has a specialist services division, known as the Huntercombe Group, which comprises a further 61 hospitals and care centres, with about 1,600 registered beds. These provide something a bit different, as they are in the areas of adult, child and adolescent mental health, for example. There are acquired brain injury centres, and others work with neurological disabilities, eating disorders, addiction and children who have specialist needs.

[120] So, Four Seasons overall employs around 30,000 staff and, on any given day, I guess that it cares for somewhere around 20,000 individual, vulnerable and needy men and women, and some adolescents and children. Clearly, Four Seasons makes a very significant contribution to this sector. Making it much more local to you, Four Seasons has seven care

homes in Wales, which are around the mid Glamorgan, Gwent and Cardiff areas. There are 425 staff in Wales and around 300 residents. The registered bed number is around 350. Essentially, these came to Four Seasons only in 2011, as part of the former Southern Cross. Basically, Jim can tell you a good deal more about the condition in which we received them, the investment and the work that has been done there since. Overall, it is a good-news story. There is more of that in whatever direction you want to take us.

[121] Terra Firma itself is one of Europe's leading private equity companies. It invests in essential industries that are undergoing change, or are in need of change. Essentially, our model is one of growing value. In Four Seasons, for example, our objective will be to work alongside the management and the staff there. Terra Firma will not be micromanaging Four Seasons; that is not our capability. It is a partnership model in that sense. It is for us to provide that financial, capital investment infrastructure that gives it new security immediately, come 16 July, and rescues it from its current rather difficult financial situation. It will be our aim to continue to provide further investment where that is possible and sensible in the market.

[122] Our model is to try to work with the teams to improve what is actually there. The ambition is very much to be the very best. Our brand is one of high-quality care. That is how we grow value in partnership with those who actually manage and deliver that front-line social care on a day to day basis.

[123] **Mark Drakeford:** I think that we will probably learn about Four Seasons as we go through the questions. I think that we will turn straight to the members of the committee. Do you wish to start, Mick?

[124] **Mick Antoniw:** Yes. For those of us who are not accountants, perhaps you could explain a little about the private equity element, in terms of where the funding comes from and so on, and what precisely that means within the context of this model?

[125] **Ms Wallis:** Let me say just a little, but I am constrained in terms of the confidentiality of the process at the moment, given that it is actually in process. What does private equity do? Terra Firma manages and invests on behalf of others. The investment, essentially, comes from long-term investors, such as pension funds, usually, endowments and so forth. A fund is created—obviously, I am talking in very simple terms here—with a pool of money that can then be used to spot, identify and acquire businesses for ongoing investment. That is the process here. The total consideration that the acquisition is based upon is £825 million. Around £300 million of that will be financed through equity coming from Terra Firma, with a new debt of £525 million.

12.15 p.m.

[126] Basically, on completion of the transaction all the existing shareholders will be paid off in full. What this acquisition will achieve from day one is a substantial reduction in the debt that is being carried by this business and a new and secure financial infrastructure of investment now, with the potential for additional funding and investment going forward. It gives Four Seasons a new financial strength and more security, and it gives those managing and running the business the chance to get into some good forward planning now, not having to worry about the finances in the way that has dominated their existence over the last four years alongside having to deliver the care that they are there to provide.

[127] **Mick Antoniw:** The pension funds and organisations that put that private equity into the company—what is their primary objective?

[128] **Ms Wallis:** Clearly, as I have just said, what does any investor do? The bottom line is

that an investor—whether it is you with your own private savings or an investor doing it professionally—wants the investment to do well. You will only do that if it goes well and if you create value. You then want to get that money back, at the very least, at some stage further down the line, hopefully with some addition thereby. As I have said, the Terra Firma model is not one that takes dividends as we go; it does not take anything after that initial investment. It is not taking money out of the business as it goes—quite the reverse. It is obviously having to service the debt, but it is reinvesting that, in the case of Four Seasons, to enable a continuing investment in the fabric of the environment, the facilities that are needed and, obviously, the staffing capability and capacity, which is absolutely fundamental. That is the model. At some stage, further along the line, at the very least, that investment needs to be recouped, and hopefully some value added.

[129] **Mick Antoniw:** We heard a little earlier from Bupa, which operates in a slightly similar way in terms of the not-for-dividend element, that somewhere around 20% or 30% might be a reasonable profit margin in terms of the business plan. Do you have any similar targets?

[130] **Ms Wallis:** Those are not figures that I recognise. This is something that is under discussion at the moment, and is not something that I can easily talk about at this moment in time, I am afraid.

[131] **Mick Antoniw:** You will be aware that there has been some unfortunate history with the Southern Cross position, and there has previously been quite a lot of discussion about the role of private equity companies within this particular field. One of the financial reports said that:

[132] ‘During its three-year stewardship of Southern Cross Blackstone banked profits of roughly £1 billion. It also put the company on a path that would lead to huge rental liabilities. By selling off its properties Blackstone pawned its future stability for short-term growth’

[133] and so on. We have heard that the people who put these deals together—the financiers, landlords and previous management—were no mugs; they knew what they were doing and were highly rewarded for their work. That work has put the wellbeing of 30,000 elderly and vulnerable people at risk. What particular assurances or commitments are you able to give that your company is any different?

[134] **Ms Wallis:** First of all, our operating model is entirely different to that of Southern Cross. As I understand it, Southern Cross failed essentially for three reasons. As I understand it, it was run as more of a property company, really, and its operating model involved selling its care homes and leasing them back. It did that with virtually all of its properties at a very high fixed rent based on a judgment of what was going to happen in the market, if you like. Of course, that did not happen. Two other things happened: occupancy levels were falling, and that left Southern Cross in an unprofitable situation and then the local authority fee structures changed. I think that there were also some changes to some of the criteria. That left it unable to meet these very large rental costs. The model itself had some built-in risks that the model in Terra Firma would not have.

[135] First of all, Four Seasons itself is very different in every respect. It is operating successfully and profitably. At the moment, it is a going concern. Indeed, occupancy has been increasing and the ratings are good. As I have said, Terra Firma will aim to work in partnership to help maintain and improve that level of focus. Clearly, occupancy is very important in this world. However, critically, Four Seasons actually owns the majority of its properties, which is very different to the rental situation. The leasing arrangements are much more flexible so that, if the market changes, there is more flexibility with the rentals. They have been designed in a way that will enable them to flex with the market, which, as I

understand it, was not true of Southern Cross. So, the risks are different. It is an entirely different model.

[136] **Mick Antoniw:** To follow that point up, you say in your report that the Four Seasons debt will be reduced from being approximately 95% of its market value down to a sustainable level of approximately 64% of its market value. Of course, if anything happens that has a significant impact on the market value, are you not put into a situation that is almost like that of Greece as far as the viability of the operation is concerned?

[137] **Ms Wallis:** Every investment carries risk. In this situation, an investment has been made in a portfolio of care homes. Clearly, as I have said, the asset backing is very different here and the rental environment is different, and I cannot see that analogy as a good one. This is a much more sound business model.

[138] **William Graham:** Thank you for your evidence. You are silent on the costs of care. I just wish to remind you that previous evidence with regard to older people in residential care has been that the variation in Wales is between £317 in Carmarthenshire and £504 in Torfaen. You operate in various authorities. Do you have a concern about the level of fees presently paid and how that affects your business?

[139] **Mr McCall:** The answer is ‘yes’, quite simply. It was opportune for me to hear the comments made in the previous session by colleagues in Bupa. The issue is really about what we want the service to provide. It is very clear that organisations such as Four Seasons and similar providers can deliver a quality of service contingent on the assessed needs of the individual and/or groups of individuals. The decision that has to be taken by those commissioning those services is basically: ‘What are we prepared to do and how much are we prepared to pay for this?’ You cannot consistently increase expectations. This applies equally to those providing services organised by local authorities or, indeed, by health care trusts.

[140] The big challenge for the Government, if there is to be a comprehensive approach to caring for older people, is to decide exactly what we want that service to look like. We must look at how the regulator sets particular standards and ensures that people like me and the people who work with me deliver to those standards. However, the consequence of doing that is affording the older person the dignity that he or she deserves, and that will not come cheaply. You cannot do it on the back of an envelope. It has got to be backed up by considerable commitment from the Government and communities in order to deliver a comprehensive service, within which organisations like Four Seasons can contribute to the solution. However, I would have to agree with your assertion that the current fee rates are not consistent with the increasing costs of care. Central to that are the increasing standards that older people living in care homes, outside hospitals, have a right to. It is not a privilege; it is a right. Consequently, you have to aim to work to deliver that. We can do it in partnership.

[141] **William Graham:** Do you detect any realisation among commissioners, if we want higher standards throughout the system, and if we want better pay and all of the things that we have heard about in previous evidence, even in these fiscally restrained times, that funding has to occur?

[142] **Mr McCall:** Yes; there is a very real expectation. I have the privilege of having a conversation like this in other parts of the UK, where I work. The challenge is something to do with what is happening in the United Kingdom. We have to consider the huge demographic time bomb that is ahead of us, and we have to think of ways in which the current scarce resources that are within the public purse can be used sensibly and consistently. I believe that organisations like Four Seasons—while hopefully helping your deliberations—can be a part of that solution. The idea that, somehow, independent private-sector businesses, or nursing home or care home businesses sit outside of the influence of Government or local

authorities has to be challenged, because the major challenge facing us today is about partnering up to deliver a synthesised approach to how we deliver care to older people, so that it is no longer a matter of us and them. It is a joined-up approach with agreed and positive outcomes that we can all sign up to, and then we can agree how best we can deliver that service with the associated costs that that might incur.

[143] **Mark Drakeford:** You have said quite rightly, Jim, that the costs of care are not something that can be worked out on the back of an envelope. Would you echo what we have heard from previous witnesses this morning that open-book approaches to this are the best way of identifying the costs to a provider of running a residential care establishment?

[144] **Mr McCall:** Yes. In very simple terms and without qualification, I can refer to specific examples to which I have had exposure in negotiating an arrangement for a service in a particular locality, where the books were opened and given to the local authority to look at how we costed the packages of care for individuals or groups of individuals in a care home. They could satisfy themselves that there was no sense of an obscene take out of what was being provided by the local authority in terms of the care package. It was very clear that there was an agreement about what we were looking for, so that a reasonable obligation could be entered into by both parties—those commissioning the service and those delivering it—so that the quality of the outturn for the individual, and for his or her family, could be seen clearly and could be transparently understood. I found that to be a very useful exercise on a number of occasions. Where tendering for services has been a decision taken by local authorities, it helps everyone to come forward with a proposal as to how they can deliver benchmarked services that can be tested and verified in practice.

[145] **Ms Wallis:** I think that this kind of openness is absolutely critical. It is the only way to get this going and ground your understanding of where the costs currently fall and, frankly, whether they are falling in the right place. If you understand your cost base, you can then start to put your money where it will really make a difference to the quality of care.

[146] **Mark Drakeford:** Do the same principles apply to the provider as well as the purchaser? Under Terra Firma's new ownership of Four Seasons, will the council tax payer in Torfaen, who is paying £500 a week to place one of their residents in a Terra Firma care home, know in an open-book way how much of that money is being spent on care, how much of it is going to service the debt that you will have acquired as a result of acquiring Four Seasons, and how much of that £500 is going into providing a return for the investors that you will have assembled in order to acquire the company?

12.30 p.m.

[147] **Ms Wallis:** First of all, a UK board will be put in place and clearly governance is absolutely key. Part of that governance responsibility is to make sure that Four Seasons is making itself subject to all the inspection and regulatory processes—if it is open-book, that all those requirements are actually being met. Terra Firma also operates in an environment where there is regulation and where the standards, accounts and so forth are looked at, so Terra Firma will certainly comply with everything that is expected of it in this respect.

[148] **Mr McCall:** Just to reinforce the point made by Eithne, several weeks back, and indeed for the first couple of months of this year, we had a very helpful, useful and—again, I emphasise the point—transparent dialogue with the Association of Directors of Adult Social Services. We gave them access to the Four Seasons back room, if you like. One of the difficulties that I have is that there has been a loss of confidence in providers like Four Seasons because of the demise of Southern Cross, and the manner of its demise. I suppose that my challenge is to make sure that we can restore confidence and a level of credibility through fora like this. We were able to bring the Association of Directors of Adult Social



Services into our open-book approach—to use your phrase—to allow it to test some of the concerns that it had and some of its hypotheses about Four Seasons. The net result of that exercise was a very positive response, and some of the initial concerns of ADASS were greatly allayed by that exercise. It reinforces the point about openness and transparency, and indeed trying to find a formula that allows us to be in a partnership role with commissioning organisations and to adequately reflect to you an openness to accountability.

[149] **Vaughan Gething:** That is very helpful. Just so that I am clear: as a point of principle, you are happy to support greater public transparency regarding the financial health of the company providing the residential care service.

[150] **Mr McCall:** Yes.

[151] **Vaughan Gething:** Okay. I am interested in how the structure will be different, as Four Seasons as is is about to disappear and will be owned and run by Terra Firma. As we are all aware, it was not just Southern Cross that had a debt problem—Four Seasons had a debt problem. I know that, in 2009, the £1.6 billion debt was halved, roughly, but the £780 million debt was considered to be unsustainable from Four Seasons' point of view before Terra Firma appeared. I am interested in two points regarding the previous comments that were made. First, on the reference to trading successfully, I do not really understand that if there is ongoing trading, as opposed to trading to match the debt, because my understanding was that the debt was unsustainable. The second point is, in terms of transparency, does this mean that the structure of the company will be changed? Four Seasons previously had holding companies in Guernsey and the Cayman Islands, and the inspectors themselves say that they could not follow the trail of the debt. They were very honest with us in their evidence session when they acknowledged that they could not understand the financing and the financial health of the company because of the structure that it had. So, just to reiterate, can you confirm whether that structure will change, so that it will be genuinely more open and transparent so that the inspectorate can generally understand the health of the company? If you answer those points, I will make some follow-up points afterwards, I think.

[152] **Mr McCall:** I will comment first of all on the terms of CSSIW and the other inspection bodies in the UK. Subsequent to the demise of Southern Cross, the regulatory bodies across the UK, each in their own jurisdictions, have been asking sets of very pertinent questions and asking for explanations about company structures. We have provided CSSIW in this context with an explanation and a history, and, indeed, a diagram of the Four Seasons structure as it is presently constituted. If I can put it in simple terms—and I am not an accountant—we still have the same house, but we have changed the mortgage. So, the front of house part of Four Seasons will be Four Seasons, and the business end, so the delivery end, as far as our homes and residents are concerned, will remain as it is.

[153] In the longer term—and this is something on which I have to reserve comment, although Eithne may wish to comment in more detail about how that might change—the important thing for me, and this is an issue that Eithne raised in the beginning, is sustainability. I have something today that I did not have six months ago. You are quite correct to say that, in 2006, the current leadership of Four Seasons Health Care inherited a debt, and we have spent the past number of years trying to manage that debt, trying to deal with it in an effective fashion, without in any sense compromising or reducing the quality of care provided to our residents. Quite apart from reducing the quality of care provided to our residents, we have enhanced it, because we have concentrated on the quality of the service that we deliver to residents in our care homes. I hope that goes some distance towards dealing with the regulatory concerns. We have sought to be transparent and to give information to all the regulators to allow them to be satisfied with the arrangements.

[154] **Vaughan Gething:** I think that what I was really asking you was whether there will

be more transparency, because the regulators were very clear with us that they could not really understand the financial health of the company because of the structures that were in place. In your evidence paper, you suggest that things will be more transparent. You say that,

[155] ‘The financial health of Four Seasons will be transparent, as quarterly financial reports to holders of the bonds issued by the Four Seasons Group will be publicly available.’

[156] Does that mean that there will still be a holding company in place? It was clearly a problem for the regulator that the holding companies were in different jurisdictions, in that it did not allow them to properly and easily understand the health of the company.

[157] **Mr McCall:** It is a comment that I cannot move much further on at the moment.

[158] **Ms Wallis:** I do not have a definitive answer yet, because these structures are currently being created. The investment is being put together and agreed and these structures are being put in place. Obviously, when those are determined and fixed, more discussion could be had about that. Certainly—

[159] **Vaughan Gething:** However, your evidence states that it will be transparent.

[160] **Ms Wallis:** Yes; I was just about to make that point. Certainly, that is how Terra Firma operates. We are absolutely committed to those principles of transparency. That is what we will do. We will work with whatever the regulation or inspection requirements are. We will sit down with them. From day one, the day of the announcement of the acquisition, we immediately reached out. I am here today to do so. We immediately reached out to each of the four countries—England, Wales, Scotland and Northern Ireland—to start these relationships and to start these connections, so that this can be a good-quality dialogue and so that it can be made transparent. Indeed, to cover the debt, Terra Firma is likely to issue a bond. There will have to be regular reports on the financial health on Four Seasons and the investment not just to the bond holders, but that information in itself will be made public. So, I believe that we are in the process of putting structures together that will hopefully be in place for the date that we are talking about, or soon after, and transparency is very much at the heart of that.

[161] **Vaughan Gething:** On a slightly different, but linked point, our sister committee, if I can use that term, in the House of Commons, has called for a fit and proper persons test for people who run and own residential care assets and properties. Would you have any objection to that test being introduced?

[162] **Mr McCall:** No, not at all; I think that it is entirely appropriate. As the registered owner of a group of care homes, I have to go through a fit person test. That is something that has to be satisfied from a regulatory point of view. In relation to CSSIW in Wales, I had a full assessment to assure the regulator that I was indeed a fit and proper person to be responsible for those homes. The same thing applies in Northern Ireland, Scotland and elsewhere. If there is a further enhancement of that, because of the nature of the business that we are in, namely caring for old and vulnerable people, that would not be an impediment.

[163] **Vaughan Gething:** Okay, that is helpful. I have a final point. I am interested in where you say in your evidence that you resolve to work with service users, families, employees, their representatives and other stakeholders. Some of the evidence that we have had has been about staffing, and, at times, less-than-ideal relationships with employees and their representatives. I am interested in how you are currently working with staff and, in particular, how you resolve the problems with what, at first blush, appeared to be a breach of employment terms, with the non-payment of staff on a weekly basis, and how you engage with staff and their representatives? We all know that the GMB trade union had a recognition agreement with Southern Cross. Having transferred those homes and their staff to you, how

are you working with them, what information do you currently provide to them and what dialogue do you have at present to resolve those difficulties? I know that you referred in one of your letters to staff to increases in the minimum wage as being an issue affecting the trading position of Four Seasons. However, we also know that, at the same time, the chief executive was talking about the inability to deal with the debt burden. I am interested in how that message goes out to staff. It would appear to a member of staff in a care home from that letter that there were wider problems with the group. That is quite an unfortunate and difficult message to be providing.

[164] **Mr McCall:** First of all, with regard to the issue about staff not being paid, that was rectified and a remedy was put in so that staff were paid, despite the fact that it was alleged that they had not been and would not be paid.

[165] With regard to your second point, as an organisation Four Seasons across the UK respects the right of any member of staff to be in a trade union, and, where there is trade union membership, that is understood and respected as part of employment in our homes. We do not have a recognised agreement with any particular trade union. We are working, in many instances, with five separate trade unions or more, depending on how staff in our homes decide where—

[166] **Vaughan Gething:** Do you recognise the GMB, because the agreement would have transferred?

[167] **Mr McCall:** Four Seasons does not have a recognition agreement with the GMB.

[168] **Vaughan Gething:** So, from the Southern Cross staff who transferred who would have had a recognition agreement—

[169] **Mr McCall:** They are no longer employed by Southern Cross; it was Southern Cross that had the recognition agreement, not Four Seasons.

[170] **Vaughan Gething:** But if it is a term in their contract—

[171] **Mr McCall:** It is not.

[172] **Vaughan Gething:** Well, I will not have a dispute about collective terms and whether or not they transfer. You say that you have five trade unions—

[173] **Mr McCall:** At least; there could be more than that.

[174] **Vaughan Gething:** So, in terms of your working relationships with those staff and the information that they are provided with on the future of the company, I am interested in how that is working on the ground in terms of providing assurance to those people in what has obviously been a very difficult few months. The difficulty that some of us have is that your trying to say that you are not like Southern Cross at all is difficult, because there clearly were significant problems in Four Seasons up to a few months ago—well, a few weeks ago.

[175] **Mr McCall:** We have had the seven homes in Wales for eight months. In that period, no-one has lost a job. The homes remain open. No residents have been forced to leave. We have increased the number of people that are employed; there are more employed today than were employed eight months ago. We have stabilised those facilities and we have put a significant amount of investment in place across those facilities in the past eight months. We have engaged directly and personally with staff in the homes to give them reassurance about the continuity of care, continuity of employment and the sustainability of their position. I am in a much better place today, with the announcement by Terra Firma, to confirm the long-

term plan.

12.45 p.m.

[176] No-one is under any circumstances trying to pretend that the position that we inherited as a management team at Four Seasons was a good position, but we have demonstrated, through very difficult circumstances, that we have managed our way through that. We have given our staff their confidence back and some assurances about their position. More importantly, for the local communities where our homes are based, we have given confidence back to the residents and their relatives that those homes are safe. We hope to, and will, develop and improve the quality of care to our residents. That is a much more valid conversation to have than whether or not a union has a right to be the sole representative of a group of staff. I would rather talk about the facts on the ground and what it is like to be a resident in one of our care homes and to be employed as a member of our staff.

[177] **Ms Wallis:** Terra Firma has always maintained good working relationships with the trade unions and businesses. We respect the roles of trade unions and the rights of individual employees to choose to be members. Again, at the point of acquisition, in terms of being transparent and trying to start as we mean to go on by being good communicators, we transparently worked with all of the trade unions involved, letting them know that the acquisition was taking place. We are meeting those who have asked to meet with us, for example, the national officers of the GMB—I am, in fact, meeting Justin Bowden on 19 June, and, after full ownership transfers, there is a meeting in the diary in July. So, we absolutely understand the role and the rights relating to unions and we respect the right of Four Seasons's employees to trade union membership and will work positively with the unions. However, again, we stress that we must work with all of the trade unions and ensure that we maintain communication with all of our staff, whether they are members of a trade union or not.

[178] **Mick Antoniw:** You will appreciate, given the background, why there is a high degree of suspicion and concern. The evidence that we have received from the trade unions is different from what you have told us. In fact, they have highlighted a degree of non-co-operation and obstruction to the point of hostility, which causes serious concern. We are obviously not going to resolve this today, but perhaps I could put this question to you: would Terra Firma welcome a co-operative and proactive relationship with the trade unions in future relationships with the care homes?

[179] **Ms Wallis:** Well, the relationship must be with Four Seasons as the employer—

[180] **Mick Antoniw:** Yes, sorry, with Four Seasons.

[181] **Ms Wallis:** It is not for Terra Firma, as I have said, to micromanage its businesses. It is about team work, with each team bringing the right capabilities and strengths to the matter. We would absolutely want Four Seasons to be respectful of all of its staff, to communicate well with them and to respect their rights and trade union membership as well as the rights of those who are not members of trade unions. We must ask Four Seasons to think about the best interests of all of our staff.

[182] **Elin Jones:** I want to ask you about different matters, and your ability, that is, Four Seasons's ability, to be sufficiently flexible in how it cares for and adapts its care for individuals who have changing needs along the continuum of care, particularly with regard to dementia, ranging from residential dementia needs to nursing needs. Do you see your model of care as a flexible one? If you do, I would like to know about your ability to undertake that care within the regulation regime as it currently exists. Does that provide difficulties and barriers for you in ensuring that the person at the centre of all of this can have continuity of

care regardless of the increasing needs that the individual may have?

[183] **Mr McCall:** The answer is ‘yes’. Again, this is a bit like the previous evidence given to you. Given the size of Four Seasons Health Care we have the opportunity to use our resources flexibly across our various care homes. One of the key concerns—and I hope that this helps to answer your question—is to look at particular facilities and, if they provide a certain form of care, for example, residential care, or, indeed, nursing care for the frail elderly, and a significant number of the residents have dementia or there is a need for a dementia development in the locality, then we would be anxious to look to our existing resources and use them flexibly to allow the needs of individuals to be addressed without them having to move from that particular home to another setting. I suppose the model that we have had across the UK is an evolving rather than a static model, and it revolves and evolves around the needs of our residents. On the comment that was made earlier about regulatory issues, there are some challenges there that may make it difficult for a specific home to be registered both for frail elderly and for a small number of people who have dementia. There is some flexibility there, and some opportunity for getting a better match of regulatory expectations and service outcomes for residents.

[184] **Elin Jones:** So, as an organisation, as a business, you would want to see that flexibility in the regulatory regime, would you?

[185] **Mr McCall:** I certainly would welcome that, but not unconditionally.

[186] **Ms Wallis:** If I may, I would like to say a little about your initial question on flexibility and individuality and whether that provision can be made available, particularly given a population that might deteriorate over time. I have spent time in a number of the Welsh care homes. Obviously, we have been involved for only a few weeks, but, for example, two of the care homes here are good examples of that. For example, the Rookery in Ebbw Vale is a two-storey building where the bottom floor is for the elderly frail, but the second floor of the very same premises has been refurbished and kitted out. It is going through the accreditation process now of the new dementia programme that we have been piloting and rolling out in some places, and it is a very specialised and responsive care package.

[187] **Elin Jones:** Is that the PEARL service that you refer to in your paper?

[188] **Ms Wallis:** Yes, so that is just one example. Another big one is Ty Eirin in Porth. It is a larger building with a capacity of around 90 or 91, and that allows the ability to cluster on the same site. You are not talking about sending someone 90 miles away, or even further down the street. With that larger provision you can cluster services on the same site—multi-provision, if you like. Again, that not only provides for the different kinds of need, but would readily facilitate that change, if you like, in the needs of the individual.

[189] **Mark Drakeford:** That is very interesting. As this session is drawing to a close, would you like to tell us a little more about Terra Firma’s experience in the care sector prior to its acquisition of Four Seasons?

[190] **Ms Wallis:** You should remember that Terra Firma is a private equity company, and Terra Firma per se is not a specialist in delivering care. That is for the staff and the managers. Terra Firma’s current portfolio covers a range of areas, from aircraft leasing to alternative energies and so forth. It is a wide-ranging portfolio in partnership with the experts in those particular fields.

[191] **Mark Drakeford:** Do you have previous experience of care homes? Does that broad

portfolio include previous acquisitions of residential care homes?

[192] **Ms Wallis:** Deutsche Annington was created in 2001 when Terra Firma acquired 64 residential properties from a German railway company. Some of those properties have been sold and some have been leased to tenants. A good deal of the tenants in there are in what we would call, in this country, social housing, and a high percentage of those tenants are elderly. Therefore, we are involved in understanding specialist provision, but in terms of your question as to whether we have previously bought a range of care homes, the answer is 'no'.

[193] **Mark Drakeford:** Would I be right in thinking that, just before acquiring Four Seasons, Terra Firma was involved in a number of other acquisitions, including the Wyevale garden centre group in the United Kingdom?

[194] **Ms Wallis:** Yes. Absolutely.

[195] **Mark Drakeford:** How do you respond to people who say to us that the care of older people is qualitatively different from buying a geranium?

[196] **Ms Wallis:** The day-to-day care of an elderly man or woman is very different indeed to buying a geranium. However, I will go back to what I said originally: there are a number of elements to ensuring that, in this sector, there is enough capacity and capability to provide the high-quality care that we all want for our elderly. Terra Firma is not seeking to be the men and women who actually deliver that care on a day-to-day basis. That would be ridiculous. That is what the nurses, doctors, care providers, managers, and all those deeply experienced people, such as those I met last week, are about. They need an environment of secure funding, where need is growing rapidly and where investment is needed. Terra Firma and the right private equity partners can be a very important element in making some of that investment actually available, and lifting the overall standard as well as actually helping you grow the capacity for what is an ever-growing need.

[197] **Mark Drakeford:** I see that your business plan is based on the contention that you have just outlined: that this is an area in which demand will be rising rapidly. Admissions to residential care in Wales, paid for by the public purse, have decreased by 10% over the last five years, and are predicted to decrease by a further 10%. How does that square with your business beliefs that this is an area where more customers are likely to be coming your way?

[198] **Ms Wallis:** First, I think that that is the evidence in the care homes in Wales. The occupancy has been increasing in the last months since Four Seasons has been running these. The home managers that I spent time with only a few days ago tell me that there are waiting lists, that the quality of the care offer is recognised, and that, far from running short of individuals, there are many people still out there who need that. Our first objective would be to try to maximise the use of the investment that is already there. We want to see this occupancy grow and these services made available for more people. Clearly, if there is no further need than that which is exactly in place already in Four Seasons in Wales, we would not be trying to build or add to it, or whatever. We would take our investment capability to somewhere where there were men and women desperately in need of those services and that provision. That is where we would seek to place it.

[199] **Mark Drakeford:** Jim, I can see that your occupancy levels are up. Did you inherit artificially low occupancy levels because of the Southern Cross experience, where local authorities had stopped placing people in those homes?

[200] **Mr McCall:** That is true. Certainly in one or two homes, local authorities had lost confidence in the provision. I could not disagree with that judgment. We have been working hard to restore confidence at an operational level with staff from various local authorities and

the health boards.

1.00 p.m.

[201] However, I wish to make one point; I appreciate your comment about the reduction in residential requirements. The point I would like to make, however, is that the idea that organisations such as Four Seasons are somehow independent of what is happening in the health and care economy in given areas in Wales is something I would want to move away from. I would like to think that the idea about the number of beds required may change, but that the nature of the service required in a community to keep people at home, through respite provision or step-up and step-down care, allows individuals and families to be maintained. That is where I see us being part of the solution; we can bring something to that particular discussion with the various local authorities, to inform the debate.

[202] I sense that the complexity of need is increasing. I would make the point that some of the people who would traditionally have been in hospital are no longer kept there; they still have high levels of acute and personal care, but they cannot be kept in hospital. Organisations such as Four Seasons have a solution to that in the form of short-term respite care, intermediate care centres and step-up and step-down care facilities that allow us, with colleague organisations, to be part of the broad tapestry of services in given communities. So, I do see an opportunity for growth.

[203] I would just make one other comment, because I cannot really let it lie. An assertion was made that the trade unions are somehow reporting high levels of dissatisfaction and unhappiness with Four Seasons. I run those homes. I am in those homes. I am not aware of these high levels of disaffection and unhappiness. I cannot accept that and I would therefore challenge that question.

[204] **Mark Drakeford:** You are of course welcome to put that on the record. Mick was just reporting what—

[205] **Mick Antoniw:** I was clarifying the point that the trade unions are saying that, in their dealings, they consider the relationships to have become hostile.

[206] **Mr McCall:** That is an opinion.

[207] **Mick Antoniw:** That is why I brought it up.

[208] **Mark Drakeford:** We are simply reporting different perspectives.

[209] We have already kept you longer than promised. I apologise to Members who I know had further questions for you. We genuinely appreciate the fact that you have come here today. We are grateful to you for coming to help us with our inquiry. I am sure that there will be other matters to deal with as the process moves forward. It has been very useful for us to hear from you today. Thank you both very much for being with us. Diolch yn fawr iawn.

1.03 p.m.

### **Papurau i'w Nodi Papers to Note**

[210] **Mark Drakeford:** Rydym wedi dod i ddiwedd ein sesiwn ffurfiol. Mae papurau i'w nodi o dan yr eitem hon, sef cofnodion y cyfarfodydd yn ôl ym mis Mai. Rydym wedi

**Mark Drakeford:** We have come to the end of the formal part of our session. There are papers to note under this item, namely the minutes of the meetings back in May. We

dosbarthu rhywbeth ynghylch y papur am ein  
blaenraglen waith hyd at ddiwedd yr haf. A  
yw pawb yn hapus i nodi'r papurau hynny?  
Gwelaf eich bod.

have circulated something on the paper about  
our forward work programme until the end of  
the summer. Is everybody happy to note  
those papers? I see that you are.

[211] Dyna ddiwedd ein cyfarfod.

That brings our meeting to a close.

*Daeth y cyfarfod i ben am 1.04 p.m.*  
*The meeting ended at 1.04 p.m.*