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The Home Care Business

[1]

As more and more people are failed by the UK's home care system, a Corporate Watch investigation into the biggest five home care companies has found:

- **Poor quality care:** almost half of their home care services inspected in the last two years have been rated as unsatisfactory by the regulator.
- **Underpaid staff:** calls to 20 branches currently recruiting found the majority still do not pay their staff for all of their travel time.
- **Huge payouts to owners:** four of the companies have paid out £36m to their owners over the last five years, with another £34m racked up to be paid out in the future.

Click on the links to go directly to a company's profile: Allied Healthcare; Mears Care; City & County Healthcare

; Sevacare; Carewatch.

If you have information about a company that you'd like to share with Corporate Watch, email us at contact[at]corporatewatch.org or call 02074260005.

Read a news story about home care and you'll likely be told that the service is in crisis because of a lack of public funding. No doubt that's true: successive governments have chronically neglected the increasingly-vital task of caring for people in their own homes.

Less commented on is that home care is an increasingly privatised service, run for a profit. In the early 1990s just 5% of home care was provided by private companies. Now it is above 80%. Most of these companies are small operations, many just scraping by, some being forced out of business by funding pressures.

But in the past ten years, the biggest five home care companies by revenue – Allied Heathcare, Mears, City & County Healthcare, Sevacare and Carewatch – have bought out smaller rivals and grown rapidly. They are now thought to be responsible for around 15% of all home care provision across the UK.[1]

Only one of the top five companies – Sevacare – remains a family-owned business. The rest have been bought by a diverse range of investors from around the world including city financiers, corporations, banks, pension funds, shipping and pharmaceutical heirs and a surfeit of Tory donors – all anticipating future profits from the care of an ever-ageing population. Some of the investments have been made through tax havens.

These companies and their owners present themselves as the future of home care. But by analysing care records, company accounts and financial documents and speaking to care workers and company branches, Corporate Watch has found that, even with the government cuts, they together have paid out millions of pounds to shareholders – money that could have been reinvested in the cash-starved service. Meanwhile the quality of care suffers. And for all the companies' financial muscle, the care workers whose hard slog the service depends on remain underpaid.

All the findings of this investigation have been put to the companies and amended where appropriate. Their responses are included below.

Poor quality care

The big five companies all talk of the investment they are bringing to home care. But their care records give cause for serious concern and suggest many services require more support than they have been getting.

Corporate Watch compiled statistics from the Care Quality Commission, the care regulator for England. Almost half (46%) of the biggest five care companies' branches inspected over the last two years were rated as being below required standards.

Of 192 English branches assessed, 80 were rated as "requiring improvement" with eight found to be "inadequate" and placed into special measures.

The “inadequate” reports found people unwashed, unfed, unable to get out of bed and left at risk of harm. In some cases medicine was not given on time or safely and branches were described as unsafe and short-staffed.

	Branches rated “Good”	Branches rated “Requires Improvement”	Branches rated “Inadequate”
Allied Healthcare	21	20	4
Mears Care	31	11	1
City & County Healthcare	22	24	2
Sevacare	21	14	1
Carewatch	9	11	0
Total number of branches rated	104	80	8
% of 184 branches inspected	54%	42%	4%

Figures are taken from the CQC’s ‘Care directory – with ratings’ files (availablehere [2]) with ratings included from all inspections made in the last two years even if the branches have since closed. Where a branch has been inspected twice in that period, only the latest rating has been included. Only published inspections of services the CQC classes as “homecare agencies” have been included. Franchised services that are not run directly by the company have been excluded.

The CQC does not produce easily-comparable, aggregate national statistics, but the overall ratings of the big five companies appear to be below the average level of quality. According to the CQC, 76% of the total domiciliary care agencies across England that they have inspected have been rated “good”: a higher proportion even than that achieved by Mears Care, the best performing of the biggest five.[2]

As another comparison, Corporate Watch also compiled statistics for the three biggest not for profit providers – Mencap, Dimensions and Housing 21. We found that, of 99 branches inspected over the last two years, just 17 were found to “require improvement”, with 82% rated “good” and one “outstanding”.

Sevacare and City & County Healthcare both told us that recent, as yet unpublished, inspections have rated more of their branches as “good”.

Underpaid workers

Care workers are generally underpaid and undervalued. Many councils set contract rates that they know are too low to pay workers properly. Home care providers across the UK have taken advantage of unclear legislation and lax regulation to avoid paying their workers for the full time it takes to travel between appointments.

Even though they have far greater financial resources available than other home care providers, the biggest five companies are no exceptions to this and many of their workers scrape by on the minimum wage.

Corporate Watch anonymously contacted 20 of the five companies’ branches that are currently advertising for posts. Of these, the vast majority said they do not pay their workers for the full amount of time they spend travelling between appointments.

The contracted rates offered varied but many were below £8 an hour. Once their travel time is included, the effective rates workers are paid will be below even these low rates.

All the companies insist that they ensure workers are paid at least the minimum wage once travel time is included in their pay.

Those higher up the business do not suffer from the same stress and hardship caused by such low pay. While care workers are barely being paid the minimum wage for administering much-needed medicine, providing emotional support and helping people wash and dress, the top management of all the biggest five care companies enjoy six figure pay packets.

Click here [3] for an analysis of travel time and care workers’ pay.

Financial pressures - but still money to be made

All of the companies complain about the pressure that woeful lack of public funding has put on their business. No doubt government cuts have squeezed their finances, especially over the last two years. Two of the care businesses profiled here – Allied and Mears – made a loss last year, as did MiHomecare, the sixth biggest company (not included in this investigation because of the extensive work[3] Corporate Watch has done on them over the past two years).

And it is true that home care has not been the cash cow for investors that services such as foster care [4], water [5] or energy [6] have been. The people putting their money into the big home care companies are betting that at some point in the future the amount the government puts towards social care will increase. When it does they want as big a share as possible, so in the meantime they grow their business as much as they can.

Some of these bets have failed and the investors have lost significant amounts of money. Private equity group Acromas Holdings were unable to extract anything from the Allied Healthcare business in the years they owned it. Mihomecare’s owner, outsourcing giant Mitie, announced last month it would be selling up after it was unable to make the hoped-for returns.

But others are already cashing in. In the last five years for which accounts are available, City

& County Healthcare paid out £4.5m to its former-owner Sovereign Capital, a private equity firm founded by city financiers and Tory donors John Nash and Ryan Robson. Sovereign then sold the business on to another private equity house, Graphite Capital, which has already racked up £17.1m to be paid out through a tax avoidance scheme that sees profits siphoned through the Channel Islands.

Sevacare – currently being taken to court by workers who claim that they were making less than minimum wage – has paid out £4.9m to its owners, principally Ravi Bains and his family, over the last five years. Carewatch has racked up £17.1m to be paid through another offshore financing scheme, this time to investment fund Lyceum Capital, run by former-Lehman Brothers banker and Tory donor Philip Buscombe.

Mears Care may have made a loss last year but it paid out £15.8m to its parent company the Mears Group Plc over the last five years. Mears bought Care UK's home care business last year. Prior to that the business had paid out £10.9m to Care UK, which is owned by European investment fund Bridgepoint Capital.

The big five companies all talk about the investment they are bringing to home care. They may be putting cash in (though as the care records show, it isn't enough to care for everyone as well as they should). But it is cash they expect to get back – with a profit on top, as we can see from the payouts described above. These companies look set to increase their share of home care provision. The irony is that if public funding does increase, such payouts will increase and more money will be lost from the service.

Allied Healthcare

Owned by: Aurelius Capital

Annual revenue: £216m

Number of branches: 80

Number of employees: 12,000

Highest paid director salary and other benefits: not disclosed

Payouts to owners in last five years: £0

Allied Healthcare [7] was founded in Staffordshire in 1972 and has grown to become one of the UK's biggest home care providers. It has contracts with some 93% of local authorities to provide care to people in their homes, as well as some primary care services for NHS trusts.

Care record

Over half (53%) of the 45 Allied branches assessed by the CQC in the last two years have been rated as unsatisfactory. 20 were found to be "requiring improvement", while another four were rated "inadequate" and placed in special measures.

The CQC's report on the Hull branch found that it "did not have sufficient numbers of suitably qualified, competent, skilled and experienced staff to deploy", which meant "people who used the service were exposed to the risk of abuse by way of neglect". They also found that care records had been falsified, among other problems.

Staff pay

Corporate Watch spoke anonymously to four Allied branches currently recruiting care workers. Only the Leicester branch said workers are paid for their travel time.

Staff in the other three – Reading, Exeter and Bridlington – said they did not pay for travel time. The Reading branch offers rates from £8.25 to £10 an hour but the actual, average, pay rate will decline significantly when travel time is included.

The Exeter and Bridlington branches offered just the minimum wage of £7.20 an hour. Allied says it has an automated payment top up scheme, agreed by HMRC, which ensures staff do not fall below the minimum wage once their travel time is included.

Finances

Previously publicly-listed on both the New York and UK stock exchanges, Allied was bought by the private equity conglomerate Acromas Holdings for £114m in October 2011, according to accounts filed at Companies House. Acromas merged Allied's home care business with that of Nestor Healthcare group, which it had bought for £132m in February 2011.[4]

Alas, the home market didn't turn out to be as lucrative as Allied's new owners hoped. Hit by tightening local authority budgets, their new business only made a profit in one of the years it was owned by the private equity giants. The business was unable to make any payouts to its owners and last year Acromas sold Allied to Auerelius Capital, a German investment fund, for just £19m.

Allied's previous owner, Acromas Holdings was a sprawling business that also owned insurance giant Saga, the AA and other companies. Itself owned by private equity giants CVC Capital Partners, Charterhouse and Permira, Acromas was accused of avoiding millions of pounds in UK tax. The group enjoyed a £1.7bn payout at the end of last year from its sale of shares in AA and Saga, with more money made in previous years.

It remains to be seen how Allied's new owners will run the business. Aurelius Capital is a German investment firm that owns businesses involved in shoe-making, hotels, yachts and plastic recycling, among others. Their CEO Dirk Markus sees in Allied: "an opportunity to further grow and develop the Company's market leading position in the visiting care market".[5]

It is going to be a busy few years for Aurelius' UK office in Savile Row, Mayfair. As well as Allied, recent acquisitions include welfare contractor Working Links and cosmetic surgery firm The Hospital Group –accused of botching surgery[6] and "cowboy tactics"[7] by clients.

Corporate Watch put the above points to Allied Healthcare but the company declined to comment.

Mears Care

Owned by: Mears Group Plc

Annual revenue: £146m

Number of people cared for: 30,000

Number of branches: 130

Number of employees: 12,000

Highest paid director salary and other benefits: £126,000

Payouts to owners in last five years: £26.7m

Predominantly a building repairs and maintenance company, Mears Group entered the home care 'market' in 2007 when it bought up the Careforce company, followed by Supporta in 2010. After buying Care UK's home care business in May 2015, Mears [8] has grown to become the second biggest provider in the UK.

Care record

Mears' care record over the last years is better than its for-profit peers, with almost three quarters of the branches inspected by the CQC over the last two years rated as "good". However another 11 "require improvement" and the Torbay branch was rated "inadequate" and placed into special measures.

The company points to its Torbay contract as an example of the future of care. As the single provider for the whole region (rather than being one of many care companies contracted), Mears anticipates revenues of £10m a year. The annual report describes the company as "extremely pleased with the positive start we have had with this contract".

However, a damning CQC inspection of the branch published in November found the service to be unsafe, ineffective and unresponsive to people's needs. They found that someone had been "unable to leave their bed all morning" because Mears had not sent enough staff. Missed visits meant people were not given their medicine when they needed it, while others had to go without meals. Inspectors also said Mears did not allow enough time for staff to get from one appointment to another, meaning they "could not provide consistent support because they were rushed".

Mears told Corporate Watch: "We accept the service deteriorated badly in the summer this year, largely due to some personnel issues in the local branch. These issues have been addressed and we are very confident that when CQC next visit, we will see a much improved rating".

They also said all their branches in Scotland and Northern Ireland were compliant and that their UK overall record is 90% compliant.

Staff pay

Mears has been at the forefront of companies protesting at the lack of funding for home care. It announced in July this year that it was pulling out of contracts with Liverpool and Wirral councils because the rates offered were "extremely irresponsible and possibly illegal", and would not be high enough to pay staff the minimum wage.[8]

Corporate Watch anonymously phoned five Mears branches currently recruiting care workers to ask about their rates of pay.

Staff at the Torbay branch said pay for travel time is included in the hourly rate paid for time spent with clients, £8.50 on weekdays and £10 on weekends.

The Rotherham and Enfield branches said pay is £7.75 and £8 respectively but that travel time is not paid.

The Stoke on Trent branch said they pay £8 an hour, but that if hourly pay falls below the minimum wage once travel time is included Mears tops it up with an additional payment. The Chapel-en-le-Frith branch told Corporate Watch the contract rate was the minimum wage of £7.20 an hour, but that 50p was added on for calls to local authority clients as a top up to cover travel time. Depending on how long care workers have to travel between appointments, this will likely leave the effective rate of pay closer to the minimum wage £7.20.

Mears told Corporate Watch their average hourly rate paid across the UK is £9 per hour and said: “we don’t believe anyone is earning below [minimum] wage, as if high levels of travel time do happen, we adjust pay accordingly”

For management, the rewards are greater. The accounts show the highest paid director of Mears Homecare Ltd made £126,000 in 2015.

CEO DJ Miles made £436,000 in 2015. Miles owns 175,020 Mears shares, according to the company’s annual report. Not bad, given Mears' shares are currently trading around £4.50 each.[9]

Mears Chairman Bob Holt has been in charge of the company since 1996. An accountant by training, his previous career included stints with outsourcing firm Mitie and working for Tory peer Lord Ashcroft.[10] He took £350,000 from Mears in salary, pension contributions and other benefits in 2015, but he made his fortune in 2012 when he sold all his Mears shares for £5m. According to Electoral Commission records Holt has made his own contribution to the Tory party, donating £10,000 in 2006.[11]

Finances

With branches across the UK, this has been a profitable business for Mears. In the last five years Mears Care Ltd and Mears Care (Scotland) Ltd have together paid out £15m in dividends to their parent company.

With government funding cuts biting, the care division made a loss in 2015 but this did not deter Mears from buying Care UK’s home care business – also loss-making at the time. This was a leap forward for Mears, making it the UK’s second biggest home care provider. So why would Mears buy a business it knew was making a loss? According to its annual report, it is because the increased size helps it win more – and better – business, such as the Torbay contract described above:

“Whilst initial investment in [Care UK home care] was required, the combination of capability and scale has made Mears a more attractive partner for the emerging, larger partnering-orientated contracts such as those already secured in Torbay and Wiltshire.”

Mears presents itself as an ethical, socially responsible company but, as a company run for profit, its ultimate loyalty is to its shareholders. In contrast to its rivals, Mears' shares can be bought and sold by the public through the London Stock Exchange, but its shareholders are still mostly investment funds and financial institutions. According to the Mears website, the biggest shareholders as of March 2016 were Neptune Investment Management and Majedie Asset Management Ltd, a city-based investment fund that describes its main aim as "simply to make money for our clients".

Mears Group Plc paid dividends to its shareholders of £10.5m in 2015 and £9.3m the year before, though these were primarily from the housing maintenance part of the business.

Mears told Corporate Watch the current losses in its care business are being funded by the other activities of the Mears Group and insisted the dividends should be considered together with the money invested in the care business: £27m as of December 2015.

Care UK is owned by private equity firm Bridgepoint Capital. It is best known for its private care homes and for winning contracts to run previously public NHS services.

Mears paid £10.2m in cash to buy Care UK's home care business. Care UK's accounts do not disclose how much it made or lost from this this sale and the company told Corporate Watch it does not disclose individual transactions. It quite possibly lost money after the write-off of a £35m loan and if any gain was made at all it will not have been significant. The company also sold its mental health and learning disabilities divisions, and the accounts say the Care UK group made £21m from all three sales together.

However, the accounts of the home care business – Care UK Home Care Ltd – show it still managed to pay out £10.9m in interest and dividends to its parent company between 2011 and 2014. Previous Corporate Watch investigations have shown Care UK to be running a similar Channel Islands financing scheme to City & County and Carewatch.

In 2015, the company – now rebranded Mears Homecare Ltd – paid out £819,000 in interest to its new owner.

City & County Healthcare

Includes: Abacare, Care Line Homecare, Comfort Call, Conard Care, Hamilton Cross, Help at Home, ICCM, ISS Healthcare, Kent SCP, London Care, Quality Care Services, Sagecare, SCP Recruitment, SCRT, Willow Tree Homecare.

Owned by: Graphite Capital

Annual Revenue: £124m

Number of people cared for: 16,000

Number of branches: 65

Number of employees: 7,600

Highest paid director salary and other benefits: £306,000

Payouts to owners in last five years: £23.5m (£17.1m accrued, £4.5m paid)

City & County Healthcare [9] was established in 2009 after Sovereign Capital, a private equity investment firm, bought out the London Care business. Sovereign was founded by two city financiers, and major Tory donors, John Nash and Ryan Robson[12]. Over the next four years City & County bought up smaller rivals and became three times bigger, allowing Sovereign to sell the expanded business to Graphite Capital, another private equity firm.

Graphite has continued the strategy of buying up smaller rivals and City & County is now the third largest home care provider in the UK. In contrast to its rivals, City & County has kept the original names of the companies it has purchased, meaning it has a wide array of care brands under its umbrella (listed above).

Care record

Inspections by the Care Quality Commission into 48 of City & County's English branches over the last two years found 54% were unsatisfactory, according to CQC records. Of these, 24 branches were rated as "requiring improvement" while two were found to be "inadequate" and put into special measures.

Inspectors found the Willow Tree branch in Romsey, Hampshire, for example, was "not safe", with "significant shortfalls in respect of the number of suitably qualified, skilled and experienced staff". According to the inspection report: "people were at risk because appropriate arrangements were not in place to handle and administer medicines safely. Risks relating to the health, safety and welfare of people had not been properly assessed and responded to."

The branch has since been closed.

City & County told Corporate Watch the inadequate ratings were due to "particularly challenging market conditions, such as low charge rates paid by the local authority" and that the branches had improved since.

The company said: "Data available from the CQC website demonstrates that we continue to show a trend towards improving quality across our services. In the past twelve months, CQC has re-inspected eight of our sites that were previously rated 'require improvement'. Seven show a significant improvement, with six now rated 'good'." They said 33 of their currently-active 47 registered sites in England have been inspected by the CQC in 2016 and 21 of those have been rated "good", with some of the inspection reports yet to be published.

Staff pay

Corporate Watch anonymously spoke to four City & County branches currently recruiting care workers to ask about their rates of pay. Staff in each branch said they did not pay for travel time. As a result, when workers' travel time is included they will be paid above the minimum wage – but their effective rate of pay will be even lower than the rates offered.

London Care Brentford said they offer between £8 and £10 depending on the location of the work. The Comfort Call branches in Kirklees and Durham both offered £8 on weekdays and £8.20 on weekends. The Comfort Call Tameside branch offered just £7.40.

City & County told Corporate Watch: “All our staff are paid for their ‘travel time’. However, as is the case with many other operators, ‘travel time’ is included in the overall payment, i.e. not paid separately.” They also said they offer rates of £7.42 or £7.50 in Tameside. They said “City & County pays all its care workers not less than the National Living Wage” and that HMRC had found them to be fully compliant “in every case”.

They said: “The primary factor in the low rates of pay in council-funded homecare is the low rates paid by the Councils” and insisted: “independent providers like City & County are not only doing an extremely good job, but are also offering extraordinary value for money to the public purse.”

Whatever care workers’ exact pay, it contrasts starkly with the pay of management. According to the C&C Topco Ltd accounts filed at Companies House, the – unnamed – highest paid director received £306,000 in 2016. The directors have also invested in the shareholder loans described below, which will give them a share of any interest paid out. According to the accounts, the management team as a whole earned £293,000 on these loans in 2016.

Finances

Even with funding cuts, City & County is continuing to make a profit from its underlying care business: £13m in 2016 and £12m the previous year.[13]

Accounts filed at Companies House show Sovereign originally invested £9m of its own money into City & County, with the rest of the £18m purchase funded by bank loans. Throughout the period of its ownership Sovereign invested a further £11m into the business to help it expand. The accounts show Sovereign received all of this money back when it sold City & County to Graphite.

Sovereign did more than just recoup its original investment. By making its investment as high interest loans, it received interest payouts each year between 2009 and 2013. In total it extracted £6.5m from the company..

Accounts filed at Companies House show Graphite has invested £65m in City & County, again as loans, some of which carry interest rates of up to 15%. The interest on these will only be paid out when Graphite comes to sell the company. Until then each year’s payment is added onto the original loan, meaning more and more interest is charged each year.

This is also a – completely legal - tax avoidance scheme that will kick in when City & County starts to make significant taxable profits. The interest is deducted from City & County’s profits before they are taxed, which will reduce any corporation tax the care business owes. In addition, the loans are made offshore through the Channel Islands Securities Exchange[14] so any ‘withholding’ tax due will not be deducted (see here [10] for a fuller explanation of how this scheme works).

So far Graphite has racked up a whopping £17m in the time it has owned City & County. Graphite will hope to expand the business and then sell it for a healthy profit that sees the money it originally lent returned to it, plus all the accrued interest on top.

Graphite bought City & County together with management, supported by funding from the investment firm Investec plus HSBC and Lloyd's banks – another sign of the profit potential the city sees in home care.[15]

Private equity firms like Graphite invest other people's money to buy companies, hoping to cut costs wherever possible, then sell them for a tidy profit at some point in the future – with the investment managers taking a cut of the proceeds. They pool investments into a particular fund, in this case the Graphite Capital Partners VIII group of funds.

Records from Companies House show the Graphite investors are a disparate bunch, including other investment funds, Deutsche Bank, Lloyd's, a Swiss foundation that funds cancer research and libertarian causes[16], the Church of England's investment fund the Church Commissioners, Wolverhampton City Council and the pensions funds of local government workers in the US state of Maryland and the Tameside borough of Greater Manchester.

Graphite's investment is managed through a complex web of funds, some based in tax havens, that do not have to publish accounts or disclose other financial information, making it nigh on impossible to track the flow of money through them. Company records show they are managed by a UK-registered partnership on behalf of Graphite Capital General Partner VIII (Guernsey) LP, which, as the name suggests, is based in the tax haven of Guernsey.[17]

Adding another level of secrecy, some of the investors in the fund are also registered in tax havens, including the Cayman Islands-based Whitehall Investments LP and Europe Portfolio V Company Ltd[18], Makena Capital Holdings Blue LP, registered in the US tax haven of Delaware,[19] and Worldstar Ltd, which records suggest is based in Samoa[20] (ranked the world's most secretive tax haven by the Tax Justice Network).[21]

In response, Graphite said: "the Channel Islands listing exists solely to avoid complexity for investors, (most of whom are not resident in the UK for tax purposes), e.g. pension funds. It does not result in lower tax being payable."

It said the Graphite fund is managed by a UK business and that the Guernsey entity makes no profit, and that "Graphite performs anti-money laundering and know-your-client checks on all the investors in its funds, in accordance with the relevant regulations."

A Sovereign Capital spokesperson told Corporate Watch:

"Sovereign Capital is an active UK private equity investor with a detailed understanding of the Healthcare Services sector and what is needed to ensure that companies in this sector succeed. We invest in high quality companies and management teams across the UK, supporting them to achieve robust growth.

"The investment and support from Sovereign Capital helped City & County to continue to care for people in their homes and grow as a responsible and successful care provider."

Sevacare

Owned by: Ravi Bains and family

Annual Revenue: £66m

Number of people cared for: 9,600

Number of branches: 54

Number of employees: 5,200

Highest paid director salary and other benefits: £410,000

Payouts to owners in last five years: £4.9m

Sevacare [11] was founded in 1998 by Ravi Bains to provide care to BME communities, especially elderly Asian people, in Walsall. Initially this was on a voluntary basis, with referrals coming from churches, gudwaras, mosques and day centres often linked to BME communities, according to the company's website.[22]

The company started providing care to paying customers and it has since grown to become the UK's fourth biggest home care provider, supported with loans from HSBC.

Care record

Inspections by the Care Quality Commission into 36 of Sevacare's branches over the last two years found almost half were unsatisfactory. Of these, 14 branches were rated as "requiring improvement".

Its Tower Hamlets branch was rated as "inadequate" and put into special measures after inspectors found it was "not safe", leaving some people at risk of "avoidable harm". They also found calls often started late as not enough time was allowed for workers to travel between appointments, and that part of the service was short-staffed.

Sevacare told Corporate Watch recent inspections – yet to be published by the CQC – have found another four of its branches "Good", with its Hinckley branch recently receiving a new 'Good' rating (also unpublished). They also pointed to the 'Good' ratings held by their six 'Extra Care Scheme' branches that provide care to people living in supported housing.

Staff pay

Earlier this year seventeen Sevacare workers took a case to the employment tribunal claiming they had been illegally underpaid.[23]

Corporate Watch anonymously contacted three Sevacare branches currently recruiting care workers to ask about their rates of pay. Only one – Kirklees, which pays a rate of £7.70 an hour – said it paid all its workers' travel time.

Sevacare Manchester said being paid for travel time depends on what the councils it contracts from is paying for the care. Sevacare Bedford said it pays £8.25 on weekdays, £8.55 on weekends, but that travel time is not paid.

Depending on how long care workers have to travel between appointments, such low rates will likely leave the actual rate of pay closer to the minimum wage of £7.20.

Sevacare says it pays an average hourly rate that is at least the national minimum wage over any pay reference period.

Finances

The company still claims to be led by “quality, not profit” but this is starting to wear a bit thin. CEO and owner Ravi Bains has been making a sackful of cash. A darling of the privatisation industry, with glowing reports from trade press like Health Investor magazine and generous funding from HSBC,[24] Sevacare has bought out smaller rivals and hoovered up council contracts.

Bains continues to own the company, together with family members, and works as chairman and CEO. These different roles give him a choice of ways he can extract money from the company. Accounts filed at Companies House show that over the last five years he and his family have received £3.8m in dividends, plus £504,000 in rent from properties they are letting to the company. Add on another £600,000 paid in compensation to a former shareholder in 2014, and over the last five years its owners have received a total of £4.9m: all money that could have been reinvested in the care of people who need it.

And on top of this Bains has ensured his roles as Chairman and CEO are well-remunerated: he made £410,000 in 2015 and similar amounts in previous years, putting him at the top of the list of well-paid home care bosses. Nice work if you can get it.

In response to the points raised above, a spokesperson for Sevacare said:

“The health, safety and wellbeing of those we support is our number one priority.

“As a family owned business that started 18 years ago, which now employs over 5,000 staff across the country and carry out 7.5 million care visits a year, we care deeply for those we support. We aim to provide the best care possible and we continually review our procedures to ensure that the care we give meets the high standards we set ourselves.”

Carewatch

Owned by: Lyceum Capital

Annual Revenue: £63m

Number of people cared for: 16,000

Number of branches: 76 (28 franchised)

Number of employees: 7,700

Highest paid director salary and other benefits: £306,000

Payouts to owners in last five years: £17.1m (accrued)

Now over 20 years old, Carewatch [12] started off life in Brighton and has grown to become the UK’s fifth biggest home care provider.[25]

It has expanded rapidly since being bought by corporate investment firm Lyceum Capital in 2008, buying up smaller rivals, signing contracts with local authorities and working to increase its service to people paying for their own care.

Carewatch both provides care directly and franchises out operations to smaller business who run branches themselves under the Carewatch brand. Most of the recent acquisitions have been of franchisees, thereby bringing more Carewatch branches in house. According to accounts filed at Companies House for Carewatch Holdings Ltd, the company owned just 13 of Carewatch branches in 2008 and this has now increased to 48.

Care record

Inspections by the Care Quality Commission into 20 of Carewatch's wholly-owned English branches (not including franchises) over the last two years found 11 to "require improvement", according to CQC records.

According to the Southern Daily Echo, late last year its Hampshire branch was put into special measures after the regulator found managers did not even know how many people were under their care.[26] A relative of someone being cared for said their father had gone without care for a day and was left in his own faeces.[27]

In contrast, the vast majority of Carewatch franchisees received "good" ratings. They have not been included here because they are companies outside the Carewatch corporate group. Many appear to be small, family-run operations.

Staff pay

Corporate Watch spoke anonymously to staff at four Carewatch branches currently recruiting care workers to ask about their rates of pay. Only one, Wrexham, said it paid anything for travel time, and this was just 'travel top ups' not measured at the contractual pay rate.

The Burnley and Ipswich branches said they paid workers £7.69 and £7.66 on weekdays respectively, with rates increasing to £8.09 and £8.16 on weekends. The Hounslow branch's rate is £9.40 an hour. None pay for travel time, meaning the actual rate of pay that care workers receive is likely to be significantly lower than their contracted rate.

Carewatch's highest paid director – unnamed in the accounts – has made between £120,000 and £290,000 for the last five years, according to the accounts. The current Chief Executive Officer is Scott Christie, an accountant previously with ILS, a Scottish home care company bought up by Mears Plc in 2013. His CV also includes stints with drinks giant Diageo and a hotel company.

Finances

Lyceum Capital paid £21m to buy the business from Nestor Healthcare (now part of the Allied Healthcare business as described above). Barclays Bank lent another £17m. The plan was to grow it big, make some money along the way and sell it for a tidy profit. In total Lyceum has now invested £45m in the business.

The expansion strategy seems to be working. Revenue was up by 15% in 2014, the last year for which accounts were available. Underlying income from the business for the year was

£5.3m, and was similar in previous years.

Lyceum is a private equity investment firm based in central London on the Strand. It was founded by ex-Lehman Brothers banker Philip Buscombe, who continues to serve as Chairman and is married to Conservative peer Peta Buscombe. Electoral Commission records show he donated £4,000 to Tory MP Alok Sharma before the 2015 election.

Lyceum made almost all of its original investment into Carewatch as loans bearing an interest rate of 12.5% – more than double the rate on the company's bank loans. While at first this may seem bizarre – why saddle your own business with such high interest rates? – it is a common private equity tactic.

Each year interest is racked up on these loans, to be paid out to Lyceum at a time of their choosing. So far £19.7m has been generated for Lyceum in total, with £17.1m accumulated in the last five years for which accounts are available (2010-2014).

This is also a – completely legal – tax avoidance scheme that will kick in when Carewatch starts to make significant taxable profits: the interest is deducted before the profits are taxed, reducing the care business' corporation tax bill. In addition, the loans are made offshore through the Channel Islands Securities Exchange so any 'withholding' tax that would have been due will not be deducted (see here [10] for a fuller explanation of how this scheme works).

Company records show investors in the Lyceum fund include Canadian multimillionaire businessman and impressario Aubrey Dan, son of pharmaceutical magnate Leslie and Norwegian shipping tycoon Hans Peter Jebsen.

Lyceum also owns the EAT sandwich chain and the care home business Sequence Care Group. Of Sequence's 11 services registered with the Care Quality Commission, three have been rated as "inadequate" and placed in special measures, with another three "requiring improvement".

Corporate Watch put all the points above to Carewatch for comment but, after several follow-ups, we have not received a response.

If you have information about a company that you'd like to share with Corporate Watch, email us at contact[at]corporatewatch.org or call 02074260005.

1http://www.graphitecapital.com/sectors-and-portfolio/city-and-county/ [13]

2http://www.cqc.org.uk/sites/default/files/20161019_stateofcare1516_web.pdf [14], pg 20

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Category(s):
Public Services [37]
Issue(s):
Home care [38]
Social Care [39]
Do-It-Yourself [40]
DIY [41]
privatisation [42]
NHS [43]
Health [44]
Company(s):

Allied Healthcare [45]
Mears [46]
City & County Healthcare Group [47]
Sevacare [48]
Carewatch [49]
Abacare [50]
Care Line Homecare [51]
Comfort Call [52]
Conard Care [53]
Hamilton Cross [54]
Help at Home [55]
ICCM [56]
ISS Healthcare [57]
Kent SCP [58]
London Care [59]
Quality Care Services [60]
Sagecare [61]
SCP Recruitment [62]
SCRT [63]
Willow Tree Homecare [64]
Sovereign Capital [65]
Graphite Capital [66]
Lyceum Capital [67]
Mihomecare [68]
Mitie [69]
Care UK [70]
Bridgepoint [71]
Acromas [72]
Saga [73]

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[39] https://corporatewatch.org/issues/social-care
[40] https://corporatewatch.org/issues/do-it-yourself
[41] https://corporatewatch.org/issues/diy
[42] https://corporatewatch.org/issues/privatisation
[43] https://corporatewatch.org/issues/nhs
[44] https://corporatewatch.org/issues/health
[45] https://corporatewatch.org/companies/allied-healthcare
[46] https://corporatewatch.org/companies/mears
[47] https://corporatewatch.org/companies/city-county-healthcare-group
[48] https://corporatewatch.org/companies/sevacare
[49] https://corporatewatch.org/companies/carewatch
[50] https://corporatewatch.org/companies/abacare
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