# The future of Tameside Care Group

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# Summary

### The example of Tameside

Tameside MBC was the first council to externalise its residential care services almost a decade ago. It no longer directly provides any residential care for the elderly in the borough. The importance of the lessons arising out of this experience are especially crucial at a time when many local authorities are considering whether to continue to provide such services in-house.

### Mismanagement

This report shows a catalogue of mismanagement of a key service to vulnerable, elderly people. Tameside MBC created the worst of both worlds - it established a trust (Tameside Community Care Trust) and hived off its residential care services into the Trust's subsidiary company (Tameside Enterprises Limited which subsequently became Tameside Care Group). But the council then mismanaged this structure through political appointments, poor management, weak financial controls and lack of transparency.

Over the last decade there has been a constant need for the council to intervene in the activities of the Tameside Care Group. The council agreed to support the company in the early 1990s in circumstances where it may not have survived if it had been an independent private firm. The political and financial issues raised by the District Auditor in 1993 have never been fully resolved. This situation is likely to continue unless a new strategic approach which confronts the problems of the Trust and the way in which residential care services are provided is developed and implemented.

### Failures of the trust model

This report shows that the establishment of Tameside Community Care Trust, and a private company under its auspices, was not in the best interests of the local community. Trust status did not shelter the organisation from the pressures of being an independent body separate from the local authority. The original aims of establishing a Trust have not been maintained. It seems that the charitable ethos of Trust status has not been applied to its subsidiary, the Tameside Care Group.

A minority of authorities have followed Tameside's lead and transferred care homes to a trust. Similar problems have occurred especially with regard to treatment of staff. Plans to take advantage of financial arrangements and the potential to borrow money for capital works have overlooked the damaging effect on staff, and in turn, the quality of care. The future of residential care for the elderly is at risk if councils continue to pursue the transfer option without guidelines and guarantees in terms of transfer of employees, financial controls and clear lines of responsibility between councils, in-house services and external providers.

### Responsibility for residential care services

Tameside MBC has mistakenly distanced itself from the recent problems of the Tameside Care Group, claiming that it does not own or control the company. There remain however major issues of responsibility for the future of the service. The council states that the company and the Trust are totally separate from the council, but as this report shows, they are inextricably linked. The company has six shares, one of which is owed by the council and the other five by Tameside Community Care Trust, which was set up, and whose trustees were appointed, by the council. The direct involvement of the council is also shown through the role of advisers to the Trust, all of whom have statutory responsibilities for council services but at the same time are advising the Trustees, and in turn, the privately run Tameside Care Group.

Clarification and transparency are needed in terms of the council's relations with the Trust and Tameside Care Group. The recent pressures put on the company by the council in terms of reducing costs are unlikely to have been tolerated by the private sector.

## Financial priorities

The long term future of the Trust and its subsidiary company remains uncertain. As a stand alone organisation the company has been highly vulnerable to economic pressures to increase efficiency and cut costs. Tameside Care Group has been unable to absorb even minor reductions in funding and has accumulated large debts. The question of whether economic pressures are accommodated entirely internally by the company has never been resolved, since the council has taken different approaches at different times. It is clearly crucial that the relationship is clarified for this and any other partnership arrangements established by the council.

Financial management was extremely poor in the first three years operation of the company and these problems have continued. At the same time as Tameside Care Group expanded its operations and increased its long term capital debts by purchasing seven managed homes from the council, the company attacked pay and conditions of the workforce and incurred a potentially greater financial burden in the longer term, as well as threatening the quality of the service.

The most recent problems have arisen since the council moved from its position of supporting the Care Group through financial difficulties to one where it sought to squeeze further savings out of residential care by reducing fees. In turn the company substantially reduced terms and conditions of employment without any serious consideration of alternative options. This came on top of a five year pay freeze and and an improvement in the company's pre-tax profits. The clear strategy to depress pay, terms and conditions further in what is already a low paying industry has had social and economic consequences for staff and for the borough.

## Impact on staff

Throughout the history of the Trust and its subsidiary company financial savings have meant reductions in staff costs, with all the decreases falling on already low paid and undervalued staff. The staff working for Tameside Care Group have been poorly treated for nearly a decade and any improvements in the condition of the homes have been at the direct expense of care workers and domiciliary staff, most of whom are low-paid women workers. 200 staff went on strike in March 1998 and were sacked by the company. A year later the dispute is unresolved; an Industrial Tribunal set for June has already cost the company large sums in terms of legal fees, employment of agency staff and disruption to the service.

The average difference between the local authority pay rate and that paid by Tameside Care Group is £1 an hour plus the cost of reduced conditions of employment and reduced employer costs. On pay alone, full time staff are at least £2,000 (part-time staff about £1,000) worse off a year than if they were paid at local authority rates. On the basis of 300 full-time equivalent staff this represents a loss of £600,000 per year in terms of pay alone to staff and their families, and to the local economy.

## Impact on residents

Residential care is a highly labour intensive service. Major changes in staffing and the inevitable lowering of staff morale brought about by Tameside Care Group have affected the quality of care for the elderly in the borough. The researchers did not have direct access to views of residents, but are aware that several care homes have faced problems in achieving satisfactory standards of provision.

## National implications for care staff

The actions of Tameside Care Group have implications for the future of the service nationally. Caring is still perceived as a low-status health care role and rates of pay in the independent sector reflect this. Poor conditions of employment such as sick pay and pensions also apply to care workers and the domestic staff, such as cleaners and kitchen staff, working alongside them. The jobs of care assistants and domestics in care homes are amongst the most undervalued occupations in the UK.

These staff merit higher wages and improved terms and conditions of employment in the majority of cases. The growth in low paid and undervalued employment in the independent care sector is also contributing to a situation within the economy where women are more than twice as likely to be low paid as men.

## Wider application of the trust model

In spite of the major problems associated with hiving off the borough's residential homes, the council is now planning to set up a trust for Leisure Services. In addition, Tameside MBC is proposing a Large Scale Voluntary Transfer of all its remaining council housing stock to a trust. At this rate, the council could soon have very little direct responsibility for several core services and staff working in them.

In spite of trusts having charitable status, commercial factors and market forces are the key driving forces in the independent sector, and financial issues have dominated the performance of trusts and arms-length companies. The savings made under the transfer option nationally have largely come from wages and conditions and a reduction in staffing. In addition, there has been increased use of temporary and casual staff, less training and fewer resources for health and safety measures.

## Best Value

Best Value will be applied to all council services, including residential care. A Best Value review will be required which takes a broad view of the quality of service and takes into account user and staff involvement, accountability and plans for continuous service improvement. Whilst it is recognised that capital investment in residential care is necessary, the current emphasis on the physical standards of the homes is misdirected. A review also needs to consider and recognise the quality of care provided by staff - an area which will be given much greater emphasis under Best Value.

## Recommendations

We recommend:

**1. 1. An investigation by the Audit Commission into the financial affairs and management of the Tameside Community Care Trust and Tameside Care Group**

**2. A Best Value Organisational Review into the operation of Tameside Community Care Trust and Tameside Care Group**

A full evaluation of residential care services in Tameside is required to highlight the key issues in running the service.

The review should focus on:

* The operation of the Tameside Community Care Trust and the role of the council and its officers.

* The use of public finance in supporting the Trust and the Tameside Care Group.

* The extent to which the Trust has maintained and implemented its social welfare and community objectives.

* The extent to which Tameside MBC has incorporated wider social and community objectives into its relationship with the Trust and Tameside Care Group.

* Future options for the service.

**3. Best Value Service Review of Residential Care Services in Tameside**

Tameside MBC should conduct a wide ranging review of the future of residential care services, in the light of the findings in this report, the Best Value framework, the Government's Consultation Document *" A new approach to Social Services Performance"* 1999 and the Royal Commission Report on Long Term Care for the Elderly.
This should include a long term strategy (five years) for residential care as part of a wider social services policy for the borough. This will assist in guiding the council in deciding on the most appropriate strategy to adopt over the next year in relation to the services provided through the Trust and Tameside Care Group.

**4. Code of Conduct for Trusts**

Tameside MBC should immediately establish a clear code of conduct for trusts. This should cover corporate policy, employment, financial matters, organisational issues, performance information and reporting arrangements.

**5. User and employee involvement**

Service users, the local community, staff and trade unions should be directly involved throughout the Best Value service and organisational reviews conducted by Tameside MBC.

# Introduction

## Aims of research

The key aims of the research project were to:

* Clearly document the detailed activities of Tameside Community Care Trust and Tameside Care Group over the past decade.

* Highlight the wider implications of the model adopted by Tameside MBC for users, staff and the community.

* Draw out the national and longer term implications for the externalisation of residential care services.

* To explore alternative options for the future of residential care services in Tameside in the light of the Best Value requirements.

The report was commissioned by UNISON North West region and funded by UNISON nationally. The research was conducted during the period January-March 1999.

## Methodology

Research for the report involved analysis of council reports and other relevant documents including company accounts and information on the Trust. The work also included meetings with UNISON full-time officials, Tameside branch officers, and staff who have worked for Tameside Care Group. Additional information was also obtained from Greater Manchester Low Pay Unit, Labour Research Department and UNISON's Bargaining and Support Group.

The work was carried out by the Centre for Public Services. The Centre has extensive experience of working with UNISON on externalisation and outsourcing and on residential care, both nationally and with branches.

## The trend to trusts

Tameside Community Care Trust and Tameside Care Group are part of a recent move to establish residential care organisations in the not-for-profit sector nationally. This sector consists largely of arms length companies and trusts established for the transfer of local authority homes. The sector has recently experienced major financial difficulties and widespread industrial action by staff facing cuts to terms and conditions of employment.

Independent operators, which include the non-profit sector have common characteristics.

They are:
* Currently economically unstable.
* Prioritising cost and profits/surplus over quality of care.
* Limited innovators in terms of new developments in care.
* Poor employers with a track record of cutting terms and conditions of employment and low pay.

## "Partnership" in the context of trusts

The lessons from Tameside MBC's partnership with the independent sector needs to be analysed. Partnership can take many forms and in this sector has usually involved the transfer of homes to a non-profit organisation (in this case the subsidiary of an existing trust).

However, there are many potential problems which mirror those in the private sector. Trusts operate at a distance from local authority and are in effect another form of externalisation / privatisation. Competition is also likely from private sector organisations waiting in the wings to diversify their services and expand their markets.

Trusts are run by a board of appointed and elected members over which there is usually little local authority control and little potential for user or staff involvement.

Partnerships involve complex financial and legal arrangements through contracts which can weaken the position of the local authority in terms of ensuring service quality, monitoring and evaluation of the contract.

Not for profit organisations are forced to act commercially by adopting business values, reducing costs and generating income. These factors, rather than quality of care, have dominated the activities of the transfers of care homes to trusts and not-for-profit organisations so far.

The Top 10 voluntary providers have almost 20% of the sector's capacity already. There is bound to be more concentration of ownership as competition for market share increases nationally.

### The importance of local authority quality care

It is essential when examining residential care services to constantly return to the key advantages of in-house provision. These elements have remained important in the vast majority of local authorities where residential care is run directly by the council. These elements will also be highlighted through the requirements of Best Value:

- Choice of provision for elderly; how will the needs of residents be met in the future?
- Quality of care requirements are labour intensive - how will the service be organised to recognise the importance of highly skilled and experienced staff?
- Good quality care is the prime motive of local authority provision rather than profit and market share.
- Integrated community care services.
- Public provision provides a benchmark for private and voluntary sectors.
- Good quality employment conditions in a sector noted for exploitation.
- Training, skill and care base within the service.

The council should recognise the key features of sustaining high quality services and an assessment be made of the wider social and economic consequences of alternative options for the future of residential care in the borough.

Part 1.

# Structure and ownership of Tameside Care Group

## Introduction

The Tameside Care Group has responsibility for eleven elderly persons homes and one nursing home. The company also runs day care services for older people.

The establishment of a trust by the council in the late 1980's, which in turn established a company to run the residential care homes, was fraught with complexity and confusion. The following chapter aims to clarify the council's involvement. In conducting the research it was clear that lack of transparency in terms of ownership and control raised major issues of democratic accountability. The following diagram shows the connections between the council, the Trust and Tameside Care Group graphically.

**Tameside MBC**
|
**Tameside Community Care Trust (established by Tameside MBC 1990)**
Trustees appointed by Tameside MBC — Advisers to Trust (Senior Council Officers)
|
**Tameside Care Group Ltd. (1993)**
(previously Tameside Enterprises Limited, established by Tameside MBC 1985)
|
**Subsidiaries**
/ \
**Meridian** — **Tameside Homecare**

## Tameside Community Care Trust

The Trust which has charitable status, was formed as a separate legal entity in 1990. The trustees, assisted by their advisers, are responsible for formulating strategy and policies for the Trust including entering into partnership arrangements with Tameside MBC and a number of housing associations. The Trust supports housing schemes for people with learning disabilities and mental health needs. In 1996/97 41 people benefited from these schemes. It is unclear what the sources of income are for the Trust.

The original trustees appointed by Tameside MBC included two local MPs and the local MEP. The published accounts (year ending 31st March 1997) show that the trust's registered offices were in the local authority but that it did not employ anyone. The secretary to the trust is the Chief Executive of Tameside MBC.

The advantages of a charitable trust are that it is a non-profit organisation and can obtain business rate relief and VAT savings. Trusts should operate at a distance from the local authority and are in effect another form of externalisation. Subsidiary trading companies do not have to comply with the Charities Commission jurisdiction but will have to meet the requirements of the Companies Act.

Trustees appointed by a local authority have exactly the same duties and responsibilities as other trustees. They must act independently of the local authority which appointed them and act only in the best interests of the charity, even where this may conflict with the local authority appointing them (Charities

Commission, 1996a).

Initially the trustees were offered shares (which equated to 50% of the shareholding) in Tameside Enterprises Ltd. - a private limited company. *" The company is prepared to assist the charitable trust within joint financial arrangements to bring schemes to fruition which the Trust alone could not undertake* (Report to Policy and Resources Committee, 6th February 1990).

The Trust still has a majority holding (83%) in the issued share capital of Tameside Care Group Ltd. (previously Tameside Enterprises). It is responsible for the **strategic** running of the company but does not exercise control over the **day to day** activities of the company. However, in practice the Trust has immense influence over the company and its operations.

The Trust company is governed by trustees, who hold five shares on behalf of the Trust and meet with the advisers on a monthly basis, but the minutes are not publicly available. In 1996/97 the number of trustees increased from three to five, though Tom Pendry MP for Stalybridge and Hyde, resigned on 24th October 1997.

Andrew Bennett MP for Denton and Reddish. Trustee since formation.
Tom Pendry MP (Resigned 1997) Accepted as a trustee of the leisure services trust.
Jack Thornley. Also a director of Tameside Care Group.
Michael Custance from 20th September, 1996.
Maurice Sharples from 6th December, 1996.

The advisers to the Trust are all senior Tameside MBC staff:
M. Greenwood (Secretary). Chief Executive of Tameside MBC.
J. Smith (Care Adviser), Director of Social Services, Tameside MBC.
R. Blackmore (Financial Adviser), Director of Finance, Tameside MBC.
D. Parr (Legal Adviser), Borough Solicitor, Tameside MBC.
D. Hagg, Assistant to Chief Executive, Tameside MBC.
D. Postlethwaite, Assistant to Director of Finance, Tameside MBC.
C. McKinless, Deputy Director of Social Services.

The leader of the council, R. Oldham also attended meetings of the trust up to about 1995.

The direct involvement of the council is shown through the role of advisers, all of whom have statutory responsibilities for council services but at the same time are advising the Trustees. In turn, they have the potential to influence the privately run Care Group. For example, Tameside's Director of Finance responsible for drawing up the council's expenditure is also adviser to the Trust and has direct access to the Trust's financial information and presumably that of the Care Group. In addition, the Borough Solicitor is able to advise the Trustees about employment issues.

The Charities Commission has stated that advisers to the trust must always advise what is in the best interests of the charity and with no element of self interest (Charities Commission, 1996b).

## Tameside Enterprises Ltd.

In 1990 Tameside Council transferred 12 council run elderly people's homes to Tameside Enterprises Ltd. which was originally formed in 1985 as an arms length company from the council, primarily involved in capital housing projects. The purpose of the transfer was to allow the company to obtain finance to bring homes up to standard, while managing the homes rather than owning them. The shareholders were Tameside MBC (one share) and Tameside Community Care Trust (five shares).

The council provided support to Tameside Enterprises Ltd. and it functioned as an operational arm of the council - wholly owned and under its direct control. Following a review of the structure in the light of the new regulation for companies under the Local Government and Housing Act 1989, the council created a further company, Tameside Enterprise Developments Ltd. to take over the housing development activity, and formed a charitable trust - the Tameside Community Care Trust (see above). As part of the constitution the council gave up its right to nominate directors and no more than one council member could serve on the board (District Audit Report, 1993), but it could continue to nominate and approve the appointment of trustees.

The company was headed by Paul Stonier (Tameside MBC's then Director of Policy Services) and Simon Walker (Chairman of the council's Estates and Economic Development Committee). Mr. Stonier, who was appointed as full time company secretary and executive director left the council's employment, whilst Simon Walker was appointed as full-time assistant company secretary but remained as chairman of the council's estates and economic development committee. In addition, the leader of the Council, Roy Oldham, was director of a subsidiary of Tameside Enterprises Ltd. set up to oversee property projects.

Following the revelation of gross financial mismanagement and debts of £2.2m (see Part 2) Simon Walker resigned his position as Assistant Company Secretary and Paul Stonier was sacked.

An emergency financial package was put together by the council and the Co-operative Bank and the company was re-named. The District Auditor's request that the company should break its ties with the council did not occur. The company merely changed its name to Tameside Care Group.

### Dissent

In 1993 seven Labour councillors from the Ashton party called for a public inquiry and the immediate dismissal of Tameside Enterprise's top management. The leader Roy Oldham suspended the seven councillors. The Labour Group survived the storm and the councillors were re-instated. At the same time cuts were enforced on the workforce and several Labour Party appointments resigned from key positions in the company.

## Tameside Care Group Ltd.

The interdependency of the Trust and its subsidiary company remain. In September 1994 the name of the company was changed from Tameside Enterprises Ltd. to Tameside Care Group Ltd. and Alan Firth was appointed as Managing Director. One of the first steps taken by the Tameside Care Group was to seek to seek to remove staff from national conditions and introduce local terms and conditions alongside a 10% pay cut and reductions in sickness payments and shift pay.

Directors:
Jack Sutcliffe, Liaison officer
Jack Thornley, Solicitor holding 5 shares (£1 each). The shares must be held on trust for Tameside Council. Mr. Thornley is also a trustee of Tameside Community Care Trust.
Alan Wainwright, Chairman.
Norman Mackie
Alan Firth, Managing Director.

Company Secretary:
David Hempstock, Finance director.

New director from 1998:
Michael Farmer

The directors do not have a beneficial interest in the share capital of the company.

The company has two subsidiaries **Tameside Homecare Services** and **Meridian Homecare Services**. Some council home helps are thought to have transferred to the Tameside Homecare Services but no separate company accounts are filed under this name. The two directors of Meridian are

Alan Wainwright and Alan Firth. The company secretary is D. Hempstock. All three are also directors of the Tameside Care Group. Meridian provides domiciliary care services and in 1998 had a turnover of £135,705. This represented a large growth on the previous year when turnover was only £20,953. The company has no fixed assets and employs only one person on a permanent basis. Weekly nursing and auxiliary staff are employed on an agency basis and do not have contracts of employment.

### Goldsborough

Alan Firth, who became the director of Tameside Care Group Ltd., was a director Goldsborough Homecare Services Ltd. (Company Accounts, 1992). He also had a number of other directorships including Goldsborough Ltd., Goldsborough Homecare and Nursing Services Limited, Goldsborough Homecare Services (Herts) Ltd. ( Parent Company Goldsborough Healthcare PLC) and Goldsborough Homecare Services (Middlesex) Ltd.

Whilst he no longer appears to hold directorships of any of the Goldsborough companies he has directorships in Tameside Care Group Ltd., Meridian Homecare Services Ltd., and Tameside Homecare Services Ltd. Alan Firth was also a director of Tameside Enterprises (Developments) Ltd. up to 1994.

In 1996 Goldsborough Homecare and Nursing Services Limited acquired the trade and net assets of Goldsborough Community Care Services Limited. The company had a turnover of £21.8m in 1996 and employed 268 staff directly and another 3,107 staff through homecare services agencies. Two of the three directors, who, alongside Alan Firth were directors of Goldsborough Homecare Services, became directors of Goldsborough Homecare and Nursing Services

Goldsborough Healthcare PLC and its subsidiaries was taken over by BUPA in 1997 for £76m. Goldsborough has a home care contract with Tameside MBC for the period September 1998-31st August 2000.

## Part 2.
# Performance of the Trust and company

### Introduction

This section documents some of the problems faced by the council in terms of the financial dealings of the company. The impact on staff and the service are set out in Parts 3 and 4.

### District Audit Report

A report by the District Auditor followed the major financial difficulties faced by Tameside Enterprises Ltd. in 1991-93. This included financial losses amounting to about £1m in both 1991/92 and 1992/93. In addition, financial support was given by the council to the company; this amounted to £523,000 in 1993. The problems arose at a time when the Chief Executive of Tameside Enterprises claimed that company was doing well. The District Audit report concluded that "*the council did not pursue its concerns about the adequacy of the financial arrangements introduced by the company as vigorously as it should have done*."

The report showed that the non-executive board members failed to achieve the aims of the trust *"safeguarding the elderly persons homes by ensuring they stayed within the public sector culture and direction whilst taking advantage of the freedoms and flexibility the private sector had to offer".*

The District Audit report showed that access to information systems and financial records was problematic leading to problems in terms of monitoring the company's financial position.

In terms of the appointment of directors the District Auditor stated *"their appointments appear to have had more to do with political affiliations than with the relevant skills or expertise they had to offer".* The same argument applied to the appointment of key management staff. In addition, the report stated that the council did not exert its influence as a major shareholder to ensure that the company acted as the council intended. The report called on the local Labour party to reconsider its shareholding in Tameside Enterprises Ltd. and the council to sever links to the company where appropriate.

### Financial impropriety

At the same time as major debts amounting to over £2m were revealed in 1993, a council report catalogued examples of financial mismanagement and improprieties within Tameside Enterprises (Report of Tameside Director of Finance, November 1993). See Appendix 1.

### Expansion

Tameside Enterprises sought to expand rapidly once the residential homes had been transferred from the council. In 1991 money was ploughed into a £3m project to create a 100 bed nursing home on the site of the former Hyde Hospital.

A subsidiary, Stockport Enterprises Ltd., was created to take over the running of eight homes from Stockport Council. However, Tameside Enterprises Ltd. subsequently lost the £150,000 a year management contract for running the eight homes. Since then there has been modest expansion into homecare services through its subsidiaries.

During 1996/97 the Care Group opened a second domiciliary care agency based in Stockport. *"A number* *of tenders have been submitted in Tameside and adjoining boroughs to increase the Group's overall presence."*

### Acquisitions

During 1997 the company bought seven of the eleven Tameside care homes, increasing the number of beds owned by the company to 389. The ownership of the four remaining homes, which the company manages, will be subject to discussion with the council since the lease expires at the end of March 1999.

### Increasing the contract base

Tameside Care Group also has a number of other contracts with Tameside MBC.

In 1995 it was awarded a contract for day care services for older people with provision for 80 people. This was renewed in 1998 for another three years at a value of £688,000.

The company also runs care support to tenants of a sheltered housing unit with a value of £38,440 and luncheon club and meals provision contract providing 19,400 meals with a contract value of £107,880.

Table 2.1:**Tameside Care Group contracts with Tameside MBC, 1999**

| Contract | Date contract awarded | Length of contract | Value |
|---|---|---|---|
| Residential Care Homes | 1990 | no block contract | current value unknown* |
| Day Care Services | 1995 | 3 years | |
| | 1998 | 3 years | £688,380 |
| Care Support to tenants | 1998 | 1 year | £38,440 |
| Luncheon/Meals provision | 1998 | 1 year | £107,880 |

Source: Tameside MBC, 1998.
* no current figures available from Tameside MBC.

Tameside Care Group increased staffing by 13 to meet the needs of the day care services contract but sought to minimise employment costs by employing casual day centre staff on £3 an hour and new day centre staff on £3.25 an hour in 1996.

## Financial implications

Tameside MBC pursued a strategy of financial savings in hiving off its residential care services. Financial priorities have also determined the activities of the Trust and the company, although mismanagement has caused severe difficulties. The full costs of financial errors have never been revealed but we have sought to put together information and highlight the errors of pursuing savings in a situation where the wider interests of the local community, the residents and employees are overlooked.

When the Trust and the company were set up to take over the residential care homes, the Council was urged to ensure that the scheme was financially sound from both the Council's point of view and from the point of view of the ability of the Company to undertake the scheme. Within a very short time it was clear that this element was mismanaged with virtually no financial control.

## Initial arrangements

In April 1990 the Council entered into a "block contract" with Tameside Enterprises Ltd. to provide residential care. The terms of the lease required the company to pay the council an annual rent of £300,000, subject to review.

Before transfer the provision of residential homes for the elderly in Tameside cost the council £3.19m (1988 prices). It was estimated that following transfer the annual running cost of the homes would increase by £1.17m due to a number of factors including higher care ratios, management and administrative costs and refurbishment to meet registration standards. The Council argued that savings could be made through the transfer and reduced responsibility for any new admissions to the homes. The financial arguments made at the time were basically wrong; the savings arguments do not hold up when we unpick the financial problems which have faced the company since it was established and the long term costs to the council.

## Tameside Community Care Trust

Established in 1990, the Trust has always had a limited financial role. By the end of March 1997 the Trust had a cumulative surplus of £51,346. The Trust also had a rental income of £343,904 and spent £317,638 on support costs for housing schemes for people with learning difficulties and mental health needs. The Trust does not have any direct control over the day to day running of its subsidiary company Tameside Care Group. There is lack of clarity in the accounts for the Trust in terms of how exactly how income is generated (most of it through rental income) and any surplus distributed (how charities are chosen as beneficiaries). The accountants for 1997 also conclude that they could not obtain all information and explanations for the audit and were unable to determine whether proper accounting records had been maintained.

## Tameside Enterprises

The company's financial performance for the first three years showed large scale losses after the first year of operation, in spite of independent financial advice which forecast that the company would achieve a cumulative surplus of £50,000 by the end of the fifth year of operation.

| | |
|---|---|
| 1990/91 | £81,382 profit |
| 1991/92 | £1,001,618 loss after tax |
| 1992/93 | £1,076,402 loss after tax |

The company had major financial difficulties by 1992. The company and the council brought in external consultants in 1992/93 to assess the future viability of the company. A new executive director was appointed with responsibility for the company's finances.

In March 1992, Tameside Enterprises reported to the trustees that a small loss for 1991/92 was expected but that the accounts for 1992/93 would show a small profit. Two months after the Executive Director reported that income targets were being achieved, financial consultants found a loss of nearly £1m for 1991/92 and further substantial losses projected for 1992/93. By 1993, four Labour councillors claimed the losses amounted to £3m.

In addition, a report on the company found that it did not secure value for money in its contracting procedures. Whilst financial problems were mounting, the managing director, Paul Stonier received a 44% pay rise during the year 1991/92 and a major cuts package for staff was introduced.

The Council adopted a range of measures to help the company during 1993. This included a "landlords" contribution of up to £450,000 to help cover the cost of work already undertaken relating to structural and other repairs and refurbishment. In addition the annual rent payable to the council by the company was reduced by up to £250,000. At the time major concerns were raised about the fact that the council gave the company financial support, support which would not have been given to a private contractor. In addition, savings were made through cuts in terms and conditions of employment.

The Council arranged to recoup costs by reducing charges payable to the company in future years and interest charged on money owed by the company. The District Auditor stated in 1993 that savings of £700,000 had been made and that £3.3m had been spent on improving care standards in the homes. In a report by the leader of the Council in 1993, it was stated that the cumulative savings since the homes were transferred was £4m. However, no further detail of how the savings were made or the investment was financed were provided. For example, the cost of the council's investigations in terms of officer time and council resources are not itemised in any of the reports. The lack of financial controls by the company was clearly due to major errors on the council's behalf in terms of setting up the company, as well as the appointments including management structures and appointment of staff with lack of expertise.

## Tameside Care Group

Following management reorganisation, financial assistance from the council and reductions in terms and conditions for staff, the company was in financial difficulties again by 1995. In 1996 the council announced a substantial rent increase for the Care Group. As a result the company decided to buy seven of the eleven properties with a loan of £2m from the Bank of Scotland (at an interest rate 2% above the base rate) and a £500,000 loan from the local authority (at an interest rate 4% above the base rate). A covenant was attached to the Bank of Scotland loan imposing a requirement that the wage bill should not exceed 67% of income.

Table 3.1 shows an improved financial position in recent years, but behind the figures there are major issues about long term economic viability, outstanding debts and the treatment of staff.

Table 3.1: **Tameside Care Group: Finances 1996-98**

| Year | Sales £000's | Pre-tax profit £000's | Number of employees | Paybill £000's | Average pay per employee |
|---|---|---|---|---|---|
| 1996 | 8,469 | 218 | 769 | 5,082 | £6,608 |
| 1997 | 8,944 | 150 | 767 | 5,132 | £6,691 |
| 1998 | 9,029 | 776 | 772 | 5,273 | £6,831 |

Source: Tameside Care Group Company Accounts

In 1998 the company had a turnover of over £9m and pre-tax profit of £775,831 after paying interest charges of £667,462. In the previous year the profit level was much lower following an exceptional pension charge of £750,000. The company followed its highest pre-tax profit levels with announcements of major cuts in terms and conditions of employment to sections of the workforce. The reason given was financial viability following substantial reductions in fee and grant income from the local authority and local area health authority.

The company has assets of £8.5m, which fall to £6.61m when current liabilities are taken into account. Its long term debts amount to £7.3m, primarily made up by a £5.8m bank loan (due to commence after one year), £500,000 loan from Tameside MBC and £400,000 loan from West Pennine Health Authority. The bank loan is repayable through monthly payments between 12 and 25 years, against seven properties. This long term debt is secured against some of the company's assets. Tameside Care Group's loan of £400,000 from the West Pennine Health Authority is interest free, and repayable if the company is declared bankrupt or sold. The company's debts amounted to £2.45m in the year ending March 1998. These included an overdraft of £202,785 (almost double the level in 1997).

### West Pennine Health Authority

In 1998 the West Pennine Health Authority announced the withdrawal of a grant paid to the Tameside Care Group for having beds available in case of overflow from hospitals. The Section 64 grant of £744,000 was reduced in 1998 and will be reduced further on an annual basis until it is phased out in four years time. In a letter to Councillor Oldham in May 1998 the chairman of the West Pennine Health Authority stated: *"Health Authority Officers spent a considerable amount of time with the company's officers agreeing the phased withdrawal of the grant to ensure the company remained financially stable. However, whilst appreciating the current position and in order to help resolve it, the authority will amend the grant payments to increase this years' grant by £60,000 and to reduce the following two years' grants by £30,000 each."*

In other words the Health Authority assisted the Tameside Care Group in dealing with the financial squeeze by phasing the reduction over several years.

**Pension fund**

Many of the staff transferred to Tameside Care Group in 1990 were members of the Tameside MBC's pension scheme, the Greater Manchester Pension Fund. To enable continued pension provision for these staff and to be able to offer pension arrangements to new staff, the Care group entered into an "admission agreement" with the council to participate in the fund.

In 1997 it was revealed that at 31st March 1997 the sub-fund had a deficit of £700,000 in respect of liabilities. Employees in the fund included 224 staff, 58 deferred pensioners and 147 pensioners.

The ratio of liabilities to assets (the funding level) was 89%. In other words, Tameside Care did not maintain the sub-fund to meet their full obligations to the Greater Manchester Pension Fund. Tameside Council, who manage the pension fund has now imposed an increase in employers contributions from 8% to 11% (£50,000 per annum) and the deficit has been substantially reduced.

**Financial viability**

The company is claiming that it still has financial problems, though we do not have access to the accounts for the most recent year ending 31st March 1999. This follows major fluctuations in the financial performance of the company and beneficial arrangements with the council on rent levels and a loan of £500,000. In addition the company's profit levels improved substantially in the year ending 31st March 1998.

Questions which appear unresolved in the financial analysis include:

What was the result of creative accountancy in the early 1990's? Who benefited?

What happened to the £2m paid to the council for the properties bought by the Care Group? Has all the money been paid by Tameside Care Group to the council? Was the money ploughed back into service provision?

Why were cuts in terms and conditions of employment imposed on staff following a period of growing profits?

**Tameside Social Services Budget**

In October 1997 a report was produced by the council on cutting care fees to balance the social services budget. When the decision to cut the fees was made, this was done with the knowledge that the Care Group had made a net profit of £750,000. The council argued that the fees paid to the Care Group were higher than those paid for beds in other residential homes. Cuts were also made in the fees paid to other private care homes. The report to the council was made by the officer who was also an adviser to the Trust in that financial year.

The council appears to have had little reason to adopt this approach. For example, the Director of Finance is forecasting an underspend of £3.237m by 31st March 1999.

The council's favourable financial settlement for 1998/99 has included an increased budget to care homes to meet the minimum wage requirements of £3.60 an hour. In February 1999 the Policy Committee voted an additional £500,000 for private care homes across the borough. The committee also resolved to pay inflation increases in future years. Consequently there is unlikely to be any further cut in residential fees.

# Costs and savings

Financial savings are the main force behind the formation of trusts. However there are additional costs which a trust must bear as an independent organisation. Apart from initial set up costs these include:
* Client costs of monitoring a large contract covering care standards and services, buildings and equipment.
* Additional pension fund contributions if the trust or company is assessed as a separate body.
* The long term costs of losing council support services including personnel, financial, legal with the result that overheads are spread over fewer services.
* Senior council officials as advisers to the Trust.
* Investigations (council and officer time) on activities of the Care Group.

In the case of Tameside, the council faced substantial additional costs which had never been predicted.

### The true costs in Tameside

Financial investigation into the true costs of residential care in Tameside and the costs to the community should also look at the company's financial priorities at a time of uncertainty:

* Legal Costs of industrial tribunals.
* Management resources in maintaining low pay strategy.
* Cost of employing agency staff.
* Cost of recruiting replacement staff.
* The introduction of Performance Related Pay.
* Wider economic costs of cuts in pay and conditions.

### Future prospects

The financial year 1998/99 saw substantial reductions in fee and grant income received from the local authority and Area Health Authority. In addition the company was required to pay the Greater Manchester Pension Fund over £800,000 to bring its payments up-to-date.

The company's decision to reduce employee terms and conditions of the workforce was made to ensure continued financial viability. This was clearly stated in a letter from the Managing Director of Tameside Care Group to the council's Director of Social Services which indicated that the effect of the fee reduction, estimated to be £250-300,000 per annum would fall on cutting terms and conditions of certain employees *"Without "prejudging"it is probably going to be felt mostly by "protected" former TMBC employees".* This was presumably because any employees not transferred by the council were already on considerably lower rates of pay and terms and conditions of employment. Industrial action by the workforce is expected to result in a reduction in the Group's financial viability.

On top of its existing debts, the company now also faces huge legal fees, additional employee costs and a threat of large compensation payments for staff sacked last year. The very fact that such major financial problems have been created within the company, raises crucial issues about the allocation of public money to such an organisation.

## Part 3.
# Impact on employment

### Introduction

484 council staff were transferred to Tameside Care Group under TUPE on existing terms and conditions of service. In addition there was the understanding that if problems arose, and the operation of the company failed, the service would go back into council ownership. The council is no longer considering this option in the interests of the care staff. Over 500 staff are now employed by the company with many new staff recruited on reduced terms and conditions of employment.

The company has a history of bad industrial relations, with no cost of living rise for five years and two major reductions in wages and conditions of employment.

#### Undervaluing staff in care homes

The loyalty of staff is crucial to the service. Specific qualities and flexibility are required in all jobs offered by care homes. Care assistants, who are predominantly women, are expected to provide a high standard of care, on a 24-hour, 7 day a week rota, for the elderly in nursing and residential care homes.

The responsibilities of the majority of staff working in care homes are enormous. Therefore, the quality of care staff is extremely important. Qualities are expected to include:
* personal warmth and patience
* sensitivity and understanding of the needs of clients
* ability to provide competent care
* willingness to promote client choice and independence (DHSS, 1984).

In addition, staff often anticipate residents needs, highlight service delivery problems and participate in team working. In some cases where staffing levels are under pressure, care staff will also carry out essential domestic duties.

### Original agreement

At the time of the establishment of the Trust the council made a number of agreements including:*"The Council will need to give an undertaking that if circumstances change whereby it becomes unfavourable for the Council to continue the agreement with TEL then it will re-assume full responsibility for all aspects of the service and employees".*

The agreement between the Council and Tameside Enterprises Ltd. in relation to staff conditions made a number of important statements which have long since been dropped. These included:*"TEL undertakes to maintain the employment of staff in accordance with all present terms and conditions of employment as they relate to Manual and APT&C staff, as defined by the appropriate scheme of conditions of service operated by the National Joint Council for Local Authorities for Administrative, Professional, Technical and Clerical Services and for Manual Workers"*

*"TEL undertakes to maintain adherence to those agreements referred to (above) as they change in the future"*

*" The entering of this agreement will preserve for those employees any statutory rights they presently enjoy under the Council's employment".* (Policy and Resources Committee, 6th February 1990).

A number of other promises were made which were rapidly broken once the company met financial problems.

## Pay and conditions

In 1992 the Care Group was in financial difficulties and proposed major pay cuts for transferred staff. Following a threat of High Court action by UNISON in terms of breach of contract, the dispute was settled through negotiation. As a result the following changes were introduced (source: UNISON) in 1992:

* New starters were paid £1 an hour less than existing employees.
* Pay rates were consolidated with no enhancements for working weekends.
* Pay cuts were also imposed on senior staff and a flatter management structure introduced. Performance related pay was also introduced.
* "Single status" was also introduced whereby all staff had equal conditions, but with the result that in harmonising downwards, some staff also lost some conditions as well as pay.
* Some conditions such as sick pay and maternity pay were also maintained.

Part of the agreement was that the pay award should be negotiated annually to be paid on 1st April each year and that lower paid employees would receive a higher percentage. However, staff had **no** pay increases from 1992/3 which meant a real cut in pay each year. In 1997 when the group made a profit of £750,000, UNISON lodged a pay claim on rates which had not increased since 1993 but the company refused to respond.

Of major concern to the union in terms of valuing the workforce was that between 1993-1998 the company had staff doing identical jobs, working side by side on different conditions of employment. This has occurred in homes which usually employ small numbers of staff working closely together.

There have been two further attempts by the company to reduce terms and conditions further. In February 1996 the company issued staff with 90 days notice to alter their contracts in terms of the maternity scheme and sick pay. Staff are now only entitled to the statutory maternity scheme rather than the local government scheme. In addition, sick pay arrangements were dramatically reduced. Staff who have worked for the company for less than a year only receive statutory sick pay, 1-3 years 2 weeks full pay, 3-5 years 6 weeks full pay and 5 years and over 12 weeks full pay.

Further cuts were proposed later in 1996, but were withdrawn following Unison's rejection. However, the company continued to press to unify pay rates and to refuse any annual increase.

## Management Pay

In 1996 a report was carried out on the renumeration of managers by external advisers; the proposals for performance related pay were agreed by the company on the grounds that to attract high calibre staff appropriate rates of pay had to be available. It was recommended that there should be three categories - Manager, Deputy Manager and Senior Care Assistants and that the position of team leaders should be removed.

All managers were given pay increases whilst senior care assistants, who were given additional duties were paid the same. In addition, a performance related pay system was introduced which was largely related to financial performance and targets such as occupancy and sickness levels. Each home was given its own budget and managers were encouraged through the scheme to meet financial targets. Staff also stated that this resulted in cost cutting such as reduced sick cover, reduced stocks and overtime for the lower paid staff.

The proposals stated:
*Performance Pay Scheme in Year 1 will be based solely on achieving and thereafter exceeding*

*Financial Targets".*

The scheme is self-financing and 30% of any excess "contribution" achieved by the home over and above budget target is distributed to the home management structure as follows:

On a saving of £1,574 on the budget target in a month the three groups would receive the following:
Home Manager 50% x 30% x 1574 = £236.10
Deputy Manager 25% x 30% x 1574 = £118.05
Senior Care Assistant 12.5% x 30% x 1574 = £59.02

The remaining staff in the home would receive nothing.

### Further Pay cuts

On New Years Eve 1997 the company offered the staff new contracts on less pay (see table 4.1). In 1998 staff on protected pay rates had their pay and conditions cut. The company blamed financial problems. The pay cuts were:

Table 4.1: **Pay cuts 1998 (hourly rates)**

| Job | Protected | Unprotected | Proposed |
|---|---|---|---|
| Domestic | £3.95 | £3.10 | £3.20 |
| Care assistant (days) | £4.50 | £3.50 | £3.60 |
| Care assistant (nights) | £5.68 | £4.44 | £3.60 |
| Senior night care | £6.26 | | £4.00 |
| Cooks | | | £4.50 |
| Assistant cooks | £4.28 | £4.28 | £3.75 |
| General assistants | £4.28 | £4.28 | £4.00 |
| Senior care assistants | £4-£4.50 | | |

Source: Tameside UNISON, 1998.

The worst pay cuts were for night care staff who have heavy responsibilities for ensuring the safety and care of large numbers of elderly residents (see Appendix 1). They experienced a cut of up to £2.06 an hour, and senior care assistants a loss of up to £2.26 an hour. The company also reduced domestic hours and cut conditions. This included the withdrawal of a company sick pay scheme, reduced holidays and no payment for a bank holiday unless they worked it. Staff were given 90 day notices to end their contracts.

A report by Pay and Workforce Research for the Care Group (1998) was used to argue to drive wages down further, by showing that local pay rates and enhancements in the sector were considerably lower than those paid by Tameside Care Group.

The pay rate for staff still employed by the group recently increased from £3.20 an hour to £3.60 to meet the requirements of the National Minimum Wage. The funding for this is being met, at least in part, by the council which has agreed to increase funding for residential care places for 1999/2000. The actual level has not yet been announced.

### Strike action

On 29th January 1998 the company issued 90 day notices terminating all existing contracts of employment. At the end of March 1998, following a strike ballot, 200 carers went on strike against the cuts. The company then brought in temporary labour, often at a higher cost.

In May 1998 Tameside Care Group removed all protected staff from existing terms and conditions of employment. In June 1998 200 workers were sent letters to the staff, making their dismissal effective.

Tameside Care Group has been forced to employ more agency staff to cover for those on strike. Agency staff are thought to be paid at least £6 an hour, though staff themselves are probably paid only half this rate.

## Training

Tameside Care Group expended some money on training senior care staff to become trainers themselves. This was with the promise that trained staff would be paid accordingly. However, the company then told staff and the union that no additional money would be paid to those staff who became trainers.

## Casualisation

Tameside Care Group has increased the casualisation of staff as uncertainties in the company arose. There is now greater use of temporary contracts and staff working on flexible arrangements on a casual basis.

### Avoiding employment responsibilities

The transfer of staff to the company under the Trust was a convenient way of relieving councillors and officers of any responsibility for staffing, pay, conditions of service, negotiations with trade unions and changes in employment. The TUPE regulations were not applied in practice:

* The company made major changes to jobs, pay and conditions of service.
* The company operated a two tier pay structure for many years, with new starters being paid substantially below transferred staff.
* The company failed to keep up pension payments.

The transfer of staff meant:
* Failure to incorporate employment policies into the contract with the Care Group.
* Security and continuity of service were put under threat by the need to meet private sector profit margins, restructuring and major savings in staff costs.
* Pay and conditions of service worsened with less holiday, overtime pay, sick pay and other reductions in benefits.
* Redundancy and early retirement benefits were threatened.
* Trade union representation and negotiation were made more difficult.
* Less job satisfaction.
* Equal opportunities policies were not applied in what is a female dominated service.
* Training and career development.

The Care Group has sought to avoid employment responsibilities in terms of ill health retirements. Three employees have been affected and one appeal so far has found in favour of the employee.

## The Council's role

The council has been fully aware of the industrial relations problems in Tameside Care Group over the last decade, but has chosen to distance itself from staffing issues in spite of its close connections through the Trust and its advisory role. The council has repeatedly stressed that it will not give additional support to the Care Group to support terms and conditions of employment for those employees who were once Council staff. The decrease in fee levels in 1998 coincided with massive pay cuts for staff which do not appear to have been challenged by the council in terms of the quality of care and employment consequences for the borough.

At the same time the council claims to have encouraged sacked staff to apply for suitable jobs in the council and about 40 have gained jobs in care services.

In December 1998 a preliminary hearing of the Industrial Tribunal took place, during which the Care Group's Managing Director stated in oral evidence that the company is still one sixth council owned. The tribunal unanimously agreed that the workers were sacked before they went on strike, meaning that the case will go to a full tribunal in June 1999.

## Comparing the public and independent sector

The key differences between local authority terms and conditions and the private/not-for-profit sectors are not only the pay differentials but also the overall package of terms and conditions covering allowances, holidays and sick pay.

Poor terms and conditions for staff, including new recruits, can have a negative impact on the quality and level of care for residents. Where it results in higher levels of staff turnover managers face greater difficulty obtaining suitably qualified and trained staff because of lower rates of pay.

Table 4.2 provides evidence of the reducing average cost per employee in not-for-profit home operators in the 1993-95 period, including Tameside Care Group which introduced the highest reduction in the period.

Table 4.2: **Average cost per employee in transferred home operators** (£:000)

| **Organisation** | **1993** | **1994** | **1995** | **% change 1993-95** |
|---|---|---|---|---|
| CLS Care Services | - | - | 7.5 | - |
| Community Integrated Care | 14.4 | 12.2 | 12.9 | -10.4 |
| Kent Community Housing Trust | 6.7 | 5.5 | 6.4 | -4.5 |
| Manchester Care Ltd. | 10.4 | 10.6 | 9.9 | -4.8 |
| Quantum Care Ltd. (Herts) | 9.3 | 9.5 | 8.1 | -12.9 |
| Tameside Care Group | 11.3 | 9.2 | 8.6 | -24.0 |

Source: The Fitzhugh Directory 1996.

The lowest grades on which care assistants working in residential care are generally paid in local authority run homes as from 1998 (under the Single Status agreement) is £4.83 per hour, compared to £3.60 for Tameside Care Group from April 1999. Some local authority staff are graded higher.

## Part 4.
# Impact on Care Services

### Introduction

Whilst the focus of this report is not on standards of care, the performance of the Care Group and its staffing policies have affected the quality of care services in the borough.

The elderly and their families in Tameside currently have no the choice in terms of public or independent sector care.

### Standard of facilities

One of the key arguments for the council in terms of establishing the Trust ten years ago was that the residential homes needed upgrading through capital investment.

A considerable amount has been invested in the fabric of the buildings, decoration and furniture of the care homes . The emphasis in terms of physical standards does not reflect the full picture. Whilst buildings and facilities are important, the type of service provided is more important. Experienced, committed and well trained staff in residential homes are the most important component in providing consistent and high quality care.

The lower cost of the independent sector is predominantly related to staff costs as this report shows. Transferring homes to the independent sector has had major implications both for standards of care and for staff.

An Office of Fair Trading Report, based on interviews with 965 residents in care homes, stated that *"the most commonly expressed concerns were about a lack of experienced staff, deteriorating standards, and not having enough to eat".* Though three-quarters of those interviewed described themselves as very satisfied with their home, more than 40% said that staff were too busy to sit down and talk.

### Staffing ratios

Changes in staffing ratios have been considered as a way of avoiding cuts in pay and conditions. In 1996 Tameside Care Group revised its night staffing levels in order to identify financial savings. In several homes staffing ratios were fixed at 1:16. However it was also suggested in some homes that where occupancy levels fall below 40 then staffing levels should fall to two staff (night care assistants) and only increase to three if there are more than 40 occupants. It is unclear whether these ratios have been implemented in any of the homes.

### Residential Care Homes Guidelines

Tameside MBC's own guidelines for Residential Care Homes produced in 1998 states very clearly the link between quality and staffing requirements:*"the quality of residential care is dependent upon the quality of the staff team".*

Staff working in care homes are required to give personal care to dependent people and need special qualities to provide these services sensitively and tactfully. They need to be able to work as part of a team with consistent values and working practices.

In terms of staff turnover the council states: *"the provision and maintenance of a stable staff team is* *essential to the provision of good quality care for residents".*

At the same time the council, the Trust and Tameside Care Group has allowed a situation where staff were being paid just over £3 an hour, the same as staff were paid a decade ago and substantially less than the pay rates in local authorities.

### Standards of care

The changes in staffing over the last year will have had a considerable impact on the quality of care. Staffing remains the most important aspect of care services.
The employment of at least 200 new staff over the last year on lower rates of pay and poorer conditions of service will affect quality. Many of these new staff will be less experienced and skilled and will have had less training that those staff who had worked for the council and care group for many years. The removal of continuity and changing faces will also affect the residents. Unison is aware that the company has had difficulty recruiting staff.

### Inspection reports

Tameside Registration and Inspection Unit, established by Tameside Council and the Health Authority, inspects nursing and residential homes twice a year, once unannounced. The inspection reports produced by the unit are public documents.

The example of Homelea is indicative of the wider problems of the poor employment practices. The home had an announced inspection in August 1998, just two months after the Tameside Care Group sacked 200 workers. The majority of staff apart from the manager and deputy were new. Care staff covering vacant posts were largely recruited from agencies Inspectors concluded that Homelea has been *"particularly affected by this action in that a high percentage of their workforce had gone out to strike, the impact of which has had an effect on both the residents' emotional and environmental well being".* Although inspectors found examples of good practice and commitment by new staff, the inspectors set out more than 30 recommendations for improvement.

The home failed to maintain an acceptable standard for the safe and secure handling of medication. For example,*"The administration procedures for prescribed controlled drugs for three residents were incorrect, in that the times recorded on the Medication Administration Records did not correlate with the time of actual administration".* The catalogue of problems came on top of an Inspectors report in June 1998 after which managers gave written assurances that steps would be taken to ensure continued compliance with regulations.

*"In view of the requirement made in June and the findings from the present inspection, Holme Lea was notified of their continued failures to maintain an acceptable standard for the Safe and Secure Handling of Medication and that legal advise was being sought by the Registration and Inspection Unit regarding serving a Regulation 20 Notice."* Subsequently the company demonstrated that they had taken seriously the findings of the inspection and initiated a full evaluation of the medication procedures practised.

Inspectors observed that some residents fell asleep during mealtime because they had been left at the table too long.

*"Observations were that some residents were seated for up to 45 minutes prior to being served and remained at the table for up to one hour after being served. Residents were observed to be sleeping at the tables or waiting for a considerable amount of time before receiving assistance to their lounge chair or toilet".*

Routines for the residents had altered since the industrial action, for example, bathing was less frequent than they desired. Night care staff had concerns about fire procedures and the safety of residents was questioned as visitors entered the home undetected.

*"The minimum night time staffing ratio recommended within Tameside's Guidelines is not met by Holme Lea in that they employ two staff to attend to the needs of thirty three residents".*

Inspectors also said the home needed to improve its monitoring of residents' health, as the manager was unaware that at least 14 residents had been ill within a two week period. The director of the the Care Group claims that inspectors have since returned to the home and found that the recommendations have been implemented.

## Shift to domiciliary care

In the original Council papers setting up the Trust and Company to take over residential care homes it was stated:

*"That any resources released from the implementation of the proposals be utilised for the development of services to the elderly within Tameside, particularly the domiciliary services".*

We have no evidence of whether resources have been released in this way. However, the likelihood is that if national trends continue with a shift to homecare services, the number of residential beds in the borough may remain static or decrease whilst homecare services are purchased from a range of providers.

## Part 5
# Role of the council

### Introduction

Tameside MBC made a clear decision in 1990 to transfer all its 12 residential care homes for the elderly to a company owned and controlled Tameside Community Care Trust, which had been created by the council.

At the time it was argued that the proposals would improve the quality of care available to elderly people in the community and in the residential homes as well as meeting the Government's requirements in its White Paper "Caring for People". The council followed the line that the Government's intention was to promote the use of private and voluntary sector for the provision of residential facilities. At the time no other council had considered total transfer on this scale. The council backed its case with financial information which appears meaningless given the problems which followed.

In addition the council stated *"The council accepts that monies raised from the elderly persons' homes' initiative will be allocated for caring/care in the community/elderly purposes and not be subsumed into the general budget".* (Policy and Resources Committee, 6th February 1990). It is unclear whether this happened or indeed that any money was saved through the transfer.

### Accountability

The council imposed considerable controls in establishing the Trust. These included:
* Setting the objectives of the Trust in terms of governing its purpose, scope and activities.
* Composition of the Trust board and advisers.
* Approval of financial plans.

Nevertheless major problems arose which should have been predicted much earlier through closer control in terms of client monitoring and performance assessment:
* achievement of targets set out in the business and financial plans;
* implementation of the council's corporate policies;
* employment practices and treatment of staff.

### Promised savings

In 1990 it was estimated that on the basis of changes proposed by the company and other financial agreements reached between the council and the company, that the effect on the Council's net expenditure would be:
* Additional cost in year one of £668,000
* Additional cost in the second year of £42,600
* A saving in year three of £443,700

It was also anticipated that in year 5 when the council could only be sponsoring its minimum requirement for long stay beds that the anticipated saving would be £777,800 (Policy and Resources Committee, 6th February 1990). No detailed information about whether any of these savings targets were met has been forthcoming. Contrary to the expected savings, the council supported the company through financial crises at several stages during the last decade and has continued to advise on financial arrangements.

The local authority has had direct access to the operations of the Trust and the Care Group. The appointment of advisers, all of whom are senior council officers is key to this. The blurring of roles and the lack of clarity over responsibility and accountability have led to problems over public credibility, staff morale and the propriety of contractual relationships between the council and the company.

In 1993 the District Audit report concluded that all links between council members and the company should be severed. However, the links between council officers and the company remain extremely close as Part 1 of this report shows.

## Cash injections

Rather than let the company fail the council made substantial cash injections in Tameside Care Group:

* £450,000 was given to pay for renovation of homes which were still owned by the council leased to the company. Originally the agreement was for the company to spend £450,000 over three years refurbishing buildings but the company spent £900,000 thereby massively overspending. The council paid the extra amount in 1993.

* Rent for the homes set at £300,000, was reduced to £50,000 by the council and the new rent level backdated to April 1992, saving the company £250,000.

* Loan of £500,000 to Tameside Care Group agreed in 1996.

## Monitoring

The District Audit report (1993) stated that Tameside Enterprise Ltd. was required to provide the Council with regular monitoring information. *"Initially TEL resisted the production of such information despite it having agreed to do so.......Consequently very little information was produced for the Council, despite strenuous attempts being made to obtain it, and officers had few hard facts on which to base their advice".* The Auditor concluded that the council should have done more to confirm the integrity of the company's financial and monitoring arrangements. This was clearly vital given the impression given by the company of success and achievement, whilst major financial losses were being incurred in the first years after the transfer of care homes.

## Inspection

Care homes are regularly inspected by the council's Inspection Unit. This unit is the responsibility of the Director of Social Services who is also the care adviser to Tameside Community Care Trust.

This conflict of interests has never been resolved and could be seen to protect both the interests of the Trust, Tameside Care Group and the Council.

## Weekly fees

Nearly a decade after the transfer of residential care homes for the elderly the Council decided to impose changes on the Care Group which were bound to have repercussions for the standard of care and staffing arrangements, given the labour intensity of the service and the company's mismanagement of financial affairs. It was clear that the Council was no longer prepared to support the company financially and adopted a stance that staff in the Care Group are employees of a private limited company and no longer any of their responsibility. The question of whether the council did have to make cuts is unclear, because that very same year the council had received £2m from the Care Group for the purchase of seven homes.

The intention to reduce fee scales over a two year period was signalled at the council's Contracts Sub-Committee in March 1997. The council increased the pressure on Tameside Care Group by reducing the amount paid for each resident, arguing that this was necessary to meet the council's budget requirements (Social Care Contract Committee, Tameside MBC, 19th February 1998). In addition there are no longer any block contracts for residential care.

Table 6.1**: Residential Home Fees**

| | **April 1998-99** | **April 1999-2000** |
|---|---|---|
| Nursing Home Care | £327.00 | £346.62 |
| Residential Home Care Single | £229.00 | £242.74 |
| Shared | £213.00 | £223.65 |

Source: Tameside Social Services Department, 1999.

The fee reductions in 1998 alongside a proposal from the West Pennine Health Authority to terminate a Section 64 grant were given as the reason for reducing staff pay and benefits. It appears that no other options for meeting the financial changes were seriously considered.

After the cuts in pay levels were made, Tameside MBC decided to change its position on cuts over two years. It has increased 1999-2000 fees for all places in care homes in order to meet the National Minimum Wage. In February 1999 the Council agreed that a 6% growth in fees for residential accommodation should be provided *"in the expectation that staff pay increases will result from this decision, leading to a continuation of the high standard of care which the Council's contract require to be delivered"* (Report to Policy Committee, Tameside MBC, 23rd February 1999).

Tameside Care Group will find it increasingly difficult to compete with other operators once the national minimum wage is introduced. A report by William Laing,*"A fair price for care?"* showed that if care assistants wage rates are £3.50 an hour, the fee required to give operators a reasonable return for good quality nursing home stock is £355.00 per week and if wages went up to £4.00 an hour fees would have to rise to £368.00 per week. The return includes £2.75 profit per bed per day, representing a 6% return. These costs are substantially more than Tameside MBC is paying for residential care in the borough.

## Review of High Dependency Care

In 1997 a review of high dependency day care which the council purchases from Tameside Care Group was carried out. It showed up some of the problems of the contractual relations: *".......service providers did not understand the content or implications of the specification and this led to difficulties in securing placements at panel. It also stands to reason that if on-site managers are not familiar with specifications then they do not know if they or their staff are complying with them".*

The report also found lack of evidence of a systematic approach and a risk that responses are ad hoc and inconsistent in terms of identifying need and monitoring progress.

A number of issues were identified by the report in terms of the allocation process, care planning and the need to maintain imaginative programmes of activities.

## Treatment of Care Group

If Tameside Care Group had been an independent private company, it may have failed to meet council registration standards and may have gone bankrupt because of financial mismanagement. However, the council itself set up the Care Group and the registration authority is Tameside. The Director of Social Services is unlikely to cancel its registration given its long term interest and role of advisers, all of whom are senior council advisers.

Tameside Care Group has in practice operated like a very poorly managed private sector company, which would have not have survived in the market place. Its staff have taken the full brunt of the problems created by mismanagement and failure by the council to properly challenge the operation of the company.

## Long term relationship

The decade in which the residential homes have been run by a private company under the umbrella of a trust has been fraught with difficulty, both for the council and the workforce. The relationship between the council and the company has never been transparent and whilst the council has survived highly damaging episodes, little cognizance seems to have been taken of the lessons and wider implications of the strategy. Serious questions need to be raised about the contract between the company, Trust and the council. No other contractual arrangement would be allowed with an external provider of this length with the problems faced by the company.

## Political conflict

A leaflet produced by Tameside MBC in March 1999 indicates the lengths to which the council is prepared to go (see Appendix 3).

The council has spent public money on advertising through the newspapers and leaflets in attempts to discredit the sacked staff and the trade union.

### The enabling model

The council appears intent to apply the trust model and privatisation strategy to other services.

The impact of externalisation of a range of Tameside's services must also be considered. The authority should not treat each decision separately whether its a leisure trust, housing association or Tameside Care Group. The ability of councillors to determine needs and priorities in response to the requirements of the local community will be eroded. The council will lose control over the operations of these organisations, particularly following the experience of the Tameside Care Group where directors and advisers had their own agendas and priorities.

Further transfers to trusts will have a major longer term effect on the organisation and management of local services. The enabling model will result in a core of client officers attempting to control contracts with trusts, housing associations and private companies.

## Public/private comparisons

A key issue under Best Value will be the different levels of care between the local authority and independent sector care homes. Any cost analysis should include the element of surplus extracted by Tameside Care Group and other private firms.

### Unlevel playing field

The funding of residential care places is currently unfair and benefits the private and voluntary sector. The main source of savings in residential care arises from the Residential Care Allowance (currently £65 per week) which applies to new residents eligible for income support placed in independent sector care homes. The arrangements for this allowance may well be altered in the future, since it is not paid in local authority homes, or it may be replaced by another form of subsidy.

The Government has now stated that it will redistribute the Residential Care Allowance making it a level playing field. *"We believe there is a strong case for phasing out the phasing out the payment of the Residential Allowance, and for transferring resources, via a special grant, to local authorities. This would not be a loss to the individuals concerned, and in effect would simply move funding from one part of the system to the other. But is would create a level playing field between public, private and voluntary sector provision'.* (HMSO, 1999)

The Government's Review of Long Term Care has also stated that the resources which underpin the Residential Allowance in Income Support should be transferred to local authorities.

**Social Services White Paper, November 1998**

The future of the Special Transitional Grant (local authorities had to spend 85% of this grant purchasing services from the independent sector) is uncertain and likely to be phased out.

The White Paper makes proposals for two new grants. The first is designed to foster greater partnership between health and social services to promote the independence of users. The second grant is intended to stimulate the development of preventative strategies by local authorities. This could also impact on longer term strategies for residential homes in Tameside.

**Royal Commission on Long Term Care**

The commission's recommendations have a potential impact on the future of residential care services and the role of local authorities. One of the key points is that the costs of long-term care should be split between living costs, housing costs and personal care.

## Part 6
# Social and economic costs

### Introduction

This report shows the need for social and economic auditing of decisions to transfer services out of local authority control to the independent sector. This is especially true when policy imposed on one service has a substantial effect on another. The social and economic impact of the model applied in Tameside for residential services appears contrary to the statements made about the future economic development of the area.

### A "Vision for Tameside"

Tameside MBC has produced a Vision for Tameside which guides the work of all the services it provides. The following objectives do not appear to fit the strategies put into practice by the council in the case of residential care services.

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**Tameside Towards 2000**
**A vision for Tameside**

The council as a representative body, exists to maximise the well-being of the people of the Borough. In pursuing this aim it will:

* Establish open systems of listening and communication
* Develop innovative ways of involving the community
* Be flexible and adaptive to the changing needs of the Borough
* Work in a co-operative and co-ordinated way to continually to improve the quality of its delivered services
* Provide equality of access to those services.

It will, thereby, develop public confidence in local democracy and in the Council itself.

It will strive for a just society which gives everyone equality of opportunity and freedom from discrimination and prejudice.

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In terms of the local economy the council states:

*"A healthy economy is a key element in the elimination of social deprivation and disadvantage.*

*The council will work in partnership with others to create the conditions to maximise employment based on better paid, more meaningful and secure jobs"*

In the council's vision there is no reference to the local authority as one of the key employers in the borough and the importance of staff involvement in developing quality services. Whilst the emphasis on quality of care for the elderly is laudable the local authority has ignored the crucial role played by staff delivering the service and the importance of management in a changing service environment.

By transferring staff, the council has created the conditions for worsening employment conditions, based on worse paid and insecure jobs.

## Impact on the local community

Tameside contains a series of small towns, with varying levels of wealth and poverty. Residential care remains an important employer of women in the area, many of whom are highly dependent on their earnings. The sacked workers have been forced to live on minimal financial support whilst the remaining workforce is employed on levels of pay way below the local authority rates for such staff. The effect of the squeeze on wages and terms and conditions has been to depress wages further in what is already a low paying sector.

Research by Greater Manchester Low Pay Unit (1999) shows that care jobs in the Ashton area continue to be amongst the lowest paying employment and that the vacancies for care jobs are extremely poorly paid. Almost 9% of jobs advertised in Ashton paid less than £3 an hour, the greatest proportion for any job centre in the Greater Manchester area.

The number of vacancies for care jobs advertised at the Ashton Job Centre (which includes Ashton, Hyde, Stalybridge and Denton) has increased during the 1990s. Over half of all the job vacancies in Ashton were offering pay rates of less than £3.81 per hour (a similar rate to the Greater Manchester area as a whole). Within the region Ashton saw the greatest fall in hourly pay rates between 1992-98; a fall of -6.7% in real terms between 1992-98 compared to a 1.6% increase for the Greater Manchester area.

Average hourly pay for vacancies in the Ashton area was £3.98 in 1998, representing a weekly pay rate of £119.73. Nearly 96% of jobs advertised paid a level where Family Credit would still need to be claimed for a couple with two children.

Table 7.1: **Analysis of available jobs in Ashton Job Centre**

| | 1998 | 1992 |
|---|---|---|
| Number of care jobs | 26 | 10 |
| Pay rates for all jobs | | |
| < £3.00 an hour | 8.8% | 28.9% |
| < £3.81 an hour | 55.1% | n/a |
| Average hourly pay | £3.98 | £3.58 |
| Average weekly pay | £119.73 | n/a |

Source: Greater Manchester Low Pay Unit, 1999.

The average pay for available care work jobs in the Greater Manchester region was £3.47 and over three-quarters of care jobs in the region pay less than £3.81 per hour. It is highly significant that this is only 5% more than in 1995, three years previously. Rates of pay also only increased minimally - by 30p an hour between 1995-98.

Table 7.2: **Care Work Vacancies in the Greater Manchester area**

| Pay rates | 1998 | 1995 |
|---|---|---|
| < £3.00 an hour | 6.1% | 20.5% |
| < £3.81 an hour | 75.4% | 80.3% |
| Average hourly pay | £3.47 | £3.17 |
| Average weekly pay | £84.95 | n/a |
| Average hours | 24.6 | |

Source: Greater Manchester Low Pay Unit, 1999.

In the 1998 Budget, the Chancellor announced that the National Insurance threshold for employers would rise substantially in 1999 to £83. This may encourage employers to create more low paid jobs, especially those in care services where the average weekly wage is only just above this level (see Table 7.2). Care workers earning below the National Insurance threshold are not entitled to contributory benefits such as Statutory Sick Pay and Maternity Pay, contributory Jobseeker's Allowance and a state pension (Greater Manchester Low Pay Unit, 1999).

### The effect of the National Minimum Wage

The minimum wage of £3.60 an hour introduced in April 1999, will increase private and voluntary sector costs, but may encourage some operators to cut back in other ways. The main issue of dispute will be whether the independent sector will use the minimum wage to push prices up and, if so, who will pay for them. In Tameside the council is prepared to increase funding for residential care to meet the minimum wage. However, it should be remembered that if staff had continued to work for the council, they would be on rates well over £1 an hour above the minimum wage.

Pay rates for the vast majority of care jobs in the area will have to increase above the inflation rate in order to meet the national minimum wage requirements. There is clearly a danger that employers who are unwilling to meet the rate will reduce hours or choose to employ 18-21 year olds at the lower rate of £3.00 an hour or even younger workers who have no right to a minimum wage at all. This would represent a significant shift from employing largely women workers to young workers, particularly students.

### Women most affected

The social and economic impact of the activities of the Tameside Care Group has disproportionately affected women, who in most care homes form around 90% of employees. The gender impact of changes to staffing levels and conditions of service should have been challenged under the council's own equal opportunities policies.

### Local labour market impact

The transfer has resulted in the loss of the council setting a standard in the local labour market. Over time the transfer has had a knock-on effect of driving down terms and conditions in this sector. The transferred staff became an increasingly small and isolated group in the labour market. One of the first signs of this was the reluctance of Tameside Care Group to award annual pay increases because percentage rises for this group were always more expensive than for a comparable group of new staff on lower rates.

The transfer also increased casualisation further undermining job security for women.

### Effect on the local economy

Reduced earnings have had a knock-on effect in the local economy. We have carried out a number of social and economic audits which have assessed the impact on cuts and reduced earnings on spending in the private sector. This has shown that for every four jobs lost in the local authority one additional job is lost in the retail and service sector.

We have also estimated the financial loss to staff. At current rates local authority care assistants are paid £9,285 per annum (equivalent to an hourly rate of £4.83) with a 3% pay increase pending for a 37 hour week. Senior care assistants are paid at a higher rate determined locally. Most care staff working for Tameside Care Group are now paid the national minimum wage rate £3.60 an hour. Senior care assistants have recently been awarded a pay rise for 1999-2000 to £8,556.52 plus performance related pay. The basic rate is substantially lower than the rate paid to care assistants working directly for local authorities.

Table 7.3: **Pay rates for local authority care staff, 1998/99***

| Job title | Annual pay | Hourly pay |
|---|---|---|
| Level 1 Cook / Domestic | £8,376 | £4.35 |
| Level 2 Cook / Domestic | £8,679 | £4.51 |
| Level 3 Cook | £8,982 | £4.67 |
| Level 4 Cook / Care assistant | £9,285 | £4.83 |

Source: UNISON
* 37 hour week. 3% pay award pending.

The average difference between the local authority pay rate and that paid by Tameside Care Group is £1 an hour plus the cost of reduced conditions of employment and reduced employer costs. On pay alone full-time staff are at least £2,000 (part-time staff £1,000) worse off a year. On the basis of 300 full-time equivalent staff this represents a loss of £600,000 per year to staff and their families and to the local economy.

## Whose saving?

Whilst the council and the Tameside Care Group may be able to show a 'saving' in their budget, this will not be the case in the public sector as a whole. Central government expenditure has been affected over the last decade by:

* increased expenditure as more families are able to claim Family Credit because cuts in earnings and/or hours worked make them eligible for low pay income support.

* increased expenditure because there are likely to be more claimants for housing and council tax benefits.

* a loss of income as a result of lower earnings leading to lower PAYE and National Insurance payments and less VAT and indirect taxation because lower earnings results in lower consumer expenditure.

A full analysis of the costs and benefits will show that it is false for the council to claim a saving when other parts of the public sector incur increased expenditure and/or a loss of income (Equal Opportunities Commission, 1995).

Transformation of the service into a low paid, low skill, high staff turnover sector, has not only severe implications for the quality of care for residents in Tameside but also for the local economy generally.

Part 7.

# Implications for Best Value

Best Value provides a unique opportunity to improve the quality of residential care in terms of developing the service and making it more efficient and cost effective. Any Best Value approach should include staff and users in terms of achieving continuous service improvement, with the focus on service delivery and more effective organisational and management structures.

## Interpretation of Best Value

Best Value is much more than value for money and although services have to be competitive, the approach should bring into play a wide range of elements including social criteria, user needs and quality of service (see Best Value Implementation Handbook, Centre for Public Services, 1998).

Residential care services in Tameside should be subject to a Best Value review, but this will only be genuine if the in-house service model is a clear option. The council should be under no illusion of the difficulties of applying and achieving Best Value from transferred or contracted out services.

Best Value must be centred on a wide range of review methodologies which could be applied to the service including quality audit, service review, workforce involvement in continuous improvement programme in addition to performance indicators and targets, benchmarking, consultation with users and competitiveness.

## Longer term perspective

Work on Best Value should also be linked to the Royal Commission for Long Term Care and the Government's Modernising Social Services White Paper. The needs of users and their families will be an important element in the debate about the future of the service. Regulation of care homes is usually on the basis of their facilities and environment, while the real differences are often to do with privacy, dignity, independence and choice. These factors will become increasingly important under Best Value.

Consideration should also be given to alternatives which are designed to meet changing needs such as the provision of home care services as a new dimension to an integrated residential care service.

## Management culture

Staff should be well managed, motivated and supported in their work. The public sector has traditionally expended substantial time and money on managerial functions. Best Value provides the opportunity to examine ways of making management and operational structures more effective, including flatter management structures and reducing unnecessary client-contractor divisions. The focus should be on innovation at the front line of service delivery.

## Staff consultation

Those who understand the service most are the staff. But they are often those neglected in the debate about options. The Best Value regime and the Government's modernisation proposals for local government require authorities to involve staff/trade unions and users in the decision making process.

## Tameside's approach to Best Value

The council established a new committee - the Best Value Bench in December 1997. In its policy documents the council states:
*"Best Value will be integrated into the Council's overall corporate strategy. It will develop a review process which will actively involve the community, Councillors, staff and other stakeholders".* (Best Value Policy Statement, Tameside MBC, 1997).

It also stated that the best way of achieving the highest quality of service at the best possible price a review process should be established which improves *"in-house provision through the better use of financial resources and our valued workforce"*. The council has also drawn up a Best Value Review programme which is to be agreed by the Bench.

Tameside MBC recognises the role of "partnerships" in its Best Value policy and states that it will *"endeavour to ensure that accountability to the community is maintained in any partnership". .."Those services which have historically been provided by the private sector will also be included".* The Council also commits itself to considering privatisation of services only as a last resort.

The Council has decided to adopt a review ranking system based on the principles of Best Value and the Business Excellence Model. Programme criteria adopted in Tameside include areas which are crucial to every service including residential care.

It is vitally important that Tameside conducts a Best Value review of its residential care services which includes a clear definition of Best Value to incorporate quality of service and user involvement as key elements.

## The Trust Model

Whilst Tameside is committed to the Best Value approach above, it is continuing to externalise services irrespective of Best Value reviews. In spite of the major controversy surrounding the Tameside Community Care Trust the council has adopted the trust model and applied it to Leisure Services and as a mechanism to sell off all its housing stock. The first tranche of housing stock has already been transferred to Ashton Pioneer Housing Association, a not-for-profit social housing company.

## In-house options

The council should re-consider in-house options for residential care. The residential care service requires a committed, motivated, trained and experienced workforce. The most effective and efficient way in which to deliver residential care services is through directly employed labour.

## Department of Health Approach

The Government has produced a consultation document "A New Approach to Social Services Performance" which takes the principles of Best Value and applies them to social services including residential care (Department of Health, 1999). Tameside MBC will have to take this framework into account when considering future options for the borough's residential care services (see Appendix 4).

## Best Value Review

A comprehensive and genuine fundamental service review of Residential Care Services should include:

* A review of cost effectiveness and examination of all costs incurred in service delivery.

* A review of operational systems to explore ways in which the service could be made more efficient and effective. This should include looking at day care, respite care and links with domiciliary care.

* Assessment of management and organisational structures.

* Review of staffing levels and training needs.

* Proposals from staff and users for service improvements and income generation.

A Best Value review would require Tameside MBC to:

* Draw up a definition of Best Value and agree a strategic management framework relevant to the service.

* Work with employees and trade union representatives in the planning and carrying out of Best Value reviews.

* Adopt a range of service review methods in accordance with best practice and not to rely solely on benchmarking and competitive tendering methods.

The Best Value approach requires a significant change in managerial and organisational culture which will affect all staff, users and elected members. The most effective Best Value projects will be where authorities promote comprehensive reviews of services based on social and economic criteria and the specific local needs of the area.

Applying Best Value to the service must include:

* Access to detailed financial information.

* Genuine democratic accountability and participatory structures for staff, trade unions and users.

* User and community involvement

* Transparency and full client monitoring arrangements.

This report shows that the application of the seven part definition of Best Value (Centre for Public Services, 1998) in a framework to assess the extent to which the current arrangements highlight substantial problems.

Table 8.1:**Applying the Best Value regime to Tameside Care Group**

| **Definition of Best Value** | **Application to Tameside Care Group** |
|---|---|
| 1. Quality of Service | Identified through regular monitoring and inspection. No evidence of added value |
| 2. Achievement of sector/industry best practice | No substantial difference |
| 3. Quality of employment and training | Not maintained to local authority level. |
| 4. Implementation of corporate policies | Difficult to implement key policies |
| 5. Democratic accountability | Loss of accountability for employees and users. |

| | |
|---|---|
| | Community involvement limited. Trust meetings not public or open to scrutiny. |
| 6. Cost effectiveness | Savings not achieved. Cost reductions have had major impact on staff. |
| 7. Social and economic equity | Changes to employment policies and conditions of service have had wider social and economic effect. |

The process of assessing Best Value should be applied to Tameside Care Group. This should include:
* Performance standards
* Benchmarking
* Quality audits
* Service reviews.

The requirements imposed by the Best Value approach will involve close cooperation between the council and Tameside Care Group in terms of a continuous flow of verified performance information.

### Best Value Code for Quality Employment

The low pay and status of care workers should be raised throughout the industry, but particularly in the private sector.

The Best Value Code for Quality Employment should be used as the basis for negotiating managerial, organisational and operational change. The Code is divided into twelve sections (See Centre for Public Services, 1998).

## Part 8

# Future options for the service

This report shows that the establishment of Tameside Community Care Trust and a private company under its auspices was not in the best interests of the local community. Trust status did not shelter the organisation from the pressures of being an independent organisation at arms length from the local authority.

The long term future of the Trust and its subsidiary companies remains uncertain. As stand alone organisations they have been highly vulnerable to economic pressures to increase efficiency and cut costs. Tameside Care Group has been unable to absorb even minor reductions in funding and has accumulated large debts. The question of whether economic pressures are accommodated entirely internally by the Trust and the company has never been resolved, since the council has taken different approaches at different times. It is clearly crucial that the relationship is clarified for this and any other partnership arrangements established by the council.

The case of Tameside's residential care shows that transfer of the service a decade ago was not an escape route from cuts. After years of supporting the company, the council imposed cuts through its funding of beds in residential homes with devastating consequences for staff, and in turn for the quality of care.

The original aims of establishing a Trust have not been maintained. It seems that the charitable ethos of Trust status has not been applied to the private company.

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The Trust strategy for residential care services has meant:

* Loss of direct democratic accountability.

* Lack of transparency in terms of the role of the council and its officers as advisers to the Trust and company.

* No advantage for achieving service improvements.

* Lack of financial controls.

* Undisclosed additional costs to the council.

* No application of corporate policies.

* Major problems for employees transferred to the company.

* Legal questions regarding the "charitable" activities of the Trust and its subsidiary company.

* Access to funding through expensive bank loans creating greater debt.

In reality, the prospects for tackling the problems of Tameside Care Group are not good, especially given the high level of debt accumulated by the company and the high cost of poor management and appalling employment practices. A new report from the Joseph Rowntree Foundation (1998) showed that financial returns for good quality care home operators are low.The report argues that because fees are inadequate, the profits record of larger publicly quoted care home companies supplying the state funded market has been disappointing in recent years. It also points out that new-build home development has markedly slowed down. However, Tameside MBC continues to have a duty to provide care for the elderly whatever the future holds for the independent sector. It is this longer term strategy which is key to providing a high quality service meeting the clear standards set by Government.

## 1. Further threats and opportunities

There are a number of possible scenarios which could arise over the next five years:

1. Tameside Care Group faces the prospect of further financial crisis, which could lead to bankruptcy. The company would be stripped of its assets with major consequences for users of the service and staff.

2. The council severs links with the company. Tameside Care Group continues to under-perform and is economically isolated, making it vulnerable to takeover by a private competitor.

3. The council puts more money into the running of the homes under clear conditions that additional finance is expended on improving the pay and conditions of staff. This in turn will affect the performance of the service and the quality of services for residents.

4. Tameside's residential care homes are transferred into a new form of partnership. This could include creating a three-way partnership (for example, between the council, the Trust and another organisation, such as a housing association) with increased council control over the running of the homes. The arrangement could prevent the Trust becoming more isolated and vulnerable. It would bring the activities of Tameside Care Group under the clear remit of council responsibility and could resolve some of the financial burdens currently facing the company.

5. Tameside MBC takes over the management of Tameside Care Group along with responsibility for staff, whilst the facilities are retained by the independent sector. New financial options, which seek to re-direct resources into front-line service provision could quickly be achieved by:
* Abolition of performance related pay
* Reduced management costs
* Refurbishment phased to take account of poor cash flow.
The council could also call in the lease on the four homes that it still owns.

## 2. Options and alternatives

Tameside MBC should consider and examine the following alternative organisational models for the service as part of its review. This should take into account the needs of service users and the employment of staff in care homes.

### * Reform the Trust

The Council could seek to strengthen the Trust, making it open, publicly accessible and under democratic control. The Council could either clearly acknowledge the role of advisors or remove its own senior managers from the advisory board of the Trust to avoid any further conflict of interest. If this option were chosen, a totally independent monitoring arrangement should be established which treats the Tameside Care Group like any other independent private company. Consequently there may be no need to have a Trust in place since its role is limited.

### * Independent company

The council cuts all ties with Tameside Care Group and the Trust. The company would become totally independent and be treated as such by the council. This would prevent further weakening of the company's position by council officers and members who have been concerned to determine the running of the organisation in a fashion which would never have been tolerated by other care home operators. However, this would isolate the Trust and further weaken the financial standing of the company. Staff and residents' interests are unlikely to be best served by this option.

*** Trust or company run facilities but staff revert to local authority**

The council seeks to reform the Trust with staff being directly employed by the local authority. The facilities would then be retained by the Trust which could benefit from the financial advantages. The model used for leisure services in East Lothian involved a trust which sub-contracts the operation of the facilities back to the local authority. The legal options for this would need to be investigated.

*** Partnership options**

There is increased scope for the development of partnerships and joint ventures between local authorities and other local organisations under the Government's proposals for local government. Partnership models usually involve the local authority working with the independent sector and other public sector organisations, geared to improving access to finance for capital works, but retaining substantial council control over the running of the service.

*** Publicly funded direct services**

A Best Value Review should investigate the option of returning residential care services to council control. The criteria for doing so are:
* Democratic accountability
* User/employee involvement
* Good quality management
* Improvements in service quality
* Employment policies
* Maintaining social welfare objectives

The issue of access to capital will remain important in the service and may involve developing partnerships between local authorities and other local organisations. Improvements in management of the service and improved employment practices would need to be set against the criteria for continuous service improvement required under Best Value.

**Key issues for the future**

The following points must be examined for each of the above options:

* Improve democratic accountability.

* Management competence to operate residential care services.

* Full examination of the employment impact.

* Full analysis of costs and savings to the authority.

* The advantages for care services under the Best Value framework.

* Access to finance over and above that obtainable by the local authority.

* The supply of support services.

* Funding and leasing arrangements.

* Best Value Code for Quality Employment

## 3. Recommended Strategy

We recommend:

**1. An investigation by the Audit Commission into the financial affairs and management of the Tameside Community Care Trust and Tameside Care Group**

**2. A Best Value Organisational Review into the operation of Tameside Community Care Trust and Tameside Care Group**

A full evaluation of residential care services in Tameside is required to highlight the key issues in running the service.

The review should focus on:

* The operation of the Tameside Community Care Trust and the role of the council and its officers.

* The use of public finance in supporting the Trust and the Tameside Care Group.

* The extent to which the Trust has maintained and implemented its social welfare and community objectives.

* The extent to which Tameside MBC has incorporated wider social and community objectives into its relationship with the Trust and Tameside Care Group.

* Future options for the service (see above).

**3. Best Value Service Review of Residential Care Services in Tameside**

Tameside MBC should conduct a wide ranging review of the future of the service, in the light of the findings in this report, the Best Value framework, the Government's Consultation Document *" A new approach to Social Services Performance"* 1999 and the Royal Commission Report on Long Term Care for the Elderly.

This should include a long term strategy (five years) for residential care as part of a wider social services policy for the borough. This will assist in guiding the council in deciding on the most appropriate strategy to adopt over the next year in relation to the services provided through the Trust and Tameside Care Group.

**4. Code of Conduct for Trusts**

Tameside MBC should immediately establish a clear code of conduct for trusts. This should cover corporate policy, employment, financial matters, organisational issues, performance information and reporting arrangements.

This should also adopt the approach promoted by the Local Government Social Partners to amend Part 11 of the Local Government Act 1988 aimed at protecting employees and promoting fair competition. The principle that workforce matters are a commercial consideration because a well-trained and well-motivated workforce is essential to deliver high quality services is key to the proposals. Workforce matters to be taken into consideration will include training, skills and equalities. The aim is that local government should take appropriate account of its equalities responsibilities including compliance with legislation and Codes of Practice, and contract conditions.

**5. User and employee involvement**

Service users, the local community, staff and trade unions should be directly involved throughout the Best Value service and organisational reviews conducted by Tameside MBC. This will require clear guidelines and consideration of the most appropriate forms of user and employee involvement in developing the service.

# Appendices

## Appendix 1

**Extracts from Report of Director of Finance, Tameside MBC, November 1993**

* The basic financial and management information systems were totally inadequate for a company of its size and complexity.

* The Managing Director and Company Secretary broke company law by giving himself an unsecured loan of £16,000 which was later paid back.

* Contracts were awarded to friends of the Managing Director to carry out work on the homes, some without being put out to tender.

* Managing director sacked for gross misconduct - financial irregularities including expense account discrepancies and car sale. For example, the total expenditure on carpets between June 1990 and May 1992 was £446,000. The arrangements for the purchase of all carpets was carried out by a personal friend of the Company Secretary and no other competitive tenders were sought and official orders were not issued.

* The Managing Director, Paul Stonier, was promoted from Director of Policy Services with Tameside and paid more than £120,000 over the first two years of the company's operation. He was earning more than £80,000 when he left in 1993.

* Paul Stonier and Simon Walker awarded themselves unauthorised pay rises of £12,000 a year, after Tameside Enterprises won a contract to manage homes for Stockport Council. They also used the company credit card to finance personal spending, which they later repaid the company.

* The company was guilty of breaching company law, including failing to hold annual shareholders meetings and file proper accounts.

* More than £60,000 was loaned to staff by the company even though it was facing major financial losses. This included unsecured loans to buy cars or pay off poll tax arrears without the agreement of the Board.

* Poor financial planning - for example over £200,000 was spent on the company's payroll system from a private company. In addition, double payments were made for goods and supplies never provided.

At the same time bills were not paid, debts were incurred and financial controls were non-existent.

## Appendix 2

### Job description

### Night Care Assistant

1. A regular hourly check throughout the establishment, quietly checking each individual resident.

2. Carrying out fire precaution routines and being constantly alert to the hazard of fire. This will necessitate a knowledge of the home's evacuation procedure.

3. Toileting or changing residents who require such attention.

4. Sluicing soiled linen.

5. Talking to and providing hot drinks for residents unable to sleep.

6. Settling disturbed and wandering residents comfortably.

7. To spend time with such residents.

8. In the event of a resident becoming ill, contact must be made with that persons GP.

9. There will always be residents requiring the comfort of conversations and company. This alongside the hourly check should receive the highest priority.

10. Sick residents turned and pressure areas treated.

11. In case of an accident or emergency to summon the necessary assistance eg. ambulance, police, fire.

12. Such other duties falling within the purview of the post as may be agreed.

At the beginning and end of each shift there could be residents who require:
a. Dressing/undressing/changing.
b. Toileting.
c. Washing and bathing.
d. Beds made and/or changed.
e. Hot drinks provided, either in the morning or at night time.

General duties

f. Light sewing, putting away linen and clothes ensuring that the 'night dutyroom' is kept tidy.

**Appendix 3**

**Leaflet distributed by Tameside MBC, March 1999.**

**Appendix 4**

**Department of Health**
**A New Approach to Social Services Performance**

*"The duty of Best Value - to deliver services to clear standards covering both cost and quality, by the most effective, economic and efficient means available - will apply to all local government services including social services. New rigorous and systematic systems for assessing and improving local authority performance will be introduced across local government to support the implementation of best value. Continuous improvements in the quality and cost effectiveness of services will be the hallmark of best value".*

The new approach will include a Performance Assessment Framework for social services bringing together key statistical measures. The Framework will provide a process by which a local authority can, in collaboration with its local community, question how it provides services and how well it performs in comparison to the best performers.

In establishing local objectives local authorities will have to:

* establish the need for social services support within the community, including unmet needs;

* establish clearly how the local authority's provision relates to other service providers;

* know what users, carers, and the wider community thinks of its services;

* check what other comparable authorities and the private and voluntary sectors are capable of achieving;

* identify where improvements are most needed;

* take account of national requirements, such as the standards and service models for particular service groups.

The Government acknowledges that social services differ from other functions of local government including the provision of personal care to often vulnerable people and the essential role of user and carer involvement and consultation.

The five key elements identified in the framework are:

* National Priorities and Strategic Objectives
* Cost and Efficiency
* Effectiveness of service delivery and outcomes
* Quality of services for users and carers
* Fair access.

**Fundamental Service Review**

As in all local authorities, Tameside MBC will have to conduct a Fundamental Performance Review to ensure that continuous improvements are made in all services covering the five elements above. An action plan demonstrating how the targets are to be achieved will also have to be produced.

The Fundamental Service Review will need to:

**Challenge** why each service is being provided. This will include looking at delivering the services that users and carers really want.

**Compare** performance of other authorities across a range of indicators taking into account the views of service users and potential service providers.

**Consult** with service users, their carers, local taxpayers and the wider community in the setting of new performance targets. Strategies for consultation are expected to effectively engage all the community, including ethnic minority groups and other groups not well served by mainstream services.

Embrace **fair competition** service as a means of securing efficient and effective services.
Modernising Social Services (1998) identified the four key elements of good commissioning - needs analysis, strategic planning, contract setting, contract monitoring.

**Inspection**

The annual cycle of audit and review of local performance plans will be supplemented by in-depth assessments of best value provided by the continuing programme of inspection of social services by the Social Services Inspectorate and Audit Commission Joint Reviews.

**Performance Indicators**

The most relevant national objective in terms of residential care relates to quality of service and value for money.

*"To maximise the benefit to service users for the resources available, and to demonstrate the effectiveness and value for money of the care and support provided, and to allow for choice and different responses for different needs and circumstances".*(Department of Health, 1999)

The key performance indicator in relation to the service will be unit costs of residential care for older people. The Government also state that with unit costs it is particularly important to look at performance in a broad way *"Driving down unit costs at the expense of outcomes would not be appropriate"* (Department of Health, 1999).

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