



# SHIRE OF DONNYBROOK - BALINGUP

AGED CARE SERVICES REVIEW STAGE TWO  
(INCORPORATING FINDINGS FROM STAGE ONE)

FINAL

MAY 2019

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# SECTION ONE

## EXECUTIVE SUMMARY

## 1. EXECUTIVE SUMMARY

### 1.1 OVERVIEW

The Shire of Donnybrook-Balingup (the Shire) engaged Ansell Strategic Pty Ltd (Ansell Strategic) to undertake a review of its current aged care services portfolio.

The Shire has provided aged care services for decades in response to unmet need in the area. Today, the Shire's current aged care services portfolio has grown and is made up of:

- A 40-bed Residential Aged Care (RAC) facility – Tuia Lodge Frail Aged Facility (Tuia Lodge);
- Two well-aged (affordable housing) developments – Minninup Cottages and Langley Villas, featuring 12 and 9 units, respectively; and
- A 13-unit Retirement Village (RV) – Preston Retirement Village (Preston RV).

To remain sustainable and viable, the Shire and Management have been proactive and undertaken a number of operational and strategic initiatives. This has included exploring expansion opportunities of the RAC facility, entering into joint ventures to expand the affordable aged housing offering, upgrading technology and restructuring the RAC facility's and aged care support services structure.

This proactive behaviour has largely resulted in an aged care offering which is of a high standard and attracting significant expansions in recent years (with this expected to continue with the recent allocation of additional aged care places at Tuia Lodge). The success of the Shire's services are largely attributable to the community's commitment to providing positive ageing solutions for the elder population.

In preparation for ongoing legislative reforms, growing governance exposure, changing consumer needs and increasing competition, the Shire has engaged Ansell Strategic to undertake a diagnostic review of the Shire's current aged care services and to evaluate strategic options for each service.

Stage One of the review included:

1. **Industry and Regulatory Environment Analysis** – An overview of the historical regulatory environment and both recent and proposed regulatory changes to the aged care sector.
2. **Diagnostic Review of Services** – A review and assessment of the Shire's aged care and seniors' living services, identifying strengths, weaknesses, opportunities and threats of each service.
3. **Evaluation of Options** – Provision of options and/or strategies for the future of the Shire's services based on our review.

Stage Two of the review included providing recommendations for the Shire's aged care services. Between Stage One and Stage Two, Ansell Strategic met with the Aged Care Community Reference Group to discuss the findings from Stage One. The aim of this consultation was to ensure that information provided in Stage One of the report was factually correct as well as to gain further understanding of the aged care service's from the community's perspective. Following this consultation, Ansell Strategic has provided a

recommendation for the Shire's aged care services. Details of this recommendation has been provided in Section 8 of the report.

The following summarises our findings of the review.

## 1.2 SUMMARY OF FINDINGS

### 1.2.1 Industry Analysis

The Shire's aged care services operate across industries that are experiencing reform. In particular, the aged care sector is undergoing a period of change driven by the Royal Commission into Aged Care Quality & Safety, increased regulation and oversight as well the transition towards the more consumer-centric Aged Care Quality Standards.

The retirement village has also experienced increased scrutiny and there have been numerous reviews of State based legislation aimed at improving and enhancing transparency between village operators and residents. Some of the proposed changes to the Western Australia (WA) retirement village legislation will create greater financial exposure with concepts such as mandatory buybacks of vacant units being potentially introduced.

***The sectors that the Shire's aged care services operate in continue to experience change due to both regulatory and consumer pressures.***

### 1.2.2 Market Analysis

Our demographic analysis of Donnybrook and the surrounding areas revealed the region has an ageing population which is forecast to grow. The Donnybrook region has higher levels of relative socio-economic disadvantage compared to the Nation. These factors suggest that there is potentially a high long term demand for affordable aged services and accommodation in the area.

An analysis of competition in the area revealed no other RACs, with the closest competitor located in Bunbury. Bunbury also had a higher density of retirement communities. New village competition is emerging in the Donnybrook region, with Meadowbrooke Lifestyle Estate currently under development.

There were limited affordable housing options such as Minnipup Cottages and Langley Villas available in the local area.

***The market analysis found strong factors supporting current and future demand for affordable seniors' accommodation and services in the region.***

### 1.2.3 Diagnostic Review of Services

#### Tuia Lodge Service Review

Our review of the Tuia Lodge indicated the home is well maintained and provides a much needed service to the local area. There has been significant change in management over recent years and negative media following findings of non-compliance with Aged Care Standards. Since then, The Shire and current Management Team have demonstrated a strong commitment towards growing the connection between Tuia Lodge and the local community and have taken a number of proactive measures to improve resident wellbeing and enhance the home.

However, the change in Management resulted in a loss of experience and knowledge. Further, it has been difficult to attract and maintain senior clinical care staff. At the time of our review, Tuia Lodge had not had a senior clinical care team member since September 2018. Whilst the Management team has experience operating residential aged care facilities, this clinical oversight is critical in an environment where residents are presenting with increasing acuity and complex care needs. We understand a new Manager – Clinical Care has recently started. These factors, and the limited sector specific knowledge of the Shire (in particular, the Councillors whom are considered “Key Personnel” by the Department of Health) expose the home and the Shire to both quality and clinical governance risks.

The aged care sector is undergoing one the most transformative times in Australia. In addition to the Royal Commission and the New Quality Standards, scrutiny from both the public and the regulatory bodies have increased.

The home is also operating at a loss and there is an ongoing challenge to manage growing care costs. The home was successfully allocated additional places to expand the service capacity of the home which could improve operational efficiencies.

#### Well-Aged Units

The Shire’s Well-Aged Units provide affordable accommodation to seniors in area. With an ageing demographic and limited competitors, there is likely to be ongoing demand for affordable aged housing in the future. The units remain profitable, however they are maturing and requiring ongoing capital investment to ensure that they remain well maintained and relevant.

#### Preston Retirement Village

The Preston Retirement Village is a well maintained and attractive village. The small scale and limited amenity inhibits the ability to differentiate itself from normal residential properties.

The village does not offer additional service options to residents which further limits the ability to ability to differentiate the village. Given the current entry contributions exceed median house prices in the area, there is a perception that the units are expensive.

Operations are generally viable, however the units and amenity require ongoing investment and refurbishment. There is proposed legislative reform that may increase the Shire’s financial exposure.

***The Shire’s aged care services continue to provide valuable accommodation and support to a local ageing population. However, the growing regulatory burden, ability to attract and retain experienced personnel and difficulty to effectively operate the small scale services impacts the overall sustainability of the services.***

### 1.3 OPTIONS EVALUATION AND RECOMMENDATIONS

In light of the above, we have explored alternate strategic options for the Shire’s individual aged care services. Broadly, the four options analysed for each service included:

1. Continue to Operate (Hold)
2. Upgrade and Expand (Invest)
3. Outsource Management (Outsource)

#### 4. Transfer/Divestment of Services (Divest)

Our analysis has highlighted the relationship between maintaining control of the Shire's aged care assets as well as the operational and financial risks associated with each of the above options.

Giving consideration to these options, we have recommended that the Shire considers pursuing a partnership arrangement with an experienced aged care operator. Such a partnership is likely to improve the long term sustainability of the services to meet the overall needs of the ageing population. This arrangement will allow the Shire's aged care assets to remain in the possession of the community whilst reducing operational and financial exposures to the Shire.

For full details of our options analysis and recommendations, refer to Sections 7 and 8.



## SECTION TWO

# PROJECT SCOPE AND OVERVIEW

## 2. PROJECT OVERVIEW & SCOPE

### 2.1 BACKGROUND

The town of Donnybrook is situated approximately 180 kilometres south of Perth in Western Australia's South West Region. The Donnybrook-Balingup Local Government Area comprises approximately 5,870 people, a significant portion of which are older.

The Shire of Donnybrook-Balingup ("the Shire") currently operates the 40-bed residential aged care facility known locally as Tuia Lodge as well as 34 units across three retirement living developments known as Minninup Cottages, Langley Villas and Preston Retirement Village.

The Shire has shown an ongoing commitment to create an age-friendly community by providing social inclusion, intergenerational connectedness and appropriate health services to the elderly population. The Shire is aware of the need to review its current aged care operations to ensure services continue to address the needs and preferences of the older community as the sector undergoes legislative reforms. In particular, within the context of these changes, the Shire is considering its future role in providing services and facilities to older people post 2020.

### 2.2 PROJECT SCOPE

The Shire has engaged Ansell Strategic to undertake a diagnostic review of the aged care services currently on offer to the Donnybrook community.

We have assessed the Shire's aged care services from an independent perspective, providing feedback on the ongoing viability of the business units individually and as a whole. As outlined in the Shire's Request for Quotation (RFQ), our review has incorporated:

- A Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis on the present aged care services provided by the Shire;
- A cost-benefit assessment of the transfer of management from the Shire to a qualified aged care provider;
- Consideration of financial and risk management implications of any recommendations including short term and long term liabilities that will arise for the Shire with the current assets and services if alternative options for either management or provision of these services by another entity or entities provides a more effective long term sustainable outcome;
- Comparing the current quality of services provided to other service models of a similar scale including those operated by local government authorities; and
- Consideration of other factors deemed appropriate for the Shire to consider in regards to its aged care services.

Where applicable, Ansell Strategic has included information to support any recommendations or outcomes in relation to:

- Social inclusion, social and civic participation;
- Built environment, transport and housing including future proofing and specific needs analysis;

- Intergenerational community support and age-appropriate health services;
- Demographic analysis including future projections/growth to 2045; and
- How any recommendations would be dealt within the context of changes to the My Aged Care system as well as Government funding reform.



# SECTION THREE

## INDUSTRY AND REGULATORY ENVIRONMENT

### 3. INDUSTRY ANALYSIS & REGULATORY ENVIRONMENT

#### 3.1 OVERVIEW

In assessing and evaluating the Shire’s aged care services, it is important to consider the industry reforms taking place within the aged care and retirement living sector. An overview of the respective industries relevant to the Shire and regulatory environment are presented below.

#### 3.2 HISTORY AND LEGISLATION

Australia’s population has been experiencing significant changes in its composition of demographic characteristics. With substantial decreases in fertility rates, longer life expectancies and the emergence of the baby boomer generation, Australia’s older population is projected to substantially increase.

According to the Australian Bureau of Statistics (ABS) 2016 Census, an estimated 15.7% of the Australian population is aged 65 years and over, of which 4.1% are aged 80 years and over. These statistics are projected to rise in line with historic trends and by 2054, persons aged 65 years and over are forecast to reach 21% of Australia’s population.

It is the 85 and over demographic that will experience the highest growth over the coming forty years. This category will grow from 426,500 (1.9% of the total population) to over 1.8 million (5% of the total population) by 2050.

The increase in the ageing population can largely be attributed to the rapid population growth during the baby boom period. For most western countries, this period is associated with the post war generation (1946 to 1964), however Australia was already experiencing high fertility rates in the late 1930’s and early 1940’s<sup>1</sup>.

The aged population growth is also a result of increased longevity, with males born between 2010 and 2012 expected to live around 25 years longer than those born between 1901 and 1910, and females born between 2010 and 2012 expected to live around 26 years longer than their 1901 to 1910 counterparts<sup>2</sup>. The average life expectancy is estimated to increase by approximately 3 years in 50 years’ time.<sup>3</sup>

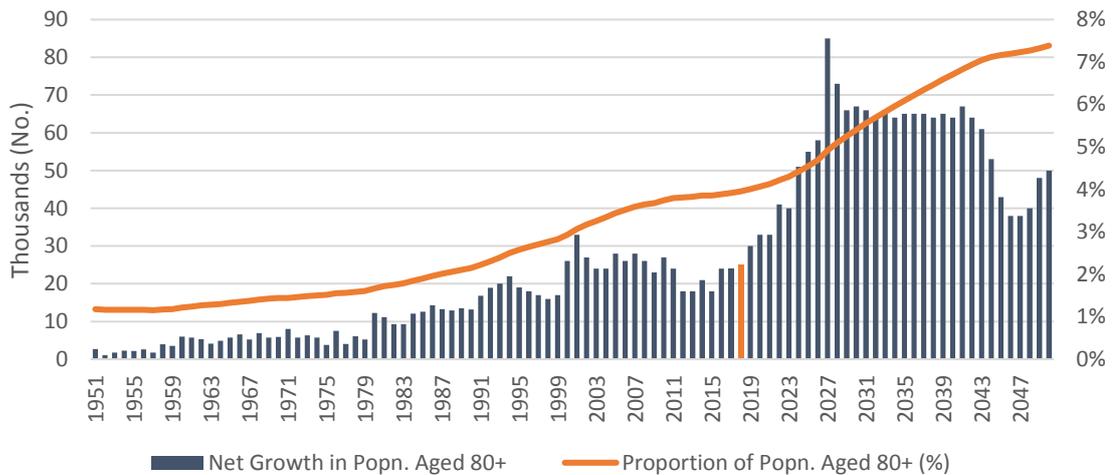
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<sup>1</sup> Australian Government Treasury Department, “2015 Intergenerational Report”, 2015.

<sup>2</sup> Australian Bureau of Statistics, “Life Expectancy Improvements in Australia Over the Last 125 Years”, 2016.

<sup>3</sup> Australian Bureau of Statistics, “Population Projections, Australia, 2017 (base) – 2066”, 2018

**Graph 1: Australia's Net Growth in Population Aged 80 Years and Over**



Source: OECD Statistics

### 3.3 SENIORS HEALTH

The increase of other morbidities, including obesity and ‘extreme frailty’ is expected to rise. With improved lifestyle choices and medical interventions, more people are surviving major diseases that have previously been associated with death<sup>4,5</sup>. However, this means seniors are left to manage chronic conditions and will likely experience living with co-morbidities affecting their overall independence.

The suitability of available aged care services is dependent upon individual needs and preferences. We are already seeing a larger proportion of aged care residents with high care needs requiring more diverse and specialised care for managing dementia, chronic disease and conditions resulting in declining function.

Older Australians with lower care needs are increasingly cared for in their own home, however residents with higher care needs (especially those with dementia) are frequently cared for in purpose built facilities<sup>6</sup>.

The most recent research conducted by the ABS on Household Income and Wealth found that many older Australian households are “*asset rich and income poor*”.

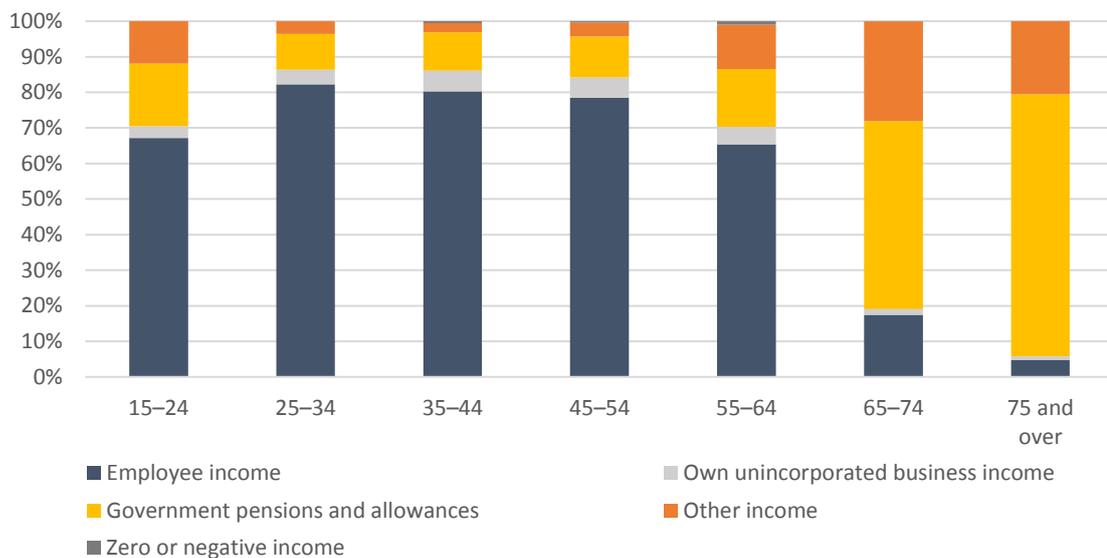
Also according to the ABS, more than 80% of senior couples owned their house outright. In addition, older Australians have higher wealth positions, however, they tend to have lower income than their younger counterparts. The asset rich and income poor status can be attributable to rising house prices, increasing wealth, and changes in the main source of income.

<sup>4</sup> Australian Institute of Health and Welfare, “Australia’s Health 2016”, 2016.

<sup>5</sup> Australian Institute of Health and Welfare, “Australia’s Health 2018”, 2018.

<sup>6</sup> Australian Institute of Health and Welfare, “Australia’s Welfare 2017”, 2017.

**Graph 2: Main Source of Household Income, by Age Group, 2015-16**



Source: ABS Household Income and Wealth, Australia, 2015-16

This projected increase in the proportion of Australian seniors necessitates the development of additional aged care services and provision of home care services as our current aged care infrastructure and services are unable to support the inevitable spike in demand levels.

The Federal Government recognises that existing services will be unable to service increased numbers of older people seeking aged care. Further, the decreasing proportion of Australian taxpayers to older Australians requiring health and aged care services makes the current funding system financially unsustainable.

The Federal Government is, therefore, planning for the future impact of an ageing population by directing resources towards more cost effective home care, introducing user-pays models and reducing current restrictions around the development of new homes.

The introduction of more user-pay models and the requirement for older Australians to contribute more to the cost of their care will likely increase competitiveness in the sector. Furthermore, as we are beginning to see an increase in demand for greater choice and consumer-centric services from the next generation of older Australians, the requirement for services and accommodation providers to deliver high quality and quantity of services will be greater.

The following section provides an overview of the care and accommodation options for Australian seniors.

### 3.4 CARE SERVICES – INFORMAL CARE

There is evidence that older people’s preferences for support appear to be moving towards the use of formal (those provided by professional aged care providers) rather than informal care (care provided by friends and family).<sup>7</sup> This trend follows experiences in countries with

<sup>7</sup> McCallum, J, Submission to the Inquiry into Long Term Strategies to Address the Ageing of the Australian Population over the Next 40 Years, 2003

advanced community and home care models such as the United Kingdom and the Netherlands.

Research also demonstrates that older Australians do not want to burden loved ones and often show a preference for formal care over informal care.<sup>8</sup>

Social and demographic trends identified by the Australian Institute of Health and Welfare (AIHW) suggest that in the future there are likely to be fewer informal carers relative to the expanding ageing population, with the ratio of older people relative to those of traditional working age increasing. With lower marriage rates, smaller family sizes and increasing divorce rates, the availability of informal carers is impacted<sup>9</sup>.

### 3.5 CARE SERVICES – HOME SUPPORT SERVICES

Home Care is the most common form of care for the elderly and is typically delivered to people who are able to live independently in their own household, but who also need assistance with home maintenance and daily tasks.

There are two types of Government funded home support programmes: Commonwealth Home Support Program (CHSP) and Home Care Packages (HCP). Combined, these programmes currently provide support services to approximately 882,000 Australian consumers. The Commonwealth Government funds both programmes. For CHSP specifically, the Government funded 1,621 providers in 2016-17<sup>10</sup>.

CHSP provides entry-level support services for older people who need some assistance with daily living to live independently at home. HCP provides more complex, coordinated and personalised care at home, and offers four levels of care packages to progressively support people.

In recent years, the home care sector has undergone major reform. From 1 July 2015, consumer-directed care applied to all packages, giving consumers greater choice over their services received.

Previously, the allocation of HCPs was controlled by the Government. However, from 28 February 2017, the ownership of HCPs moved from providers to consumers. Since that date, any approved provider can deliver package services to clients who have been approved for and hold a HCP. Whilst this move aimed to “deregulate” supply of HCP, the Government still controls home care packages and as at the date of this report, there are more than 127,000 people on the waitlist for their approved HCP level<sup>11</sup>.

The Commonwealth has indicated the intention to integrate both the CHSP and HCP programmes.

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<sup>8</sup> McCallum, J, Submission to the Inquiry into Long Term Strategies to Address the Ageing of the Australian Population over the Next 40 Years, 2003.

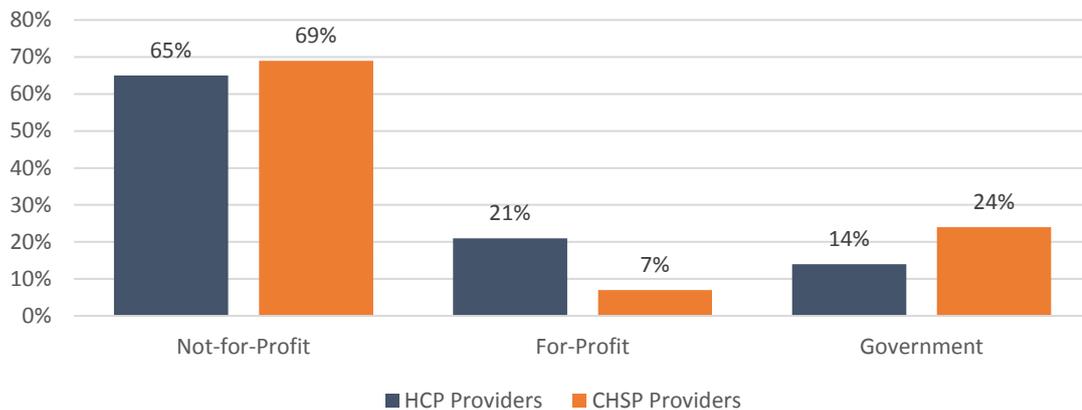
<sup>9</sup> Australian Institute of Health and Welfare, “Carers in Australia – Assisting Frail Older People and People with a Disability”, 2004.

<sup>10</sup> Aged Care Financing Authority, “Fifth Report on the Funding and Financing of the Aged Care Sector”, 2018.

<sup>11</sup> GEN Aged Care Data, “Home Care Packages Program Data Report 1 October – 31 December 2018”, 2019.

The home care industry is predominantly comprised of not-for-profit organisations, however with relaxation of supply, for-profit providers are becoming more prevalent. There has been an increase in the number of approved home care providers from approximately 500 in 2013 to nearly 900 approved home care providers today<sup>10,11</sup>.

**Graph 3: Home Care Providers, by Organisation Type**



Source: Aged Care Financing Authority, Sixth report on Funding and Financing the Aged Care Sector, July 2018

From 1 July 2018, the Western Australian (WA) Home and Community Care (HACC) programme has changed consumer access to these services based on age. Services for older people previously delivered through HACC will transition through to CHSP.

The Shire does not currently operate or provide HCP or CHSP services, however discussions with Management indicate that people within the Well-Aged units and village are accessing these services from other providers.

### 3.6 CARE SERVICES – RESIDENTIAL AGED CARE

RAC facilities provide services to seniors who are too frail to live independently in their own home. They are staffed with nurses and carers, and residents are generally dependent upon those staff to assist them with their normal activities of daily living.

RAC facilities are supported by the Commonwealth Government. Funding is broken up into care and accommodation components, with residents contributing to their costs of care and accommodation through means testing. Non-supported residents are asked to pay a refundable accommodation deposit (RAD) or the equivalent daily accommodation payment (DAP) to providers. They may also be required to contribute to their care costs through a means tested care fee.

A shift in the age profiles of residents has begun to occur with operators reporting older resident profiles, with nearly 1 in 3 residents aged 90 years and over.

The residential aged care industry has been under significant scrutiny over recent years, with the Government seeking sustainable solutions for the forecasted growth in Australian seniors.

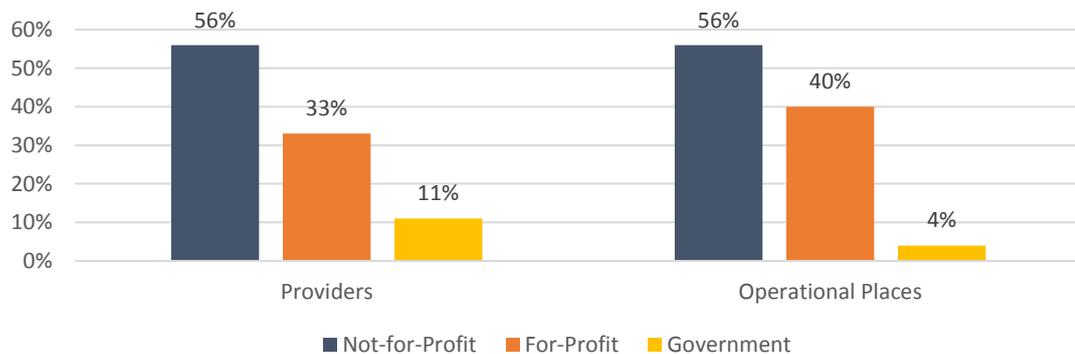
In addition, the sector continues to be heavily regulated, with the Commonwealth Government controlling the allocation and release of new places to providers. It is expected that in the medium term, regulation of supply will be relaxed.

Since the introduction of *Living Longer, Living Better*, the sector has seen greater levels of consolidation, likely attributable to recent Government deregulation measures and subsequent increasing numbers of private, for-profit companies entering the industry. According to the Aged Care Financing Authority’s (ACFA) 2018 report on Funding and Financing the Aged Care Sector, there are 902 providers of residential aged care facilities and services in Australia down from 1,050 in 2013. Operational beds have increased from 186,000 to more than 200,000 across the nation over the same period.

While not-for-profit providers continue to operate over half of the facilities and operational places, we are beginning to see an increasing number of for-profit companies entering the aged care industry. This includes three large providers who are listed on the Australian Stock Exchange.

The entry of for-profit providers has heightened the competitiveness of the industry and the demand for quality and quantity of services has increased.

**Graph 4: Residential Aged Care Providers and Operational Places, by Organisation Type**



Source: Aged Care Financing Authority, Sixth report on Funding and Financing the Aged Care Sector, July 2018

The Shire of Donnybrook-Balingup currently operates the Tuia Lodge in Donnybrook, which has been directly affected by legislative changes and reforms. The following section provides a summary of some of the recent legislative events impacting the sector.

### 3.7 RECENT LEGISLATIVE EVENTS – AGED CARE SECTOR

#### 3.7.1 Overview

As described above, our ageing population, evolving consumer needs and preferences and growing regulatory pressures has led to the implementation and exploration of several legislative changes in the past and present. The following considers recent industry events including the implementation of a new set of aged care quality standards and the recently announced Royal Commission into Aged Care Quality and Safety (Royal Commission).

#### 3.7.2 New Aged Care Quality Standards

Subject to parliamentary process, from July 2019 a new single set of quality standards will be in effect across all aged care services and accommodation in Australia. This new single set of “Aged Care Quality Standards” will replace the four existing standards including the Accreditation Standards, Home Care Standards, National Aboriginal and Torres Strait Islander Flexible Aged Care Programme Quality Framework Standards and the Transition Care Standards.

The new quality standards provide a single set of criteria which must be met by all Government funded aged care services including home care, residential aged care, flexible care and services under CHSP and have been framed from the consumer's perspective in order to reflect person-centred care.

Providers will be required to begin transitioning to the new quality standards to ensure full compliance by 1 July 2019.

The new aged care quality standards reflect the demographic characteristics of current and future older persons across Australia and their demands and needs. The new standards represent a move towards consumer centric care that will aim to support a consumer demand-centred system in the future.

Based on our discussions with Management, we understand that Tuia Lodge are currently in the process of transitioning towards the new standards. We have highlighted some of the trends and challenges that providers are facing in transitioning to the new standards in our article, '[Under the Spotlight – New Aged Care Quality Standards](#)'.

### 3.7.3 Royal Commission

In recent years the aged care industry has received wide spread publicity regarding the quality of care and services delivered to residents throughout facilities in Australia. In light of this, on the 16th September 2018, the Government announced its decision to ask the Governor General to establish a Royal Commission into the aged care sector.

The terms of reference for the Royal Commission were released 9 October 2018 and will primarily investigate many aspects of aged care service delivery in Australia including:

- The quality of care provided to older Australians;
- Extent to which services meet the needs of people accessing them;
- Extent of substandard care;
- Causes of any systemic failures and actions that should be taken in response;
- How best to deliver aged care services to people with disabilities residing in RAC facilities and Australians living with dementia;
- Future challenges and opportunities for delivering accessible, affordable and high quality aged care services in Australia;
- What can be done to strengthen the system of aged care services to ensure those provided are of high quality and safe;
- How to ensure person-centred aged care service delivery;
- How best to delivery aged care services in a sustainable way; and
- Any other matters that the Royal Commission considers reasonably relevant to the inquiry.

The full terms of reference can be accessed on the Royal Commission website or by clicking [here](#).

Providers were invited to make a submission to the Royal Commission regarding their services. Submissions were due early January for the Top 100 providers (by size) and early February for all other providers. The scope of the submission required providers to collate 5 years of data

for each service and provide detail regarding instances on complaints or instances of substandard care. The Shire has advised that Tuia Lodge was preparing a submission to the Commission.

The Commission has also invited public submissions which the Commission will continue to accept until end of June 2019.

Public hearings commenced 11 February 2019. To date, witnesses that have been called include representatives of Unions, consumer groups, peak bodies, Government departments and medical specialists. Hearings will continue throughout the year.

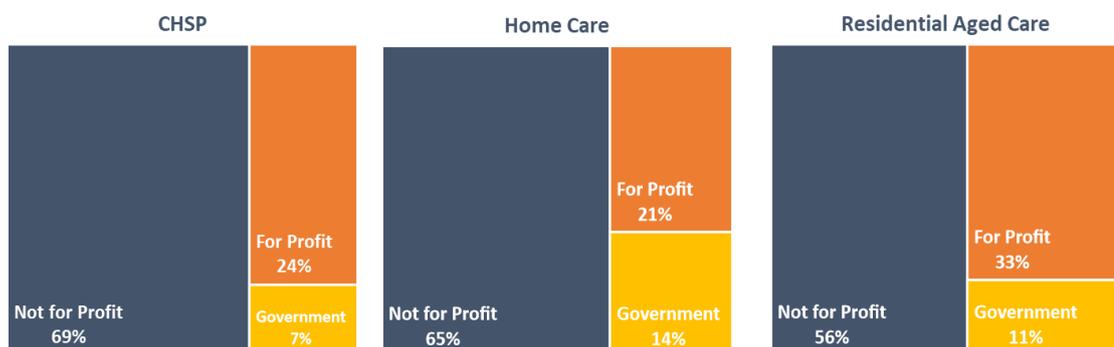
The Royal Commission will aim to provide recommendations to the Australian Government and will likely result in further reforms and legislative change in the coming years for the Australian aged care sector. Any reform and/or legislative changes arising from the Royal Commission are likely to have direct impacts to the operations of the Shire’s aged care services.

### 3.8 LOCAL GOVERNMENT INVOLVEMENT IN THE AGED CARE SECTOR

Historically, Local Government authorities have been involved in the aged care, retirement living and/or disability sector during a time when sector investment was low. In supporting their community, many Local Government authorities identified a requirement to directly deliver these services to address unmet need.

As discussed above, Government reforms have deregulated the market with a consumer-driven, free market focus. This has provided both new opportunities and challenges, resulting in increased market competition and private sector investment. At the same time, it has increased the financial and operational risks for Local Government authorities to provide these services, resulting in the diversion of their limited resources from core operating activities. As the landscape of these industries continue to evolve, we have witnessed a shift in the role and capacity of Local Government authorities.

**Graph 5: Aged care sector by ownership type**

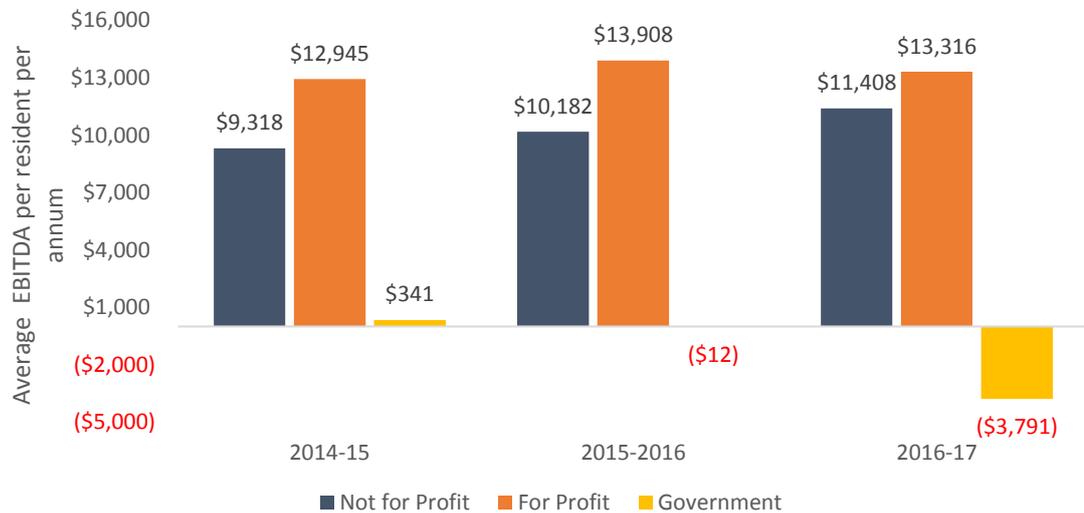


Source: Aged Care Financing Authority, Sixth report on Funding and Financing the Aged Care Sector, July 2018

Ansell Strategic has seen the departure of smaller scale providers over the recent years. At the same time, many State and local agencies have transferred their aged care and retirement living assets to professional industry operators. This trend has been supported by the declining ability for State and Local Government operated providers to remain financially viable and has been particularly prevalent within the metropolitan regions. As shown in Graph 6 below, on

average Government providers are the least profitable compared to for-profit and not-for-profit organisations.

**Graph 6: Aged care EBITDA financial result by type (per resident per annum)**



Source: Aged Care Financing Authority, Sixth report on Funding and Financing the Aged Care Sector, July 2018

In WA, we have seen the following Local Government authorities recently decide to transfer all or part of their aged care and/or retirement living services:

- City of South Perth;
- City of Canning;
- City of Kwinana;
- City of Claremont;
- City of Subiaco;
- Town of Cottesloe;
- Town of Mosman Park; and
- Shire of Peppermint Grove.

Within the metropolitan region, Local Government authorities that still own residential aged care/retirement living assets such as the City of Rockingham and City of Bayswater have management agreements in place with specialised operators (Southern Cross, Baptistcare and Juniper).

There has been increased effort and focus by the Department to encourage providers and services into regional areas. In regional areas, Local Governments still play an important role in providing accommodation and support services to the local community. Interstate, we have regional Local Council's also look to divest or outsource their aged care services. This has included:

- Shire of Brookton, WA – outsource management of aged care services to Baptistcare
- Armidale Regional Council, NSW – management and operation of aged care assets
- Port Augusta City Council, SA – divestment of assets

In response to a more competitive and less regulated environment, we have also observed a fundamental shift in the function and type of participation Local Governments have within the aged care, retirement living and disability sector. With increased financial and operational risks associated in providing these services, Local Governments are now assuming more of a facilitation role to support and create opportunities and mechanisms to enable specialised

organisations to operate within the municipality. In this capacity, Local Government authorities are still able to ensure their involvement in the care, inclusion and improved quality of life of the ageing population within its community. At a State level, the WA Labour Government has encouraged the development of aged care through the sale of land specifically for the development and use of aged care.

The complexities and risks associated with this sector are often seen as prohibitive for Government authorities with a broad spectrum of responsibilities and increasingly scarce resources.

These factors above have contributed to the Shire undertaking the current review of their aged care and seniors' housing offerings.

### 3.9 RETIREMENT LIVING

The Shire currently owns and operates the Preston Retirement Village in Donnybrook consisting of a total of 13 retirement living units with potential to expand. A community centre is located in the village which is used by both the residents and the wider community.

With the rapid ageing of Australia's population, the retirement living industry will continue to experience increased demand as observed in the aged care sector. Of the 3.6 million Australians aged 65 years and above, more than 184,000 (approximately 5%) live in retirement villages<sup>12</sup>. The number of Australians aged 65 years and over is forecast to increase to 8.9 million in 2054-55<sup>1</sup>. There are approximately 2,720 villages offering 141,500 dwellings owned by a mix of large and small scale not-for-profit (40.1%) and commercial (59.9%) operators. The range and quality of services and amenities offered in each village vary considerably<sup>12</sup>.

In addition to the changes to the aged care system, the retirement village sector has also been undergoing unprecedented legislative reform and change. Following a review of retirement village legislation in WA, reforms to retirement village regulations and codes were introduced over 2014 to 2016. Changes include:

- Amendments to the Retirement Villages Regulations 2015 around payments and information contained in resident contracts. Changes relating to these regulations came into effect on 1 April 2015 and 1 October 2015.
- An introduction of a new Code, the Fair Trading (Retirement Villages Code) Regulations 2015 which commenced on 1 April 2015. Requirements for increased budgeting, quarterly and annual financial reporting apply to existing retirement village operators for the financial year after 1 July 2016.
- Amendments to the Retirement Villages Regulations 2016 around two new disclosure statements that must be provided to prospective residents.

These legislative amendments, combined with reforms to the aged care sector and incoming baby boomer generation are expected to impact future service delivery and models, along with how operators manage villages. These factors will lead to a reshaping of perceptions and products for future generations of consumers. Members of this generation will reside in the family home for as long as possible with an increase in the average age of entry into retirement

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<sup>12</sup> Grant Thornton and Retirement Living Council, "National Overview of the Retirement Village Sector", 2014.

living. This means that retirement living residents may stay for shorter periods of time and have greater demands for care services. At the same time, their range of life interests and discerning characteristics demand more privacy, living space and a greater breadth of services and social activities.

Although reputation and affordability remain the highest ranking resident priorities, as service demands and needs become more complex, these elements will have greater influence on resident selection criteria. The importance of village operator reputation has become paramount following negative media reports in 2017 targeting a larger provider around their operations and conduct.

This underlying need for care and support appears to have been recognised by many operators. This is changing the business structure from what was predominantly a property based offering to now be more lifestyle and support focussed.

Our overseas experience demonstrates that a move towards more consumer centric models in a less regulated environment typically opens the door for greater levels of service integration between retirement living, residential aged care and community care services.

Residential aged care facilities can operate as an effective and efficient service hub for community care into co-located villages and surrounding homes, unlocking the potential for serviced apartments. The offering of rehabilitation, transitional care and home care services can also be greatly enhanced. This also allows for a complete continuum of care throughout all levels of accommodation, ensuring that older Australian's can maintain their sense of independence for as long as possible.

It is likely that the continuum of care provided by these integrated models will be preferred by future consumers providing additional choice and options of when, where and how they choose to receive care and/or accommodation services.

The WA Department of Mines, Industry Regulation and Safety – Consumer Protection Division – recently announced that a Consultation Paper on a second round of legislation changes will be issued early in the New Year.

Based on information presented by the Department, the Industry has serious concerns about two proposals that will be contained in the Consultation Paper.

The first is a proposal that operators must “buy-back” units after a prescribed period of vacancy. A period of 6 months is proposed. A period of 18 months has been legislated in South Australia and Queensland. Whilst this will be resisted by Industry, it is likely that something similar may be introduced in WA.

The second is a proposal to ban operators from advertising a “price” for a leasehold product or to refer to the “sale” of such a product. The Department is also proposing that, to enable prospective residents to compare villages, the industry should only be able to promote a “lifetime cost” (including exit fees plus accumulated recurrent charges) based on a notional length of stay. This change will be very problematic for both industry and residents and will be strongly resisted.

The Department signalled release of this consultation paper early within the year, however at the time of this report, the paper had not been released.

### 3.10 AFFORDABLE AND SOCIAL HOUSING

The Shire currently owns and operates (either wholly or in partnership with the Housing Authority) two sites which provide affordable housing targeted towards seniors in the local area. The two sites offer a total of 21 units.

The term affordable housing encompasses all types of tenure, not just social housing. Social housing aims to provide long-term rental housing to people on low to moderate incomes with a housing need. In Australia, social housing is comprised of public housing and community housing. Public housing is delivered by the relevant State and Territory governments, whereas community housing is provided by not-for-profit groups. As evident in the graph below, majority of social housing is provided by the State and Territory Governments.

Over recent years, there has been a transferal of management from government to community housing providers. The aim of this program has been to encourage further capital investment and enhance the sector's viability. The Governments have agreed to develop, over time, a large scale not-for-profit sector comprising up to 35% of social housing (currently only 27%)<sup>13,14</sup>.

Community housing providers can receive assistance from the Government in the form of grants, loans, dwellings and current operational funding.

Social housing rent is usually set a proportion of tenant income and houses in the community may also receive the Commonwealth Rental Assistance (CRA).

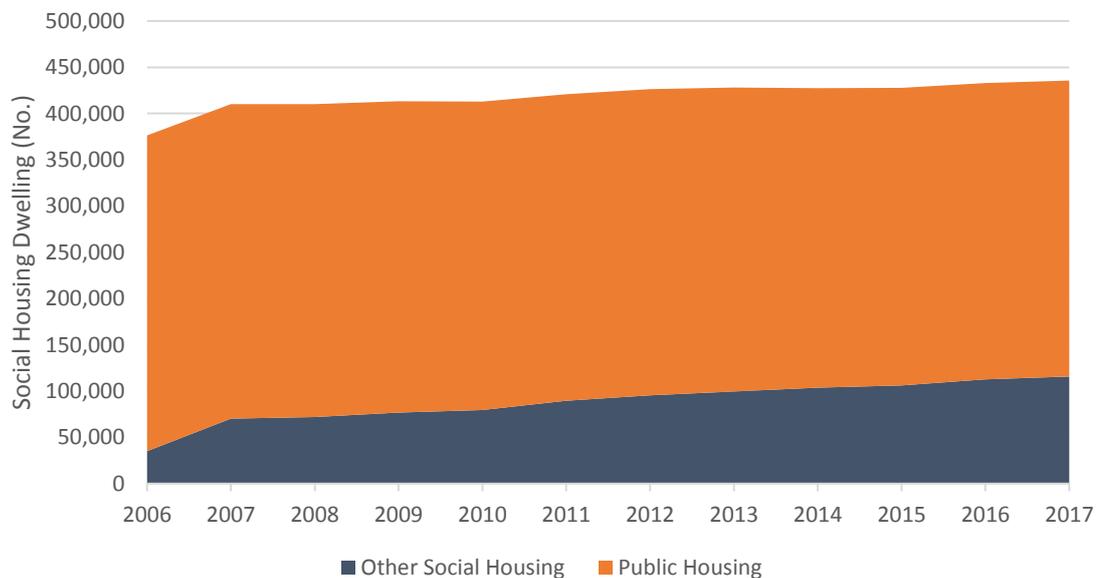
Affordable housing rent is usually set at a proportion of market rental rates and can include houses constructed under the National Rental Affordability Scheme. This is provided by both for-profit and not-for-profit organisations.

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<sup>13</sup> Australian Institute of Health and Welfare, "Housing Assistance Services", 2011.

<sup>14</sup> Australian Institute of Health and Welfare, "Housing Assistance in Australia", 2018.

**Graph 7: Number of Social Housing Dwellings by Program Type, 2006-2017**



Source: Australian Institute of Health and Welfare, Housing assistance in Australia 2018

People aged 55 years and over make up 32% of all public housing tenants and 27% of community housing tenants. Social housing tenants remain in tenure for long periods of time. Approximately 42% and 32% of public housing and community housing households, respectively, remain in the same tenancy for over a decade. More than half of social housing tenants are single adults living alone<sup>14</sup>.

In 2017, the Australian Government’s real expenditure on CRA was \$4.4 billion, with around 1.34 million income units receiving CRA. More than one quarter of CRA recipients (27%) were aged 60 and over. Almost all (86%) were receiving an income support payment - in particular 20% were receiving the Age Pension and 19% were receiving a Disability Support Pension<sup>14</sup>.



# SECTION FOUR

## MARKET ANALYSIS

## 4. MARKET ANALYSIS

### 4.1 OVERVIEW

In undertaking a review of the Shire’s aged care services, Ansell Strategic has first conducted a high level market analysis to understand current and future supply and demand factors for the Shire to consider. This has been achieved by conducting an analysis of the demographic makeup of Donnybrook and the surrounding areas as well as a high level competitor analysis of nearby residential aged care/retirement living service offerings.

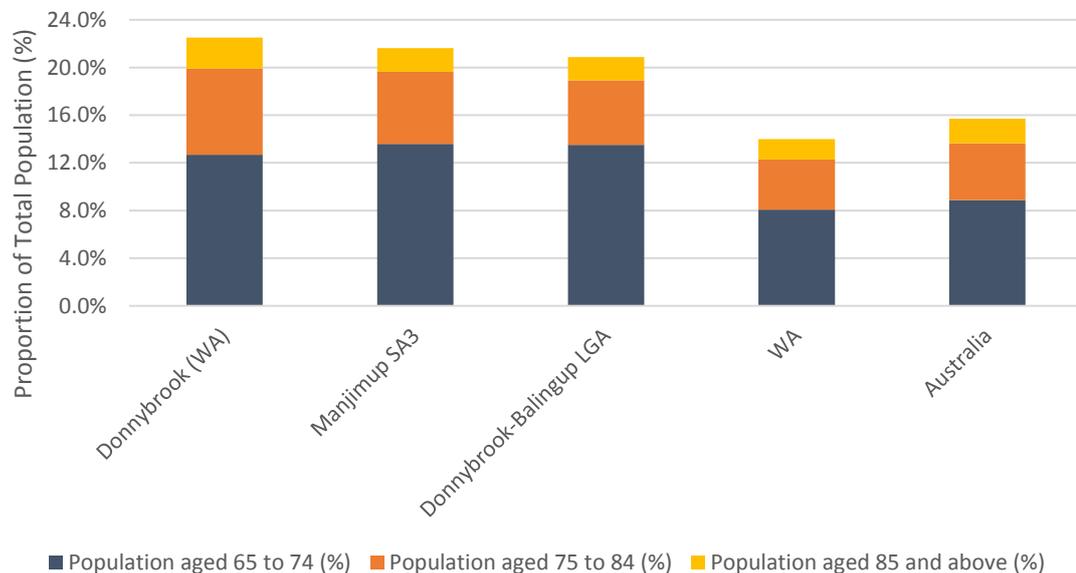
### 4.2 DEMOGRAPHIC ANALYSIS

#### 4.2.1 Ageing Population

Across Australia, the current average age of entry into a residential aged care facility is 82.0 years for men and 84.5 years for women, with majority of current residents aged 80 years or above. In addition, the current average age of entry into a retirement village across Australia is 75 years, with current residents averaging 81 years of age.

To analyse potential demand for aged care and retirement living services within the Donnybrook-Balingup Local Government Area (LGA), we have reviewed the senior population aged 65 and above within the area. These figures give an indication into the current and medium term demand for aged services including residential aged care or retirement living.

**Graph 8: Seniors as a Proportion of Total Population - Donnybrook and Wider Area**



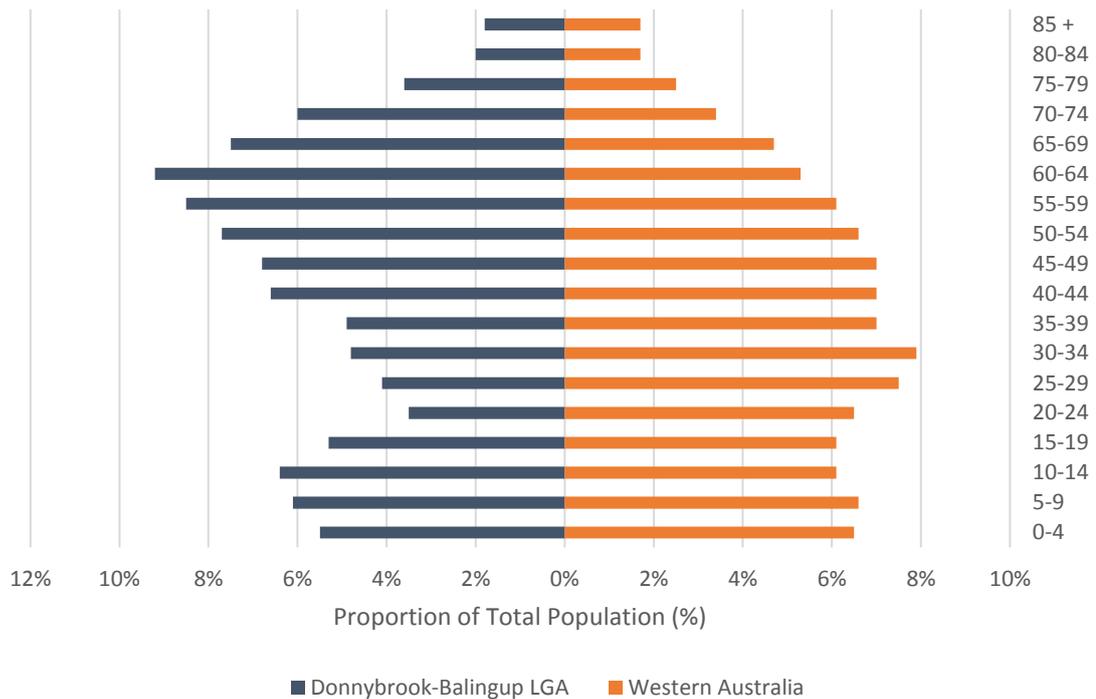
Source: ABS 2016 Census Data

As Graph 8 illustrates, Donnybrook and the surrounding areas possess a high proportion of seniors as part of its total population base. More specifically, in Donnybrook approximately 22.5% of the total population are seniors aged 65 and above as opposed to 14.0% and 15.7% seen across WA and Australia, respectively. The surrounding areas within the Manjimup Statistical Area Level 3 (SA3) and Donnybrook-Balingup LGA also possess a significantly higher proportion of seniors compared to the State and Nation at 21.6% and 20.9% of the population, respectively. Majority of the senior population in the Donnybrook-Balingup LGA is made up of

persons aged 65 to 74 encompassing 13.5% of the population (793 persons) followed by the 75 to 84 age cohort making up 5.4% of the population (318 persons) and the 85 and above cohort at 2.0% of the population (115 persons).

The significant size of the senior population within the Donnybrook-Balingup LGA has been further illustrated in Graph 9 below which shows population distributions by age group.

**Graph 9: Population Distribution - Donnybrook-Balingup LGA and State**



Source: ABS 2016 Census Data

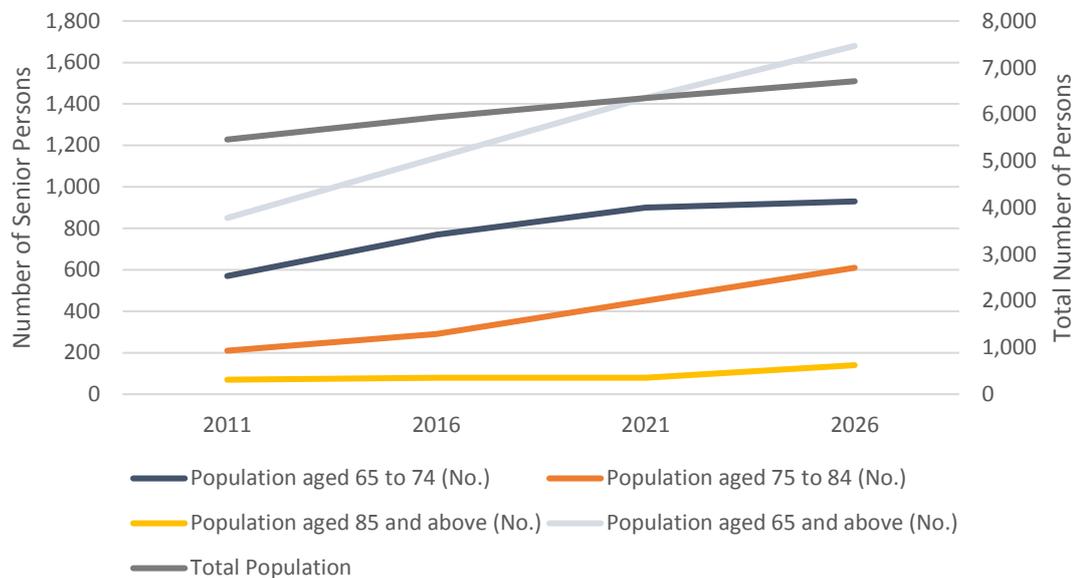
This illustrates a significant proportion of the population is concentrated in the upper age brackets. More specifically, the Donnybrook-Balingup LGA has a median age of 47 years which is much higher than the State at 36 years as well as 38 years seen across the Nation.

**4.2.2 Population Growth**

Statistics by the Department of Planning, Lands and Heritage WA provide population projections for the Donnybrook-Balingup LGA between 2011 and 2026. These figures can provide an insight into the medium and long term demand for the Shire’s aged services.

As shown in Graph 10 medium term population growth is forecasted to be relatively high across all senior cohorts as well as the total population. More specifically, the Shire’s total population is expected to grow approximately 22.9% (from 5,460 to 6,710 persons) between 2011 and 2026 with high growth within the 75 to 84 age cohort of approximately 190.5% (from 210 to 610 persons). The 85 and above and 65 to 74 age cohorts are forecast to grow by 100.0% (from 70 to 140 persons) and 63.2% (from 570 to 930 persons), respectively. Overall, seniors aged 65 and above are expected to grow by approximately 97.6% (from 850 to 1,680 persons) which will account for approximately 25.0% of the total population by 2026.

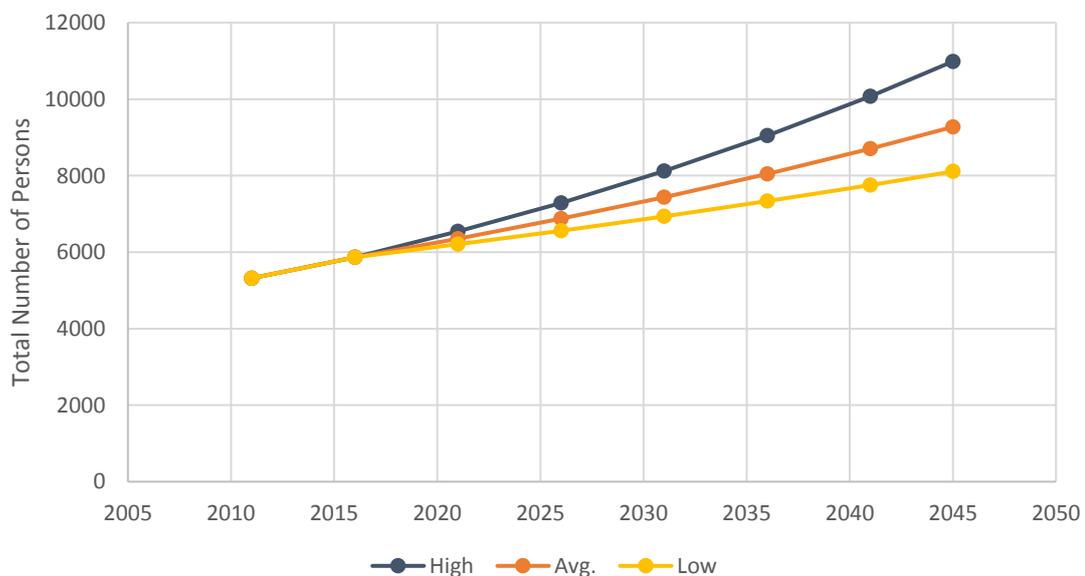
**Graph 10: Population Projections - Donnybrook-Balingup LGA (2011 to 2026)**



Source: Department of Planning, Land and Heritage, WA Tomorrow 2015

On a longer term basis, Ansell Strategic has also provided population projections for the Donnybrook-Balingup LGA leading up to 2045 based on projections provided by the Department of Planning, Lands and Heritage WA. These projections give an indication into the potential longer term demand for the Shire’s services as the total population increases and continually ages.

**Graph 11: Population Projections - Donnybrook-Balingup LGA (2011 to 2046)**



Source: Projections made by Ansell Strategic based on Band C growth projections calculated by the Department of Planning, Lands and Heritage WA

Graph 11 provides an illustration of the potential long term population growth within the Donnybrook-Balingup LGA based on short term projections, all else held equal. The High, Average and Low bands provide a variance based on varying State growth rates up to 2045.

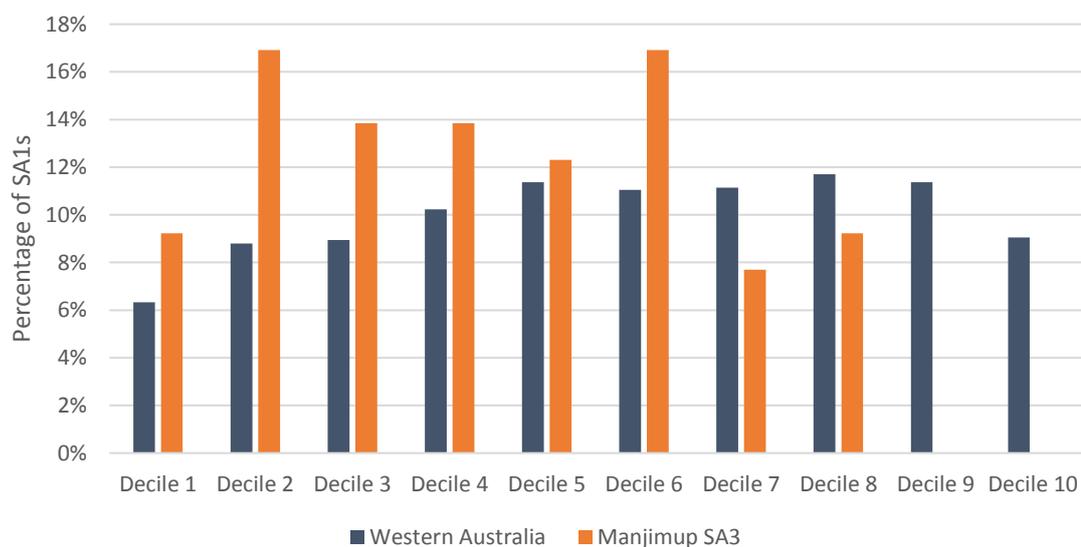
Based on the above, it is projected that by 2045, the Donnybrook-Balingup LGA will reach a population of approximately 9,274 based on average annual growth rates. This is an approximate increase of 58.0% from 5,870 persons recorded in the 2016 Census. The higher band projects a population of approximately 10,987 persons by 2045 (a growth of 87.2%), with the lower band making a projection of 8,109 persons (a growth of 38.1%).

#### 4.2.3 Relative Socio-Economic Disadvantage

The group of Socio-Economic Indexes for Australia (SEIFA) provide an insight into the levels of advantage/disadvantage within a statistical area. More specifically, the Index of Relative Socio-economic Disadvantage (IRSD) illustrates the aggregate level of disadvantage within an area per Statistical Area Level 1 (SA1) whereby SA1s are individually scored between most disadvantaged (decile 1) to least disadvantaged (decile 10). Ultimately, the IRSD gives an insight into the potential demand for discounted/socially-tailored aged services across the SA3.

Graph 12 illustrates the level of relative socio-economic disadvantage within the Manjimup SA3 as aggregated by the individual SA1s of the area. The data suggests that of the 65 SA1s encompassing the SA3, over half (66%) are within the lower deciles (1 to 5) with the remainder within the lower part of the upper deciles. This suggests that relative to the whole of Australia, the Manjimup SA3 has a relatively high level of socio-economic disadvantage.

**Graph 12: Index of Relative Socio-Economic Disadvantage - Donnybrook-Balingup SA3 and Western Australia**



Source: SA1 Distributions, SEIFA 2016

*The demographic composition of Donnybrook and the surrounding area is ageing and is forecast to continue to age into the future. Higher levels of disadvantage in the area indicates there is likely to be higher demand for more affordable accommodation and care services.*

## 4.3 COMPETITOR ANALYSIS

### 4.3.1 Residential Aged Care

Ansell Strategic conducted a review of competitors surrounding Donnybrook to understand the suitability and quality of the Tuia Lodge relative to the area's competitors. Our analysis revealed no immediate competition existed within the catchment of Donnybrook, with the nearest facilities only present in or around Bunbury, over 30 kilometres away. In total, there were five aged care facilities located in Bunbury, as well as one in nearby Eaton. The most prominent provider in Bunbury was Bethanie who controlled 241 of the 444 total places in the area. Given the greater population density and number of aged care facilities, it is likely that Bunbury would act as a significant competitor to the Shire's services.

A high level analysis of the quality of Bunbury's aged care services found that majority of the stock is of a consistent standard to the Shire's aged care services, however most accommodation still offered shared rooms as opposed to the more desirable single ensuites. A review of accreditation outcomes also found that Bunbury's facilities had met all 44 outcomes of the Accreditation Standards in recent years.

The Geegeelup Village Hostel in Bridgetown (over 50 kilometres away but also part of the Manjimup SA3) was granted 16 residential aged care places in the 2016-17 Aged Care Approvals Round (ACAR) in addition to a \$7.4million capital grant. The neighbouring Bunbury SA3 has 664 operational places with an additional 39 that are currently allocated but not operational. Aside from these developments, suggested future supply appears low in the area.

Whilst not direct competition, 13 home care providers advertised their services within the Donnybrook-Balingup LGA offering a range of clinical and home support services. A full list of these providers can be found in Appendix Five.

***A review of residential aged care facilities surrounding the Tuia Lodge in Donnybrook has suggested that there is no competition active within the immediate area. However, further analysis of the area revealed 6 residential aged care operators in nearby Bunbury, consisting of 444 residential aged care places. Although not acting as direct competition, 13 home care providers also advertised their services within the LGA.***

Figure 1: Regis Bunbury - Bunbury

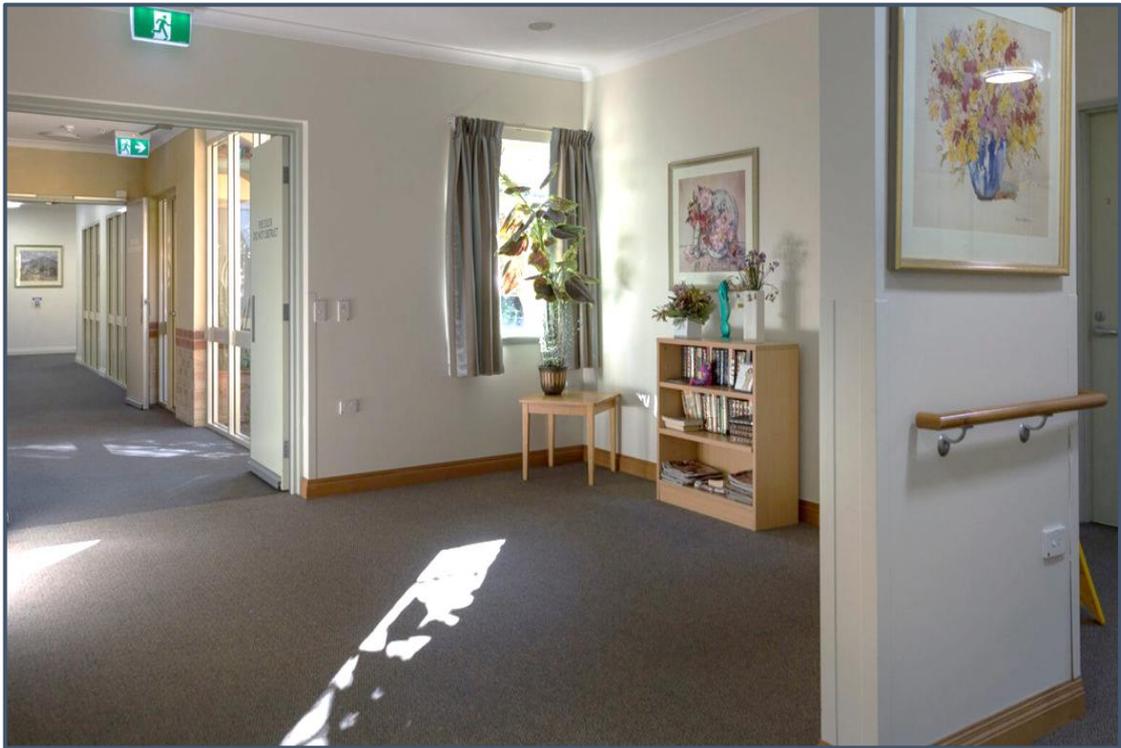


Figure 2: Bethanie Elanora - Bunbury



Figure 3: Bethanie Fields – Eaton



Figure 4: Opal Bunbury Gardens - Bunbury



#### 4.3.2 Retirement Living

Ansell Strategic also reviewed the levels of retirement living competition within the area, noting the significant establishment and expansion of one village in relatively close proximity to Donnybrook. Aside from this development, retirement living is again largely only available within Bunbury and the surrounding areas which feature 11 retirement villages.

Meadowbrooke Lifestyle Estate in the suburb of Boyanup is currently in the early stages of selling 95 Stage One retirement units to over 55s of the area. The newly constructed units (with development only commencing in early 2018) come in a number of configurations from 1 bedroom, 1 bathroom to 2 bedrooms with 1 bathroom, each unit featuring a private carport. Prices were advertised to start from \$199,000 with only a small number of units currently occupied.

The Meadowbrooke site was also advertised to offer a range of on-site amenities, including:

- Clubhouse;
- Fitness room;
- Bowling green;
- Arts & crafts room;
- Library; and
- A computer room.

As part of the village's Stage Two expansion, the village also plans to offer an indoor heated swimming pool to its residents. This expansion will coincide with the additional construction of 88 units to bring the total units on offer at the village to 183.

**Figure 5: Meadowbrooke Lifestyle Estate - Site Map**



Also within the Donnybrook-Balingup LGA but almost 30 kilometres away is the Vintage Home Town for Life in Balingup. The development is small in scale, featuring only three 2 bedroom, 1 bathroom units. The site is currently undergoing the additional construction of four 2 bedroom units with assistance of \$300,000 received from the Royalties for Regions Regional

Grants Scheme. The first two units are expected to accommodate their first residents in early 2019.

Our analysis of affordable seniors housing identified Bethanie Dalyellup, which offers 104 one and two-bedroom apartments. We noted that the WA Housing Authority identified Donnybrook-Balingup LGA as high priority for public housing and affordable housing. However, despite the high demand, limited new public or affordable housing, particularly for older people, was identified in the area. The exception is the Bridge Street Affordable Housing Project, which aims to build 11 new affordable housing units for seniors through partnership with Alliance Housing, the Shire and the State Government.

Discussions with the Shire have suggested that these developments are welcomed amongst the community, complementing Donnybrook's aged care services.

*High levels of retirement living competition were identified within close proximity to the Shire's services, as well as a number of villages in the surrounding areas. In closest proximity was the Meadowbrooke Lifestyle Village located in Boyanup which offers over 55s accommodation with plans to eventually offer up to 183 units and a number of amenities. In contrast, demand for affordable seniors housing was assessed as low, indicating strong demand for the Shire's future Bridge Street Affordable Housing Project.*



SECTION FIVE  
TUIA LODGE SERVICE REVIEW

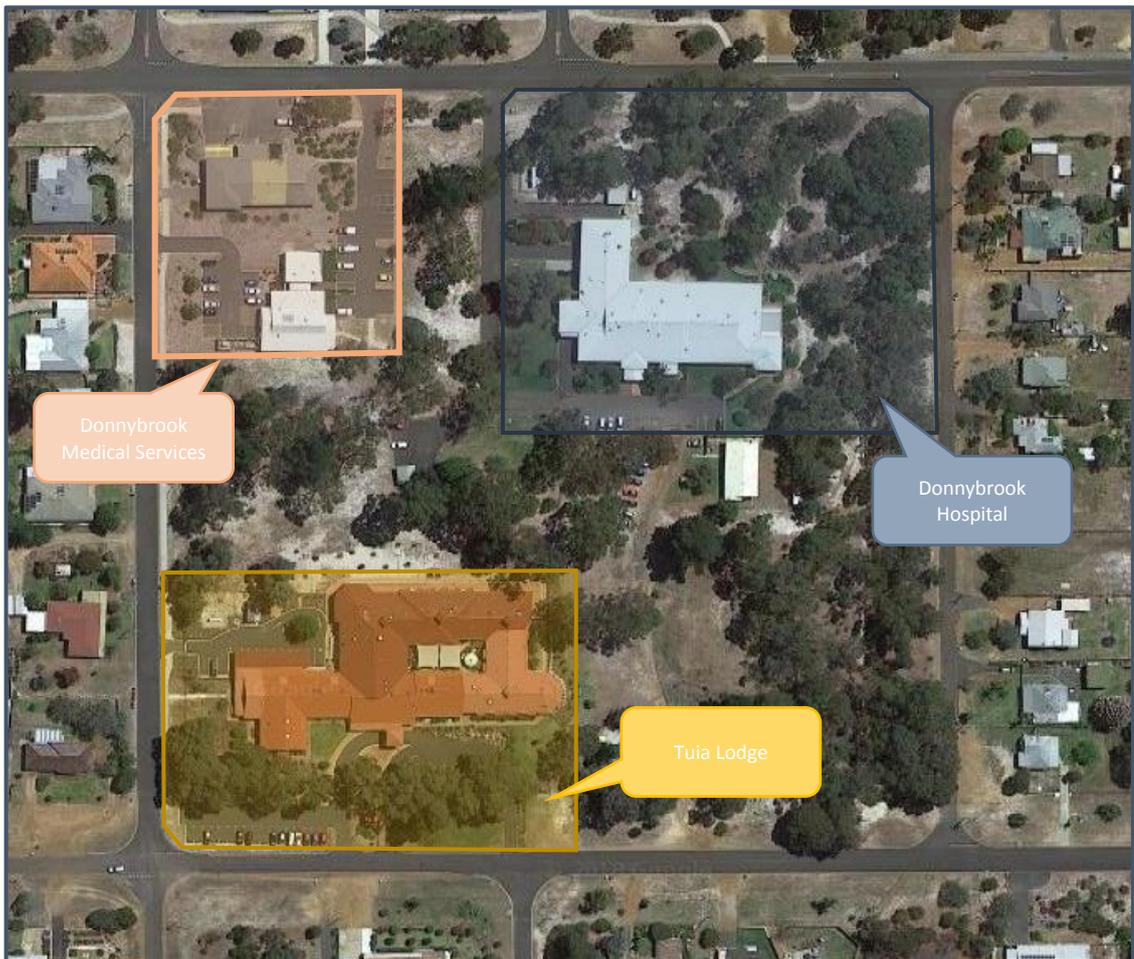
## 5. TUIA LODGE SERVICE REVIEW

The table below provides an overview of the Tuia Lodge site and services.

**Table 1: Site Summary - Tuia Lodge**

Site Overview	
<b>Address</b>	30 Allnutt St, Donnybrook WA
<b>Establishment Date</b>	1985
<b>Location</b>	<ul style="list-style-type: none"> <li>▪ Located within the Donnybrook locality, near the Donnybrook Medical Services and the Donnybrook Hospital.</li> <li>▪ Surrounded by general residential and a short distance from the arterial South Western Highway.</li> <li>▪ Proximity to medical/hospital services is favourable for residents/staff/families. However, walkways and paths are not appropriate for wheelchair/walker access.</li> </ul>
<b>Site Description</b>	<ul style="list-style-type: none"> <li>▪ Main structure features a circular design with enclosed central garden/courtyard.</li> <li>▪ In addition to residences, site features well-maintained gardens and roadways throughout.</li> <li>▪ Facility possesses full suite of services on-site including laundry, kitchens, offices and administration.</li> <li>▪ Resident rooms have access to internal courtyards or external gardens.</li> <li>▪ Site does not feature secured areas/access.</li> </ul>
Service Overview	
<b>Room Types</b>	40 allocated places, all rooms featuring single bedroom with ensuite bathrooms.
<b>Accreditation</b>	<ul style="list-style-type: none"> <li>• Accredited until 04 January 2020.</li> <li>• 44 out of 44 accreditation standards met.</li> <li>• Non-compliance occurred in 2015 (achieving 39 of the 44 expected outcomes).</li> </ul>
<b>Occupancy</b>	97.7% for month of October 2018.
<b>Supported Ratio</b>	30.76% during October 2018.
<b>Staffing</b>	Employs 52 staff members as of September 2018.

Figure 6: Tuia Lodge Overview



## 5.1 SITE REVIEW

### 5.1.1 Facility Observations

The Tuia Lodge has been constructed across a number of stages and now features a relatively circular design allowing a level of staffing efficiencies to be achieved. Each corner of the facility is occupied by some common amenity, such as a library, lounge, dining area, or the reception/waiting area. Similar amenities are offered in between these primary meeting places along the hallways of the facility. This design allows residents to maintain easy access to key common amenities.

With legislative reforms in 2014 removing the traditional distinction between low and high care residents, facilities are required to allow a resident to age in place as their care needs increase. In some area, the Tuia Lodge is restricted in facilitating ageing place due to some doorway width and bathroom sizes. We did note that there was ample corridor space to allow the movement of frailer residents with walkers and hand railing. There are also a number of living and dining areas across the facility, to avoid crowding of residents (as well as wheelchairs, floatation chairs or other mobility devices).

In addition, we noted through discussions with Management that there is a program in place to upgrade rooms to ensure that they enable ageing in place. The Shire has recently renovated one room (room 11) which cost approximately \$40,000. The Shire is looking to issue a Request for Quote to seek external contractors complete future refurbishments.

**Figure 7: Tuia Lodge - Site Layout**



Of the 40 rooms currently available, 4 are located in the western portion separate from the primary building, with the remaining 36 rooms located within the central, circular structure. The Shire has expressed its intention to upgrade these rooms and extend this western ward to allow for the future care of up to 14 dementia-specific residents, with an application made for 10 additional places in the recent 2018-19 ACAR.

The lack of secure dementia infrastructure limits the ability of the facility to care for cognitively impaired residents. As a result, dementia residents are currently referred to facilities in Bunbury or the surrounding areas. This limits the ability for local residents to age in place in their community.

The Shire has also expressed their intention to convert an area used as a library and small kitchen into a single palliative care bedroom with adjoining kitchenette and lounge area that could be used by the resident and their family. The Shire's 2018-19 ACAR application included 1 additional place for dedicated palliative care.

Across the facility, residents have access to a number of the on-site amenities including multiple dining and entertainment/lounge spaces, kitchenettes and private gardens. In addition, the site is fully-equipped with a number of kitchens, a commercial-grade laundry, offices and reception/administration services.

Figure 8: Tuia Lodge - Central Courtyard and Garden Area



Figure 9: Tuia Lodge - Western Dining and Lounge Area



Figure 10: Tuia Lodge - Western Kitchenette



As mentioned previously, Tuia Lodge operates a number of high quality amenities throughout the facility. These include, but are not limited to:

- Commercial-grade laundry;
- Kitchen, serveries and kitchenettes;
- Reception and administration offices;
- Board/meeting room;
- Multiple nursing stations;
- Staff rooms; and
- Consultation rooms.

Staff amenities across the facility appear in good condition. However, management have expressed concerns with the main kitchen, particularly the cool room and storage areas. Whilst the current configuration is appropriate for now, if the Tuia Lodge were to begin insourcing catering the current layout and functionality may create some difficulties. Management also indicated that general storage can be an issue, however on the day of touring the facility, we noted that there was minimal clutter and the home was well presented.

The site offers sufficient parking options to the general public as well as to staff of Tuia Lodge. The loading area of the facility is also efficiently placed in close proximity according to staff amenities such as the laundry and main kitchen.

Figure 11: Tuia Lodge - Staff Room



Figure 12: Tuia Lodge - Loading Area and Staff Parking



Figure 13: Tuia Lodge - Main Kitchen



Figure 14: Tuia Lodge - Main Kitchen

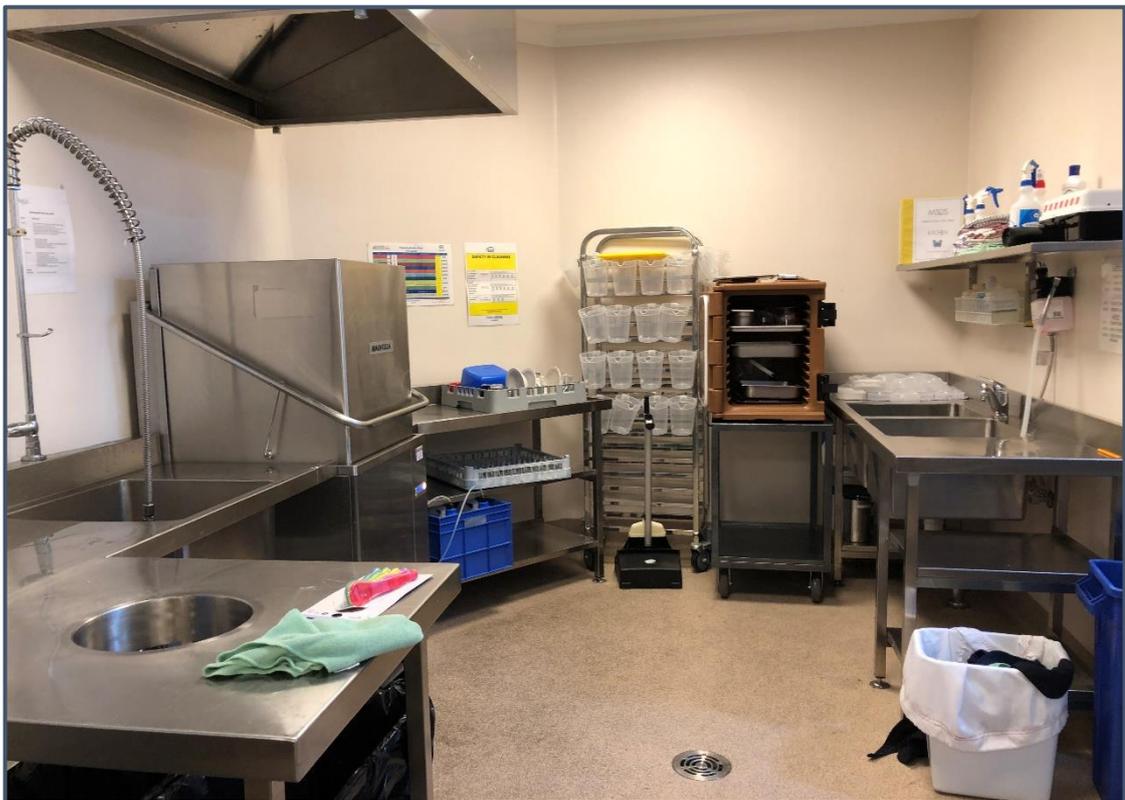


Figure 15: Cool Room and Food Storage Areas



Figure 16: Tuia Lodge - Laundry Area and Equipment



Figure 17: Tuia Lodge - Nursing Station



All resident rooms feature an ensuite with private bathroom which is largely expected by contemporary seniors. In addition, 4 resident rooms were adjoining with a shared door between, allowing for couple accommodation. Discussions with Management highlighted that they are no longer accepting couples and over time expect to remove connecting doors.

Whilst most resident rooms appeared relatively spacious and well-furnished, bathroom sizes varied across the facility with some bathrooms appearing smaller than industry standards. This was noted in the older area of the facility and can create some difficulty for residents and staff, especially for those residents of higher care needs.

Rooms are all outfitted with modern air conditioning units and include furnishings such as bedding and loungers.

Some rooms also had an alternate exit to communal gardens. Whilst this promotes resident independence and freedom, this could pose a risk for cognitively impaired residents. As previously stated, the lack of secure dementia infrastructure limits the resident intake of the facility.

Rooms generally appeared tidy and well-maintained with renovation works progressing on improving older stock. We did note some mortar between the brick work had appeared to be fretting in bathrooms that were being renovated. This is likely to be due to an indication of the age of parts of the building.

Figure 18: Tuia Lodge - Resident Room



Figure 19: Tuia Lodge - Smaller Resident Private Bathroom



Figure 20: Tuia Lodge - Bathroom Renovations



Figure 21: Tuia Lodge - Larger Resident Private Bathroom



As depicted in Figure 6, the facility is conveniently located adjacent to Donnybrook Medical Services and the Donnybrook Hospital. This arrangement reduces travel time spent by residents/staff/families visiting these additional facilities. Discussions with management suggested that vehicles were generally used for this purpose as opposed to walking between, namely due to the state of the path connecting the facilities being inappropriate for walkers/wheelchairs.

**Figure 22: Tuia Lodge - Pathways Leading from Facility**



## 5.2 OPERATIONAL OBSERVATIONS

### 5.2.1 Staffing Review

The following provides a high level overview of current staffing ratios. The benchmarks provided are based on information provided by StewartBrown. Each site is categorised into a relevant band which is based on ACFI and resident fees received. In theory, the ACFI levels reflect the level of care being delivered at each site, and therefore the expenses should also reflect the level of care being delivered. Facilities with predominantly low care residents should have lower ACFI levels and expenses compared to facilities with residents with higher care needs. We have also benchmarked to similar sized facilities.

#### **Site Management and Administration**

The home is managed by the Manager – Aged Care Services. The Manager reports to the Council Chief Executive Officer (CEO) and is responsible for the overall management of the home as well as the Shire’s other Aged Care Services. The Manager (at the time of our review) has experience running residential aged care facilities, however, does not have a clinical background. The current Manager has been seconded from the Council and is in an acting position. We note that prior managers have had a clinical background and there has been major change in management and governance oversight of the home. This has resulted in a loss

of sector relevant knowledge and expertise. However, as evident in the recent Accreditation reviews, the home met all outcomes and is providing a quality service.

Following a restructure last year, a Coordinator – Aged Care Support Services and Manager – Clinical Care were appointed to support the Manager. The Manager – Clinical Care would be responsible for the coordination of clinical care for the site and the Coordinator – Aged Care Support Services would be responsible for overseeing non-clinical aspects of the homes operations, such as rostering and resourcing, maintenance co-ordination, policy support and resident liaising.

However, in September 2018, the Manager – Clinical Care resigned. The roles of the Manager – Clinical Care have been shared between the Manager – Aged Care Services, Co-ordinator and Registered Nurses (RNs). At the time of our review, this position was vacant and the Shire had been actively recruiting for this role however they had been facing some difficulty. Across regional areas, other providers have expressed similar difficulties and concerns around recruiting and retaining skilled and experienced staff. We understand this was recently filled in April 2019.

Whilst recruitment and retention problems are experienced by other regional operators, Tuia Lodge has greater risk exposure due to the limited scale of the operations and the inability to leverage operational and clinical resources that larger operators would have.

The hours for the Manager – Aged Care Services and Co-ordinator are apportioned across the Shire’s other aged care services. Based on the information provided by Management, the Manager represents 0.3 (full time equivalent) FTE and the Co-ordinator represents 0.7 FTE. For the purposes of benchmarking, we have analysed the allocation of Management including and excluding the vacant Manager – Clinical Care Services position (at the time of our review).

The allocation of staff to Care Management roles is above benchmark figures for homes with similar resident profiles but in line with similar sized facilities. Whilst this indicates the level of oversight is appropriate for the home, however with the limited clinical management oversight, there could be potential exposure for the home.

Including the Manager – Clinical Care, the allocation of Care Management exceeds benchmark levels.

**Table 2: Care Management Hours Per Resident on a Daily Basis**

Hours per Resident per Day	Care Management	Benchmark Average*	Benchmark Top Quartile*	Benchmark 40 – 60 Beds*
<b>Tuia Lodge - current</b>	0.14	0.12	0.10	0.15
<b>Tuia Lodge – incl. Manager - Clinical Care</b>	0.27	0.12	0.10	0.15

\*Stewart Brown Benchmarking Report, September 2018

The home is staffed with one FTE receptionist who assists with resident and visitor enquiries and administrative duties. There is also a Finance Clerk who assists with managing client information, admissions and discharges documentation as well reporting. Additional financial support is provided from the Council. Administration staffing is higher than top quartile and average benchmark group.

**Table 3: Administration Hours per Resident on a Daily Basis**

Hours per Resident per Day	Administration	Benchmark Average*	Benchmark Top Quartile*	Benchmark 40 – 60 Beds
<b>Tuia Lodge</b>	0.22	0.15	0.15	0.16

\*Stewart Brown Benchmarking Report, September 2018

### Nursing and Carer Allocations

Tuia Lodge employs both RNs and Enrolled Nurses (ENs). RNs assist with the day-to-day coordination of care staff and residents as well undertaking assessment and delegation roles. The RNs are also responsible for overseeing clinical care management of the facility since the departure of the Manager – Clinical Care. ENs and RNs are responsible for the administration of medications, wound management and other traditional nursing tasks.

We understand that there was a recent move towards increasing RN and EN presence to 7 days a week.

Operators are increasingly using ENs to replace routine roles traditionally undertaken by an RN. Organisations are allocating routine medication management, wound dressings and clinical observation duties to ENs and Carers and utilising RNs for assessment, coordination and delegation roles. This is in line with reducing staff costs as well as due to the ability to recruit and resource.

Tuia Lodge employs Enrolled Nurses (ENs) and Carers who predominantly assist residents to meet their daily living needs under the delegation of the RNs. ENs are utilised for supervisor roles and duties. We note that there is no dedicated EN or RN rostered for night shifts.

An analysis of RN and EN allocations by hours worked per resident per day indicates that Tuia Lodge is utilising nursing staff in line with industry averages.

The levels may be appropriate for the current acuity of residents, however any significant change or increase in resident acuity levels would necessitate additional nursing staff.

**Table 4: RN Hours Per Resident on a Daily Basis**

Hours per Resident per Day	RNs	Benchmark Average*	Benchmark Top Quartile*	Benchmark 40 – 60 Beds
<b>Tuia Lodge</b>	0.38	0.38	0.28	0.38

\*Stewart Brown Benchmarking Report, September 2018

**Table 5: EN Hours Per Resident on a Daily Basis**

Hours per Resident per Day	ENs	Benchmark Average*	Benchmark Top Quartile*	Benchmark 40 – 60 Beds
<b>Tuia Lodge</b>	0.27	0.28	0.24	0.34

\*Stewart Brown Benchmarking Report, September 2018

***Given the current reduced Clinical Care Management support, Ansell Strategic recommends the review of nursing allocations at Tuia Lodge to ensure that the home is not exposed to clinical governance risk. We understand the Shire has recently filled the vacant position of Manager – Clinical Care.***

Carers attend to the resident’s activities of daily living such as hygiene, continence and feeding.

The use of medication competent carers for the delivery of medications varies greatly across Australia. This is largely a result of variable State based legislation pertaining to medications and external environmental influences. The use of carers to administer medications is now common place in Western Australia, New South Wales and Queensland and is considered standard contemporary practice.

Benchmark data suggests that the most efficient organisations may utilise carers for the delivery of packed medications. The top quartile performers have higher allocations of Enrolled and Certified Nurses than the average of the benchmark group. The top quartile group also have fewer RN hours allocated than Enrolled and Certified Nurses. The results suggest that the highest performing organisations are looking to replace functions traditionally performed by RNs. Our experience has also shown that organisations are moving towards utilising RNs in a consultative and supervisory capacity and utilising ENs and carers for routine care duties, including the administration of packed (pre-dispensed) medications. This is also supported by the notion that a RN should only what a RN can do as well as the ability to attract and retain skilled resources.

The Shire has recently moved towards converting casual Carers to permanent part time positions to ensure consistency of care and greater certainty of resourcing.

Morning Carer shift allocations are considered high compared to benchmarks.

**Table 6: Carer Hours Per Resident on a Daily Basis**

Hours per Resident per Day	Carers	Benchmark Average*	Benchmark Top Quartile*	Benchmark 40 – 60 Beds
<b>Tuia Lodge</b>	2.40	2.07	1.81	1.94

\*Stewart Brown Benchmarking Report, September 2018

Our analysis of average care staff (being RNs, ENs and Carers) ratios indicates Tuia Lodge has higher staffing levels in morning and afternoon shifts. The high ratio of staff to residents in the morning reflects traditional staffing practices to wake and shower residents before breakfast. Whilst we talked to residents, we did not interview residents regarding these practices to see if these tasks were in line with resident preferences or the new standards to be effective from 01/07/2019.

***With the transition towards more consumer centric Quality Standards, we recommend that Tuia Lodge review staffing practices to ensure that they acknowledge resident preferences such as waking, showering and eating times.***

**Table 7: Care Staff Ratios**

Shift	Tuia Lodge	Generally Accepted Industry Levels
<b>Morning Shift</b>	1:4	1:7
<b>Afternoon Shift</b>	1:7	1:8
<b>Night Shift</b>	1:20	1:20

## Allied Health

Tuia Lodge employs a part time Occupational Therapist (OT) and part time Occupational Therapy Assistants (OTA). Management stated that it is difficult to attract specialists to the area, however there are visiting Physiotherapists, Podiatrists and Dieticians.

The OT and OTAs are responsible for maintaining and running the home’s lifestyle program which receives good feedback from residents. Weekly activities include creative art, exercise classes, bowls, “physio-chi”, mind games, garden clubs, men’s groups and happy hour. Monthly activities include bus outings, celebrating significant cultural events and visiting entertainment. Young children from the local community also visit the home which was reportedly a favourite activity and demonstrates the growing community connection.

Allied Health hours exceed benchmark levels, despite there being only dedicated OTs and OTAs.

**Table 8: Allied Health Hours Per Resident on a Daily Basis**

Hours per Resident per Day	Allied Health	Benchmark Average*	Benchmark Top Quartile*	Benchmark 40 – 60 Beds
<b>Tuia Lodge</b>	0.22	0.15	0.15	0.15

\*Stewart Brown Benchmarking Report, September 2018

## Hotel Services

### Catering

Tuia Lodge outsources catering to the Donnybrook Hospital (WACS kitchen). The food is heated in the kitchen/serveries. Meals are then plated by staff allocated in each servery. Residents have the option of having meals delivered to their bedroom.

Discussions with the Co-ordinator and Supervisor – Hospitality Services, highlighted that there has been considerable effort to improve the dining experience. This has included new linen, cutlery and crockery as well as more frequent meetings and reports to the hospital to ensure timely feedback and improvements. The home is also looking to potentially insource catering and provide greater flexibility with meal choices. Variety and choice are key themes in the new Quality Standards and food is also one of the 10 questions asked in the Consumer Experience surveys undertaken by Agency staff.

### Laundry

The washing of personal clothing and bulk laundry is conducted onsite by a part-time facility staff. The laundries are small but generally considered sufficient in size for the facility scale. There was good separation of clean and dirty linen. Staff report that equipment is reliable and meets the requirements of the home. Tuia Lodge may need to consider expanding the laundry if the home is successfully allocated additional place in the ACAR.

The Co-ordinator reported that residents and their representatives are generally satisfied with laundry services. There is little evidence to suggest that there is an issue with lost or damaged clothing.

## Cleaning

The home employs dedicated cleaning staff who provide a cleaning service each weekday and a reduced service on Saturdays and Sundays. Cleaning hours were increased last year in response to results from an internal spot audit.

Management report that cleaning is supported with the use of contractors who undertake routine maintenance of equipment and non-regular cleans (such as special floor cleans).

During our site visit, we noted that home was clean, relatively free from clutter and odourless. Discussions with Management indicated that there are few complaints relating to cleaning.

## Hotel Service Staffing

Hotel service staffing hours are higher than benchmark levels and considered excessive given catering is outsourced.

**Table 9: Hotel Services Hours Per Resident on a Daily Basis**

Hours per Resident per Day	Hotel Services	Benchmark Average*	Benchmark Top Quartile*	Benchmark 40 – 60 Beds
<b>Tuia Lodge</b>	1.04	0.69	0.63	0.63

\*Stewart Brown Benchmarking Report, September 2018

***Tuia Lodge has higher allocations of hotel service staff. As per our financial analysis, overall labour costs are higher than benchmark levels, we recommend a more detailed review of hotel services rosters.***

## Maintenance

A Handyman is employed by the Shire and dedicated hours are allocated to Tuia Lodge for routine maintenance and repairs (including gardening). Additional contract resources are utilised for major equipment checks and non-routine repair work.

Staff report that there are appropriate processes in place for the maintenance of equipment and that equipment is repaired in a timely manner.

During the site visit, all areas appeared neat and in good repair. Equipment was noted to generally be in good working order, clean and appropriately stored. There was evidence of regular equipment checks with service stickers noted on essential equipment (including lifters and emergency equipment).

Although not sighted, site management stated that service records were in place and were largely up to date.

Maintenance staffing is below benchmark figures but is reflective of an organisation that is reliant on external resources to undertake some aspects of routine maintenance.

**Table 10: Maintenance Hours Per Resident on a Daily Basis**

Hours per Resident per Day	Maintenance	Benchmark Average*	Benchmark Top Quartile*	Benchmark 40 – 60 Beds
<b>Tuia Lodge</b>	0.04	0.08	0.07	0.08

\*Stewart Brown Benchmarking Report, September 2018

*Carer Allied Health and Hotel Service hours were considered to be significantly higher than benchmark levels for home with either similar resident acuity or size. Based on our financial analysis, Tuia Lodge labour costs exceed benchmark levels may be unsustainable in the long term. We noted that there was a potential clinical governance exposure with no dedicated Clinical Care Manager role at the time. We recommend a detailed review of the rosters and staffing roles and responsibilities.*

#### 5.2.2 ACFI/Funding Review

Between FY17 and FY18, ACFI revenue declined at Tuia Lodge. This was identified as being due to staff education and understanding of the instrument. Whilst ACFI has increased, it still remains below National averages. It is also below other outer-regional facilities and similar sized homes. Whilst we did not formally review ACFI packs and documentation, there could be an opportunity to further review ACFI to ensure that ACFI being claimed is in line with the residents assessed need.

ACFI processes are managed by the Registered Nurses. We have noted that initiatives have been implemented that ensure that packs are regularly assessed, however additional training may be required to educate staff on best practices. Management report that there are targets in place to ensure that resident packs are reviewed.

We also understand the Shire recently had external consultants assist with ACFI, this resulted in an uplift of approximately \$122,000, and cost approximately \$43,000.

A review of Medicare Payment Statements indicate that processes are in place to ensure that mandatory submissions are completed on-time. Of the most recent Payment Statement reviewed, there were no default payments indicating late submissions.

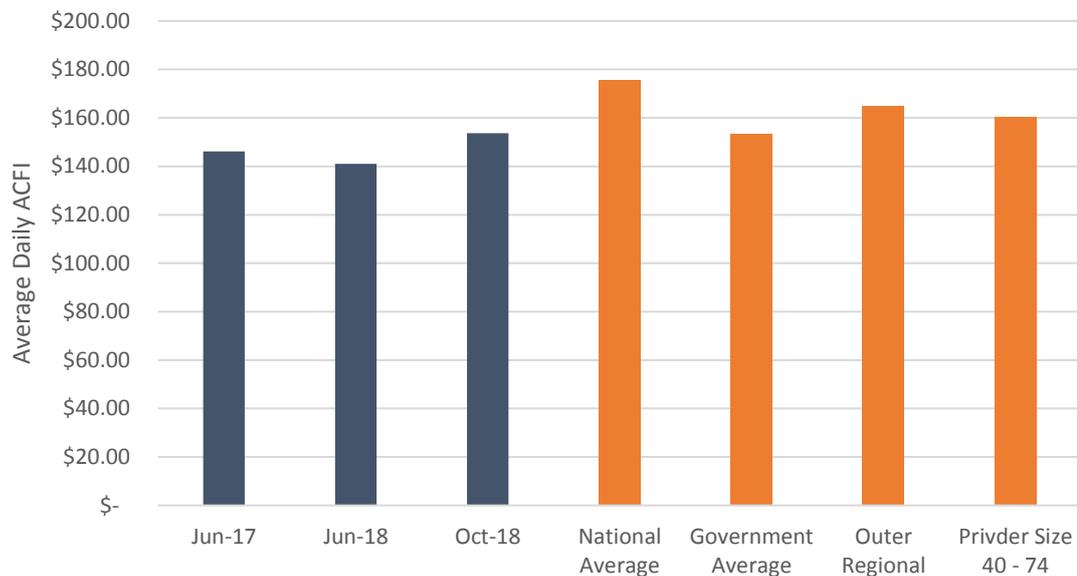
We were not provided with any information regarding validations however we understand there has been no recent ACFI validations.

**Table 11: Tuia Lodge Average ACFI Trend**

Site	FY2017	FY2018	FY2019**	National Average*
Tuia Lodge	\$146.16	\$141.04	\$153.73	\$175.56

Source: Medicare Payment Statements and Monthly ACFI Monitoring Reports

**Graph 13: Tuia Lodge ACFI Comparison**



Source: Medicare Payment Statements and Monthly ACFI Monitoring Reports

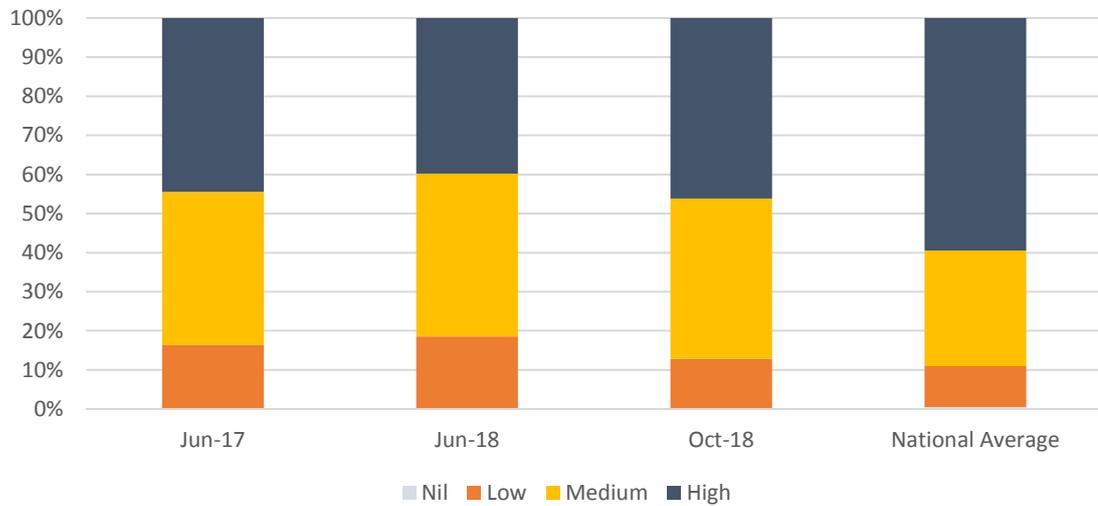
*Whilst initiatives are being implemented to improve the claiming process, organisations with highly efficient ACFI processes implement clear review process and provide training to all staff to ensure that documentation clearly supports the resident’s assessed need. We understand Tuia Lodge recently undertook a review of resident ACFI profiles to identify uplift opportunities.*

**ACFI ADL Claims**

ACFI ADL high care claims are below National figures suggesting that the site is making claims on care delivered in preference to the “assessed need” of the resident. This can often be due to staff basing functional assessments on information provided by carers around care that is delivered, not on an assessment of needs based on diagnoses and clinical observation. The assessed need of a clinician may differ from the day-to-day care delivered because of resident preferences or behaviours that limit the delivery of care based on the assessment of the clinician.

*We recommend a review of documentation processes to ensure that the assessed needs of residents is appropriately identified and documented to maximise ACFI ADL claims.*

**Graph 14: ACFI ADL Claims**



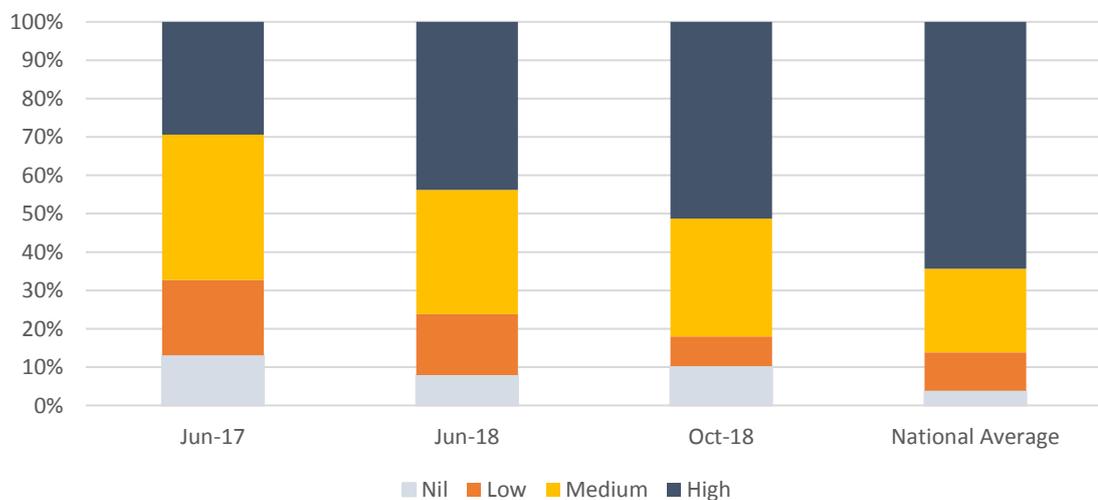
Source: Medicare Payment Statements

**ACFI Behaviour Claims**

Behaviour claims remain lower than National levels. Lower behaviour claims are usually associated with sites that either have admission policies that limit the admission of residents with behaviours. Management stated this was in line with their current practices due to the facility being unable to appropriately support residents with higher cognitive decline. Lower behaviour claims can also occur where processes are not in place to appropriately capture behaviours or where staff “normalise” the behaviours of residents. For example, staff may not always recognise some actions by residents as behaviours, describe some behaviours as “personality traits” or “quirks” and do not always document behaviours consistently.

*The homes could increase behaviour claims with education aimed at highlighting the “normalisation” of claimable behaviours.*

**Graph 15: ACFI Behaviour Claims**

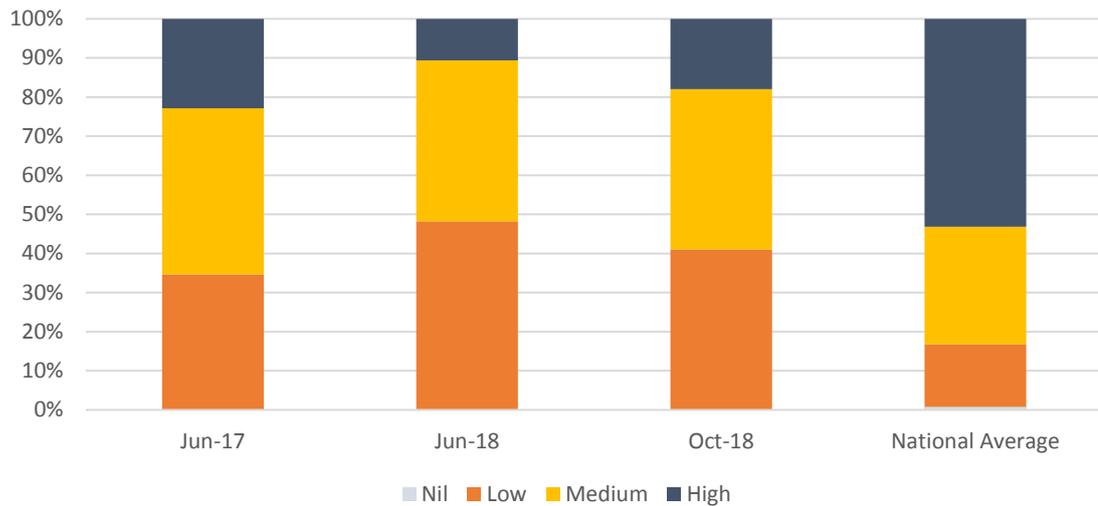


Source: Medicare Payment Statement

### ACFI Complex Care Claims

Complex care claims are also below National levels. We noted a decline in the proportion of high resident classifications and increase in low resident classifications between FY2017 and FY2018. This may be reflective of the changes to the complex health care domain scoring matrix introduced in the Federal Budget 2016.

**Graph 16: ACFI Complex Health Care Claims**



Source: Medicare Payment Statements

***Across all domains, ACFI claims were low compared to National levels. In addition to recent initiatives, we recommend that ACFI claiming, documentation and education practices are continuously reviewed to ensure that they are in line with best practice and reflect the residents' assessed need.***

#### 5.2.3 Marketing

Tuia Lodge currently maintains a strong occupancy rate. This is despite limited online advertising presence. Many organisations are seeking to expand their online presence through online tools such as “AgedCareGuide” (pictured in Figure 23 below) or even social media platforms such as Facebook. This is often in an attempt to appeal to families of prospective residents who may use online material to find a home for their loved ones.

We did note that the website of the home is new and easy to navigate, however areas such as “news” and “newsletter” had not been updated recently. The home did not have an official Facebook page.

Further discussions with Management highlighted they have a communications strategy in place. IT Creative have been assisting with developing the website and Facebook page. Upon completion, this will then be managed by the receptionist.

Further, we noted that the information on MyAgedCare did not appear to be up to date, with no information on the home and advertised room costs inconsistent with information provided by Management (see Figure 24 and Figure 25 below).

As per advice from the Department of Health website:

*All residential aged care providers are required to publish the maximum accommodation price that they propose to charge for each room or part of a room in the aged care home. The published price is the maximum price that can be charged.*

*This information is published on My Aged Care, and must also be published on a provider's own website (if they have one) and in relevant printed materials given to prospective residents. This enables prospective residents to compare different accommodation options and prices to make an informed decision about their accommodation.*

*Providers must also publish a description of the accommodation and an explanation of the payment options. The published information must include the maximum accommodation price quoted as both a refundable accommodation deposit (RAD) and equivalent daily payment (DAP) amounts, and include an example of a combination payment.*

***We recommend Management immediately update advertised accommodation costs on MyAgedCare to be consistent with prices provided by Management.***

The facility largely relies on its communal presence to attract residents. Recently, the facility has conducted a number of community events to raise awareness and support including Christmas gatherings at the facility for the entire community to attend. Discussions with Management indicate additional effort is being undertaken to improve the home's reputation in the community following significant change in management and the home's accreditation non-compliances in 2015.

Further, our discussions with resident during the site tour and review of resident meeting minutes highlighted strong satisfaction levels with the home which important aspects to consider with any ongoing marketing initiatives as well as with the new Quality Standards.

**Figure 23: Marketing Material – AgedCareGuide Tuia Lodge Advertisement**



**Tuia Lodge Residential Aged Facility**  
Nursing home from [Shire of Donnybrook-Balingup](#)

**Nursing home features**

- ★ Small home (40 beds)
- [Secure garden](#)
- [Hairdressing salon](#)

**Types of care**

- [Residential aged care](#)
- [Non-dedicated respite care](#)
- [Palliative care](#)
- [Respite care](#)

30 Allnutt St,  
Donnybrook WA 6239

[Compare providers](#)

[Send an enquiry](#)

[Save profile](#)

[\(08\) 9731 \\*\\*\\*\\*](#)  
[Show full number](#)

Share with friends and family

[Email](#) [Facebook](#) [Twitter](#)

DPS ID 16670

Figure 24: MyAgedCare Tuia Lodge Description

## Tuia Lodge

☎ (08) 9732 3500

<http://www.tuialodge.com.au>

- ✓ Commonwealth Government Subsidised
- ✓ Availability
- ✓ Accredited
- ℹ There are no notices of sanctions or non-compliance for this home

Description	Services	Costs
<p><b>Street address</b> 30 ALLNUTT Street DONNYBROOK WA, 6239</p> <p>✉ <a href="#">Email the home</a></p>	<p><b>Business Address</b> 30 ALLNUTT Street DONNYBROOK WA, 6239</p>	<p><b>Ph</b> (08) 9732 3500 <b>Fax</b></p>



Figure 25: MyAgedCare Tuia Lodge Advertised Room Costs

## Tuia Lodge

☎ (08) 9732 3500

<http://www.tuialodge.com.au>

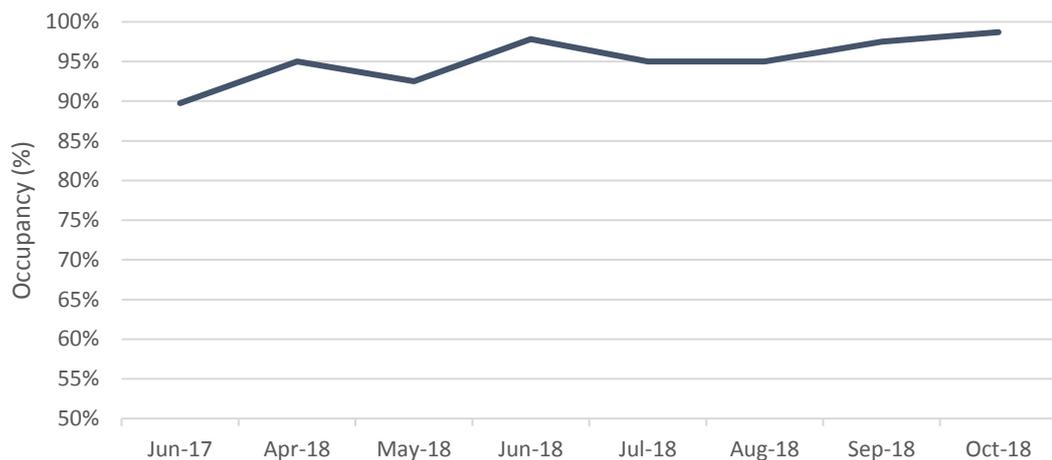
- ✓ Commonwealth Government Subsidised
- ✓ Availability
- ✓ Accredited
- ℹ There are no notices of sanctions or non-compliance for this home

Description	Services	Costs
<p>The fee arrangements for aged care homes changed on 1 July 2014. A summary of the types of fees that you may be charged are at <a href="#">Aged care changes from 1 July 2014</a>.</p> <p>If your income and assets are over a certain amount you may be asked to make an accommodation payment that you agree with the home. Otherwise the Australian Government will pay for part or all of your accommodation costs.</p> <p>The Department of Human Services will advise you if you are required to make an accommodation payment.</p> <p>This tab provides the maximum price (accommodation payment) you may be asked to pay if entering a home on or after 1 July 2014, you may be able to negotiate a lower price with the home.</p> <p>This tab also provides details on any additional care or services that may be offered by the home, either as part of the accommodation price or available at an additional cost.</p>		
<ul style="list-style-type: none"> <li>✓ Single room + ensuite: max. refundable deposit \$300,000.00 or max. daily payments of \$48.82, extra service fee \$0.00</li> <li>✓ Single room + ensuite: max. refundable deposit \$0.00 or max. daily payments of \$0.00, extra service fee \$0.00</li> <li>✓ Single room + ensuite: max. refundable deposit \$0.00 or max. daily payments of \$0.00, extra service fee \$0.00</li> <li>✓ Single room + ensuite: max. refundable deposit \$0.00 or max. daily payments of \$0.00, extra service fee \$0.00</li> </ul>		

#### 5.2.4 Occupancy

Tuia Lodge has experienced relatively stable occupancy rates in recent months. At the time of visiting, we noted that there were two rooms being renovated, causing occupancy to decrease. However, prior to this, the home has maintained strong occupancy levels of between 90% to 100% as shown in Graph 17 below.

**Graph 17: Tuia Lodge Occupancy Trend**



Source: Management Accounts

Whilst the home is able to maintain high occupancy, the layout and configurations of some rooms and the limited secure areas could have adverse effects on occupancy moving into the future. More specifically, if resident acuity increases or cognition declines with wandering becoming more prominent, residents would need to transfer to alternate facilities to receive the necessary care. We understand that Tuia Lodge already refers residents with higher behaviour needs to Bunbury facilities. In recent times, referrals have also been made to Perth.

### 5.3 FINANCIAL ANALYSIS

#### 5.3.1 Overview

Ansell Strategic undertook an analysis of the historical financial accounts of the Tuia Lodge. Review of the financials has been based on operating statements for the 2017, 2018 and 2019 Year To Date (YTD) financial years. 2019 YTD results are as of 30 November 2018.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is most commonly used to measure facility performance, as it normalises operational performance and excludes financing and other non-operational items.

**Table 12: Financial Results Summary - Tuia Lodge**

	FY17 Actual (\$)	FY18 Actual (\$)	FY19 YTD Actual (\$)	FY19 Budget (\$)
<b>Income</b>	3,061,521	3,097,024	1,402,108	3,289,778
<b>Expenditure</b>	2,783,866	3,213,009	1,371,914	3,629,965
<b>EBITDA</b>	<b>277,655</b>	<b>(115,985)</b>	<b>30,194</b>	<b>(340,187)</b>
<b>Net Operational Profit/(Loss)</b>	<b>(294,237)</b>	<b>(145,814)</b>	<b>22,473</b>	<b>(289,722)</b>

Source: Management Accounts

Overall, our analysis revealed that the Shire’s residential aged care service financial performance has declined and is forecast to decline further in the current financial year.

This decline in performance is primarily driven by an increase in wages and increase in overhead allocations. This is further explored in the following section. We note that whilst current YTD results are positive, Shire overhead allocations have not yet been apportioned.

### 5.3.2 Financial Performance

For benchmarking purposes, Ansell Strategic has further analysed the operating statements to reflect income and expenditure on a Per Bed, Per Day (PBD) basis. We have utilised StewartBrown’s industry benchmarks for 30 September 2018. We have benchmarked based on the Tuia Lodge’s scale and resident profile. More specifically, “Benchmark (First 25%, Band 3” refers to the top 25% of facilities who received a similar care income (and thus similar resident profile) to Tuia Lodge. “Benchmark (40 – 60 bed Facilities” simply referred to the average of those facilities with between 40 and 60 operational aged care beds.

As shown in Table 14, EBITDA has underperformed significantly when compared to StewartBrown benchmarks. We have also made comparison to EBITDA levels for Government providers, regional services and the statistics reported by all providers. As evident in Table 13, Tuia Lodge’s financial performance is also worse than regional services, Government facilities and the wider Nation.

**Table 13: Comparative EBITDA Results PRPD**

Facility	EBITDA PRPD
<b>Tuia Lodge FY2018</b>	(\$7.94)
<b>Tuia Lodge Budget FY2019</b>	(\$9.44)
<b>National FY2017</b>	\$31.45
<b>Regional FY2017</b>	\$22.62
<b>Government FY2017</b>	\$10.39

Source: Aged Care Financing Authority, 2018

Table 14: Consolidated Financial Summary (\$PBPD) - Tuia Lodge

Tuia Lodge PBPD (\$)	FY2017	FY2018	FY2019 YTD	Benchmark (First 25%, Band 3)	Benchmark (40-60 bed Facilities)
<i>Occupancy</i>	89.75%	97.83%	98.7%	96.3%	94.6%
<i>Beds</i>	40	40	40	-	40 - 60
<b>Revenue</b>					
Government Funding	152.06	151.00	160.80	171.40	184.78
Resident Contributions	57.29	61.00	68.01	71.51	67.33
Other	0.34	0.13	0.29	0.10	0.49
<b>Total Revenue</b>	<b>209.69</b>	<b>212.13</b>	<b>229.10</b>	<b>243.01</b>	<b>252.60</b>
<b>Expenses</b>					
Labour Costs	140.25	153.96	176.11	127.99	156.90
Property & Maintenance	11.34	16.01	14.37	14.39	16.58
Administration	9.03	6.06	10.37	6.00	8.74
Hotel Services	16.08	17.64	13.32	21.39	18.63
Care Costs	6.45	5.76	6.38	5.09	6.45
Overheads	4.55	18.17	0.00*	18.23	22.38
Other	2.98	2.48	3.62	-	-
<b>Total Expenses</b>	<b>190.68</b>	<b>220.08</b>	<b>224.17</b>	<b>193.09</b>	<b>229.68</b>
<b>EBITDA</b>	<b>19.01</b>	<b>-7.95</b>	<b>4.93</b>	<b>49.92</b>	<b>22.92</b>

\*Shire support costs have not been allocated

Source: Management Accounts and StewartBrown ACFPS September 2018

### 5.3.3 Revenue

Over the financial periods, total revenue has increased steadily from \$3,061,521 in FY2017 to \$3,097,024 in FY2018, an increase of 1.2%. On a PBPB basis, this is an increase from \$209.69 in FY2017 to \$212.12 in FY2018 as well as an increase to \$229.10 in FY2019 YTD (a further 8.0% increase).

**Table 15: Total Revenue Breakdown - Tuia Lodge**

	FY17 Actual (\$)	FY18 Actual (\$)	FY19 YTD (\$)	FY19 Budget (\$)
<b>Government Funding</b>	2,220,012	2,204,536	984,120	2,175,400
<b>Resident Contributions</b>	836,486	890,548	416,232	963,708
<b>Other Income</b>	5,023	1,940	1,756	150,670
<b>Total Income</b>	<b>3,061,521</b>	<b>3,097,024</b>	<b>1,402,108</b>	<b>3,289,778</b>

Source: Management Accounts

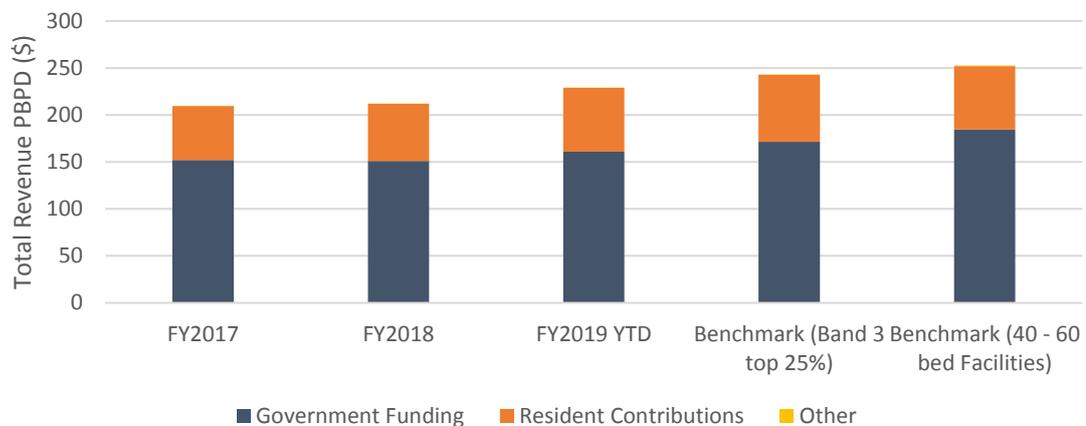
Government funding has seen a marginal decline across the two full year periods from \$2,220,012 in FY2017 to \$2,204,536 in FY2018 (a decline of 0.7%), however, YTD results indicate Government Funding will be higher. The low growth between FY2017 and FY2018 reflects the changes and indexation pauses to ACFI, which impacted providers across the country. Further, we noted that the supported resident ratio at Tuia Lodge has reduced from more than 43% in June 2017 to 31% in October 2018. This impacts the accommodation supplement level received for supported residents, which is further explain in Section 5.3.6.

In addition to recent initiatives to improve ACFI claiming, Management is also looking for assistance to ensure that other subsidies and supplements are also being correctly claimed and that the resident mix of the home is optimised.

Resident contributions have increased considerably from \$836,486 in FY2017 to \$890,548 in FY2018, an increase of 6.5%. Budgeted and YTD results indicate resident contributions will also be higher in FY2019.

As evident in the graph on the following page, Tuia Lodge results are lower than benchmark facilities on a PBPB basis. In particular, government funding is significantly lower than benchmarks, which reflects lower ACFI when compared on a National basis. However, as analysed in Section 5.2.2, Tuia Lodge’s ACFI is in line with other Government providers across the Nation. Resident contributions are also lower, which reflects the growing trend by other providers to introduce additional services.

**Graph 18: Total Revenue Comparison (\$PBPD) - Tuia Lodge and Benchmark Facilities**



Source: Management Accounts and StewartBrown ACFPS September 2018

#### 5.3.4 Expenses

The most substantial impact to the EBITDA and Net Operational Profit has been the significant increase in operational expenditure from FY2017. Total expenses grew from \$2.78 million in FY2017 to \$3.21 million in FY2018, an increase of \$429,143 or 15.4%. In FY2019, expenses are budgeted to be 13% higher than in FY2018.

On a PBPD basis, this is an increase from \$190.68 in FY2017 to \$220.07 in FY2018 as well as a further increase to \$224.17 in FY2019 YTD (not including Shire overhead allocations), which is a further 1.9% increase.

**Table 16: Total Operational Expenditure Breakdown - Tuia Lodge**

	FY17 Actual (\$)	FY18 Actual (\$)	FY19 YTD (\$)	FY19 YTD Budget (\$)
<b>Labour Costs</b>	2,047,642	2,247,826	1,077,819	2,530,702
<b>Property &amp; Maintenance</b>	165,505	233,735	87,937	204,100
<b>Administration</b>	131,893	88,463	63,467	128,577
<b>Hotel Services</b>	234,764	257,526	81,491	363,885
<b>Care Costs</b>	94,194	84,041	39,052	85,000
<b>Overheads</b>	66,409	265,240	-	284,501
<b>Other Expenses</b>	43,460	36,178	22,148	33,200
<b>Total Expenses</b>	<b>2,783,866</b>	<b>3,213,009</b>	<b>1,371,914</b>	<b>3,629,965</b>

Source: Management Accounts

Labour costs have significantly increased from FY17, with a further material increase forecasted for FY2019. This is also evident in the PBPD analysis, which indicates labour costs have increased 24% over two years, or \$35.86 PBPD. As evident in the staffing analysis in Section 5.2.1, Tuia Lodge has undertaken major changes to their organisation structure and rostering practices. In particular, there has been the introduction of additional management roles, rostering of RN's across 7 days, moving casual employees to permanent part-time positions and a reinvestment back into staff training. These changes have resulted in higher labour costs in FY2019. We note that there has been an effort to reduce Agency shifts, which has resulted in decreased Agency expenditure in FY2019.

Between the two full year periods, overheads (Shire administration costs) have seen the largest increase of 299.4% from \$66,409 in FY2017 to \$265,240 in FY2018. Shire support costs are forecasted to be similar in FY2019. They are calculated using an ABC Costing method. We understand that there are tasks now completed by the Aged Care Services employees which were previously undertaken by Shire staff. Aged Care Services represent Tuia Lodge, Minninup Cottages, Langley Villas, Preston Retirement Village and Cemeteries.

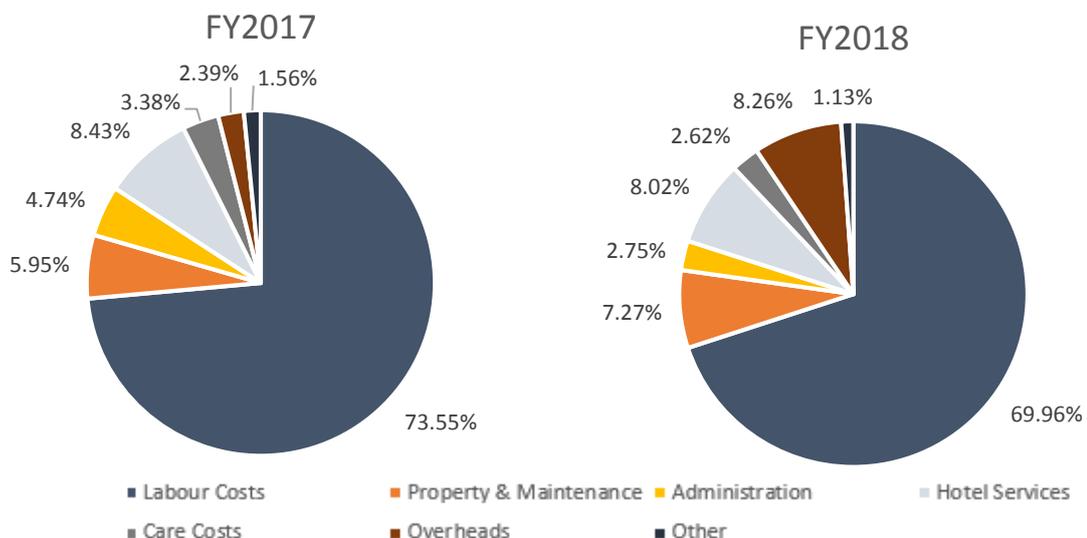
We understand that the Budget for FY2019 has not been adjusted to reflect the decrease in Shire support as a result of the change in structure. However, to recognise the services provided to other Aged Care Services, there is a new revenue line item (Reimbursement Aged Care Services Costs). The amount budgeted to be reimbursed in FY2019 is \$148,270.

We also note that Tuia Lodge EBITDA PBPD excluding Shire Support costs is still below benchmarks.

Property & Maintenance also saw relatively large growth, from \$165,505 in FY2017 to \$233,735 in FY2018 (an increase of 41.2%). However this is forecasted to decrease in FY2019 and YTD results support this. The increase in FY2018 was largely a result of additional garden and grounds maintenance work as well as additional contractors being utilised across the facility.

Despite projected increases in food costs driven by an almost 50% increase in the cost of lunch meals provided by WACS, hotel service costs have declined overall on a per bed basis in FY2019. Hotel services are also below benchmark levels. With the new quality standards having greater focus on consumer experiences, we recommend reviewing costs such as hotel services which contribute to a consumer’s overall wellbeing and lifestyle.

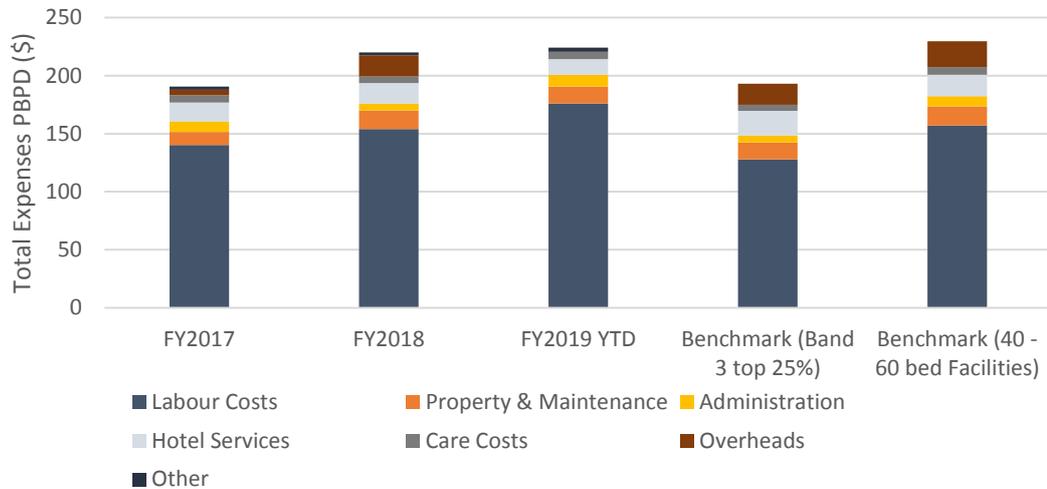
**Graph 19: Operational Expense Breakdown - Tuia Lodge**



Source: Management Accounts

Total expenditure was relatively in line with similarly sized facilities but was considerably greater than top quartile facilities of a similar resident profile. Given overheads have not yet been recognised for FY2019, it is likely that expenses will further exceed current industry benchmarks at year’s end.

**Graph 20: Expenses Comparison (\$PBD) - Tuia Lodge and Benchmark Facilities**



Source: Management Accounts and StewartBrown ACFPS September 2018

### 5.3.5 RAD/DAP Management

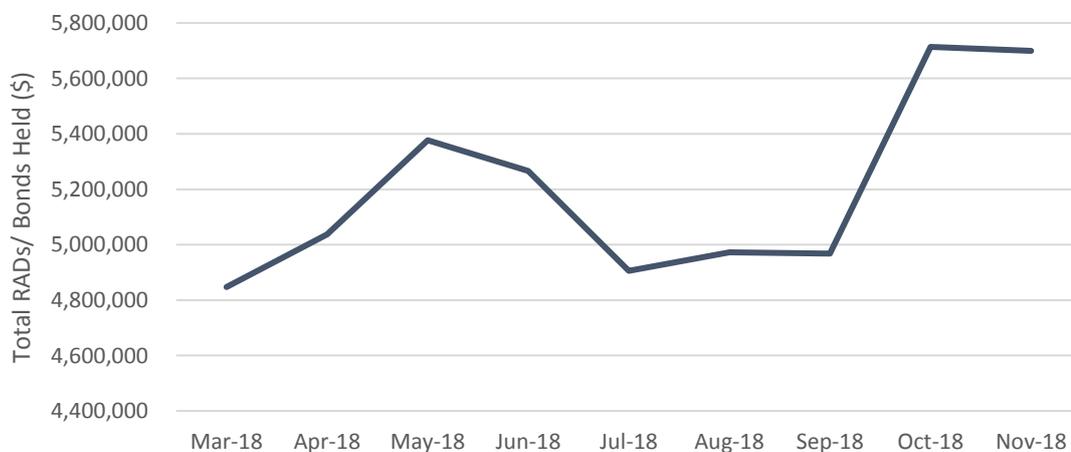
Depending on a resident’s financial situation, residential aged care facilities are able to charge an accommodation cost in the form of a RAD, DAP or a combination of both. RADs comprise of a lump sum payment, while DAPs comprise of periodic payments.

Tuia Lodge advertises its RAD at \$300,000 on MyAgedCare, however, based on discussions with the Tuia Lodge Finance Clerk, RADs are priced at \$300,000 for rooms 1 to 15, \$350,000 for rooms 16 to 26 and \$400,000 for rooms 27 to 40.

As at November 2018, Tuia Lodge held RADs/bonds totalling \$5.7 million with an average RAD/bond paid of \$259,000. For residents electing to pay only a RAD/bond, the average agreed price was \$355,000 (across 10 current RAD/bond-paying residents).

Bonds held at March 2018 equalled \$4.8 million, representing an increase of 17.6% to November.

**Graph 21: Total Value of RADs/Bonds Held - Tuia Lodge**

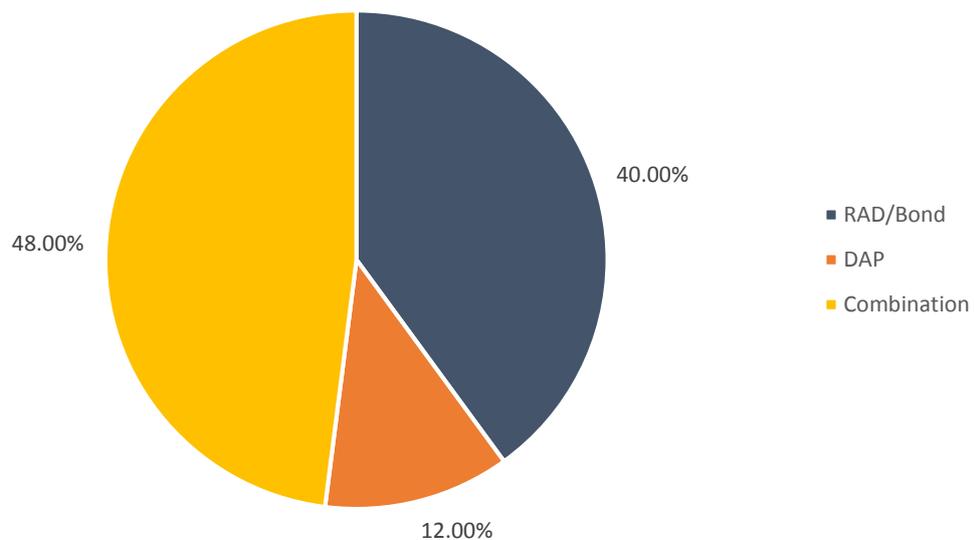


Source: Management Accounts

Based on the current Maximum Permissible Interest Rate (MPIR) of 5.96% as at November 2018, a DAP charged on an agreed \$300,000 room would equate to approximately \$48.99 per day.

As at November 2018, 22 residents had paid a RAD/bond either in whole or in combination with a DAP. Graph 22 illustrates the facility’s composition of accommodation payments for non-supported residents:

**Graph 22: Non-supported Resident Payment Preference - Tuia Lodge**



Source: Management Accounts

### 5.3.6 Supported Ratio

The supported resident ratio represents the proportion of residents receiving care who are of lower means and subsequently subsidised by the Commonwealth government. Across Australia, facilities which achieve a minimum 40% supported ratio are eligible to access increased Commonwealth funding in the form of an accommodation supplement.

As at October 2018, Tuia Lodge had a supported ratio of 30.7% (or 12 of the 39 residents). This is above the compulsory supported ratio in the South West region of 19%, but below the 40% threshold that enables increased supplement funding for supported residents. By reaching the 40% supported ratio threshold, Tuia Lodge would be able to access a higher accommodation supplement for their supported residents.

A higher subsidy is funded for supported residents in homes that are either new or significantly refurbished. We understand Tuia Lodge is already approved to receive the higher subsidy given the refurbishment works that have been undertaken at the home, however there is a further opportunity to increase the rate by an additional 33.3% per supported resident, per day (or an increase from \$42.44 to \$56.59 per day) This would supply a significant uplift to government funding income.

## 5.4 SUMMARY OF FINDINGS

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ The design of the facility allows for some staffing efficiencies.</li> <li>▪ The facility is a small and intimate environment.</li> <li>▪ There is growing community support for Tuia Lodge.</li> <li>▪ Rebranding of the facility has improved public perception.</li> <li>▪ Despite lack of marketing, the facility maintains strong occupancy levels.</li> <li>▪ Management team is enthusiastic and willing to improve consumer experience and overall wellbeing.</li> <li>▪ Strong accommodation income through bonds for Tuia Lodge (from RADs).</li> </ul>	<ul style="list-style-type: none"> <li>▪ The home’s financial performance is negative and has declined. These results will be unsustainable.</li> <li>▪ Facility is small in scale, likely creating some inefficiency.</li> <li>▪ The facility cannot adequately support residents with high behaviour needs.</li> <li>▪ There has been a major change/turnover of Management and current management has limited aged care backgrounds/clinical experience.</li> <li>▪ It is difficult to attract and maintain senior staff with a clinical background.</li> <li>▪ Facility does not achieve concessional ratio for a higher supplement.</li> <li>▪ Marketing of the facility has appeared limited.</li> <li>▪ Signage (“Tuia Lodge Frail Aged Facility”) is unappealing.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Forecasted growth in demand.</li> <li>▪ Potential to expand facility to cater for dementia-specific residents (as has been applied for in ACAR 2018-19).</li> <li>▪ Targeting more supported residents, enabling access to higher accommodation supplement.</li> <li>▪ Opportunity to improve financial viability through an uplift in government funding and reduction in expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ongoing difficulties in attracting and retaining staff.</li> <li>▪ Potential cuts/changes to funding.</li> <li>▪ New competition.</li> <li>▪ Rising costs of care.</li> <li>▪ Lack of secure infrastructure means clients are transferred/referred to competitor facilities.</li> <li>▪ Transition to the new Aged Care Quality Standards and any other increased regulation will require additional expertise outside of management’s current expertise/resources.</li> </ul>



# SECTION SIX

## SENIORS' LIVING SERVICE REVIEW

## 6. SENIORS' LIVING SERVICE REVIEW

### 6.1 SITE AND OPERATIONAL REVIEW

#### 6.1.1 Minninup Cottages

Table 17: Site Summary - Minninup Cottages

<b>Site Overview</b>	
<b>Address</b>	122 South Western Highway, Donnybrook WA
<b>Establishment Date</b>	1979
<b>Fortnightly Rent</b>	\$328.40 for singles/\$429.40 for couples
<b>Service Overview</b>	
<b>Dwelling Types</b>	12x 1 bedroom, 1 bathroom units
<b>Amenities</b>	Nil.
<b>Number of Residents (December 2018)</b>	10
<b>Longest Tenure – Current Residents</b>	18 years
<b>Average Tenure – Current Residents</b>	9 years
<b>Average Age – Current Residents</b>	75 years
<b>Youngest Resident</b>	28 years
<b>Oldest Resident</b>	97 years
<b>Average Entry Age – Current Residents</b>	67 years
<b>Proportion of Males/Females</b>	30%/70%
<b>Vacancies</b>	2
<b>Equity % (Council/Housing Authority)</b>	50%/50%
<b>Regulation</b>	<i>Residential Tenancies Act 1987 (WA)</i>

Figure 26: Minninup Cottages Overview



## Site Observations

Minninup Cottages are situated at 122 South Western Highway, Donnybrook WA and were constructed across a number of stages, commencing in 1979. The development consists of 12 one bedroom units spread equally across 6 individual structures housing 2 units each. Each unit contains one bathroom as well as a kitchen and living area. Ansell Strategic were unable to view the interior of a unit, however we understand that the cottages are old and require renovations. The complex exterior and gardens appeared well maintained given their age.

Due to the age of the units, there is ongoing refurbishment of the cottages. The Shire has budgeted capital expenditure of \$165,000 for FY2019 which relates to replacing kitchens, ovens, renovating bathrooms as well as total renovation of one of the units. Of the current unit stock, two units (unit one and four) were identified as vacant, both of which were currently undergoing an internal refurbishment.

The cottages appear to offer limited common amenity to the residents, which is reflective of the service offering which caters for this older market.

The site seemed to possess relatively flat topography, ensuring that frailer residents are not demobilised by obstacles such as stairs or ramps.

The later stages of the development were constructed and are operated under a joint venture arrangement with Homeswest (the Housing Authority). More specifically, the Housing Authority has a 65.5% equity ownership in units 5-8 (constructed in 1982/83) as well as an 84.8% ownership in units 9-12 (constructed in 1992/93).

**Figure 27: Minninup Cottages - Entrance**



**Figure 28: Minninup Cottages - Side Entrance and Car bays**



#### Resident Profile

Minninup Cottages currently provides a home for 10 single residents. Of these residents, 3 are male and 7 are female, with the average age of residents being approximately 75.2 years. Currently, there is one person residing within the units that is not a senior, however they are a person with a disability. Excluding this resident, the current average age of residents is approximately 80.5 years. This is considered in line with retirement village industry averages, with the average age of current residents across Australia at approximately 81 years.

The average age on entry of the senior cohort is currently 71.3 years of age which is slightly below the retirement village industry at approximately 75 years. The current resident base also had an average tenure of 8.7 years which is longer than national retirement village averages of 7.1 years and relatively in line with the State at 8.5 years.

Majority of the ten residents (80%) originated from Donnybrook, with one resident originating from Waroona (over 80 kilometres away) as well as another from Esperance (almost 600 kilometres away).

The Shire currently maintains an Expressions of Interest Register categorising prospective residents by their bedroom configuration preference. Six seniors were identified to have a 1 or 2 bedroom preference with an average age of approximately 82 years. One applicant was registered as far back as 2006, who was also the eldest applicant at almost 90 years of age. A number of these applicants have not been able to be contacted for some time.

Discussions with management indicated that there is ongoing demand for these units however there was limited dedicated resources to market the cottages and manage waitlists. The majority of referrals are through word of mouth in the local community.

Management stated that there was minimal ongoing resident interaction. Providing events and community programs could improve residents overall wellbeing and reduce social isolation. We also noted that there was no formal process in place to connect residents with local home care and support providers.

Minninup Cottages are governed through the *Residential Tenancies Act 1987 (WA)*. Residents are required to enter into a Residential Tenancies Agreement with the Shire. As the units are targeted towards those of a lower socio-economic standing, there are a number of requirements to ensure residents possess a lower means. These include:

- Residents must be in receipt of a pension from Centrelink or Veteran Affairs;
- Residents must not own their own home; and
- Residents would ideally possess assets valued less than \$80,000, however this is not essential.

***Minninup Cottages are of a relatively small scale and are progressively ageing. Significant capital expenditure is required to refurbish the units, however the units a highly demanded and affordable accommodation to seniors in the local area.***

#### 6.1.2 Langley Villas

**Table 18: Site Summary - Langley Villas**

Site Overview	
Address	140 South Western Highway, Donnybrook WA
Establishment Date	1994
Fortnightly Rent	\$328.40 for singles/\$429.40 for couples
Service Overview	
Dwelling Types	6 x 2 bedroom, 1 bathroom units 3 x 1 bedroom, 1 bathroom units
Amenities	Nil.
Number of Residents (December 2018)	12
Longest Tenure – Current Residents	10 years
Average Tenure – Current Residents	5 years
Average Age – Current Residents	81 years
Youngest Resident	71 years
Oldest Resident	91 years
Average Entry Age – Current Residents	76 years
Proportion of Males/Females	36%/64%
Vacancies	Nil.
Equity % (Council/Housing Authority)	26%/74%
Regulation	<i>Residential Tenancies Act 1987 (WA)</i>

Figure 29: Langley Villas Overview



#### Site Observations

The Langley Villas are located at 140 South Western Highway, Donnybrook WA and were constructed over a number of stages, first commencing in 1986. The villas consist of 6 two bedroom and 3 one bedroom units, each fully equipped with a kitchen, laundry, private carport/adjacent car space (for one vehicle) and some living area. Some units also featured a small backyard.

Similar to Minninup Cottages, Langley Villas did not offer a wide range of common amenity for residents. The site features some open grassed area as well as visitors parking towards the rear of the site.

The village is connected to Donnybrook and the wider region by the arterial South Western Highway and is adjacent to the Masonic Hall of Donnybrook.

The villas are newer than the Minninup Cottages and the infrastructure appeared well maintained. Lawns, gardens and other common areas also appeared to be kept to a high standard.

We did note that there were plans to replace stoves in some of the units and the entrance to the villas, however planned capital expenditure was significantly lower than Minninup Cottages.

The flat topography of the village provides residents with easy access throughout the complex as well as onto the main street and into the rest of Donnybrook.

The villas were developed as part of a joint venture agreement with the Housing Authority, with units 1-6 constructed in 1994/95 and units 7-9 constructed more recently in 2001/2002. Of these two stages, the Housing Authority currently controls a 79.2% and 64.0%, respectively.

Figure 30: Langley Villas - Entrance



Figure 31: Langley Villas - Rear and Small Grassed Area



## Resident Profile

The village currently provides a home for 12 seniors (3 couples and 6 singles) which consists of 8 females and 4 males. From the available resident records, the average age of current residents is 80.7 years, which is in line with the average age of residents across the retirement village industry of 81 years.

The average age on entry of current residents is 76.0 years, in line but slightly higher than the retirement village industry at approximately 75 years. The average tenure of current residents was only 4.6 years, less than the retirement village industry at 7.1 years as well as in WA alone at 8.5 years.

Similar to Minninup Cottages, residents largely originated from Donnybrook, with six residents originally from the town as well as one resident from nearby Boyanup. One resident came from Banksia Grove (over 200 kilometres away) as well as two residents from Drummond Cove (almost 600 kilometres away).

As previously described, the Shire maintains an Expressions of Interest Register for the Minninup Cottages and Langley Villas categorised by bedroom preferences. The Register currently maintained 3 singles and couples seeking a 2 bedroom unit exclusively, with an average age of these applicants being 72 years. Despite one couple making their application almost 9 years ago in 2010, interest seems to have been maintained among prospective applicants. Management expressed similar concerns regarding marketing and maintaining the waitlist.

Langley Villas is also regulated by the *Residential Tenancies Act 1987 (WA)* and has similar entry requirements as Minninup Cottages. We did not identify any resident/community programs targeted specifically towards the residents.

***Langley Villas provide affordable accommodation for seniors in the Donnybrook region. Given their age, the units are well maintained and presented, with most of the accommodation appearing relatively modern. There is an opportunity to increase resident and community interaction which could improve the overall service offering.***

6.1.3 Preston Retirement Village

Table 19: Site Summary - Preston Retirement Village

Site Overview	
Address	10 Sharp Street, Donnybrook WA
Establishment Date	2008
Average Unit Sales Price	\$310,000
Median House Price (October 2018)	\$270,000
Service Overview	
Dwelling Types	13 x 2 bedroom, 1 bathroom units
Amenities	Community centre, library, BBQ area.
Number of Residents (December 2018)	12
Longest Tenure – Current Residents	10 years
Average Tenure – Current Residents	7 years
Average Tenure – Past Residents	3 years
Average Age – Current Residents	82 years*
Youngest Resident	75 years*
Oldest Resident	89 years*
Average Entry Age – Current Residents	77 years
Proportion of Males/Females	14%/86%
Vacancies	2
Ownership	Shire of Donnybrook
Regulation	Retirement Villages Act 1992 (WA)

\* Based on available information

Figure 32: Preston Retirement Village Overview



## Site Observations

The Preston Retirement Village is located at 10 Sharp Street in Donnybrook, WA. The village was built in 2008 and now features a total of 13 two bedroom units as well as a communal centre. The village is conveniently located adjacent to the Donnybrook Fresh IGA and backs off of the arterial South Western Highway. The village offers a mix of suburban living with access to picturesque views of the Preston River.

Each unit is fully-equipped with two bedrooms and one bathroom (as well as one wash closet), a laundry, dining area, lounge space and some private outdoor living space. The units also offer a garage with space for one vehicle as well as a number of guest parking places available around the village.

Units are internally refurbished as they become vacant which is the financial responsibility of the past tenant and deducted from their entry contribution. As a result, the units (as well as the village as a whole) appear well-maintained and appropriate for seniors' living.

The first stage of the development was completed in 2008 with the establishment of 9 units, followed by stage 2 in 2010 adding 2 units and finally stage 3 in 2015 adding another 2 units. Surplus land is available on the site, adjacent to the community centre. This additional land offers space for up to an additional 4 two bedroom, one bathroom units.

As of December 2018, two of the village's units were vacant. Discussions with management indicated Unit 9 was undergoing refurbishment to be re-sold in the future.

The site features a flat and fully paved topography allowing for the easy movement of residents and their vehicles around the village.

The on-site community centre offers residents access to a number of communal amenities including a kitchen, barbeque area, library and ample space for community activities/meetings. The centre is also accessible to residents of the wider Donnybrook area on a hire basis, allowing for intergenerational socialisation.

Gardens surrounding the community centre (as well as the village) all appeared to be neat and well-kept.

Figure 33: Preston RV - Unit Kitchen and Living Area



Figure 34: Preston RV Unit Facades



Figure 35: Preston RV – Community Centre Outlook



Figure 36: Preston RV - Community Centre (External) and Gardens



### Village Resident Profile & Payment Structure

The village currently houses 12 residents including 10 single seniors and 1 couple. This is consisting of 11 females and 1 male. From the information provided by the Shire, the average age of current residents is approximately 81.7 years which is in line with the industry average of 81 years, as found in the 2018 PwC/Property Council Retirement Census.

The average age on entry was slightly higher but in line with industry averages, at approximately 77.0 years compared to 75 years. The average tenure of current residents was in line with averages seen across Australia at approximately 7.2 years versus 7.1 years, respectively.

The average tenure of past residents was identified as relatively short by industry standards at only 3.1 years (as opposed to 9.9 years in WA). This could be attributed to the village's comparatively younger age.

Of the past residents and according to resident records, the most recent to vacate the village was two residents in 2018 (with one in June). All current residents of Preston RV were former residents of Donnybrook.

The advertised unit entry contribution price for Unit 8 is approximately 16% greater than the median house price of the area (\$315,000 vs. \$270,000). Whilst the service offering within the village and individual units is high compared to the area, Management suggested that the units are generally perceived as expensive to the general public, which also corresponded to long sale times.

Our discussions with Management also highlighted that there was a relatively long process associated with the sale of a unit. This included the requirement to get a formal valuation, formal Council approval and seller approval on the sale price as well as acceptance of an offer required to go through the Council.

***Compared to the Shire's other seniors living options, Preston RV offers a much more traditional retirement living setting to the residents of Donnybrook. The units within appear modern and well maintained, with the community centre offering a number of communal amenities to the village residents as well as the general public. However, the unit pricing is considered relatively high which has impacted ongoing demand for re-sale units.***

### 6.2 ASSESSMENT OF SENIORS' LIVING SITES

Overall, the Shire appears to have invested and continues to invest in their seniors' living accommodation options. The accommodation available to the seniors of Donnybrook and the surrounding areas seems appropriate in catering to a wide spectrum of seniors with different needs; moreover, the well-aged units in particular have shown to be effective in providing affordable accommodation to the relatively high number of persons who are socially and/or economically disadvantaged within the area (as previously identified in Section 4.2.3).

This Section will further explore and assess the appropriateness of the Shire's seniors' living services in comparison to the wider community, industry and by what is continually being expected by contemporary seniors.

### 6.2.1 Built Form

Industry research suggests seniors are progressively looking to find accommodation that is the right size for their lifestyle, rather than to downsize. A large majority (approximately 72%) of retirement living stock across Australia features two bedrooms at a minimum, according to the 2016 PWC/Property Council Retirement Census. Meanwhile, one bedroom units (as seen at Minninup Cottages and Langley Villas) only represent approximately 11% of unit stock across Australia.

Of the Shire's current unit stock totalling 34, 19 are two bedroom units with the remaining 15 featuring only one bedroom. At Preston RV (the more traditional retirement setting), all 13 units feature two bedrooms which is in line with the industry and growing senior expectations. All units are fully self-contained with laundry and kitchen areas inclusive.

### 6.2.2 Communal Amenity

Contemporary seniors are becoming more accustomed to having access to a range of communal amenities available within the retirement living premises. This is not featured across the Shire's retirement living assets, likely attributable to the scale of the sites.

Despite this, the more modern Preston RV features a suite of amenities that would be desired by contemporary seniors (including a community centre, library, barbeque area and communal kitchen). In addition, residents are eligible to receive a Blueforce emergency pendant which allows 24/7 monitoring if needed.

### 6.2.3 Management

The seniors' living accommodation is managed by the Donnybrook Aged Care Support services. The service manages queries, expressions of interest and other resident concerns, whilst sales are outsourced to real estate agents. Pagget & Co Solicitors act as sales agents on behalf of the Shire.

Our observations have suggested that the opportunity exists for the Shire to offer seniors' living residents access to additional services within their home. This would enable seniors to age in place within their home. The Shire may wish to pursue programs to encourage residents to access care within their home through the provision of home care packages from the number of home care providers advertising their services within the Donnybrook-Balingup LGA, as outlined in Section 4.3.1.

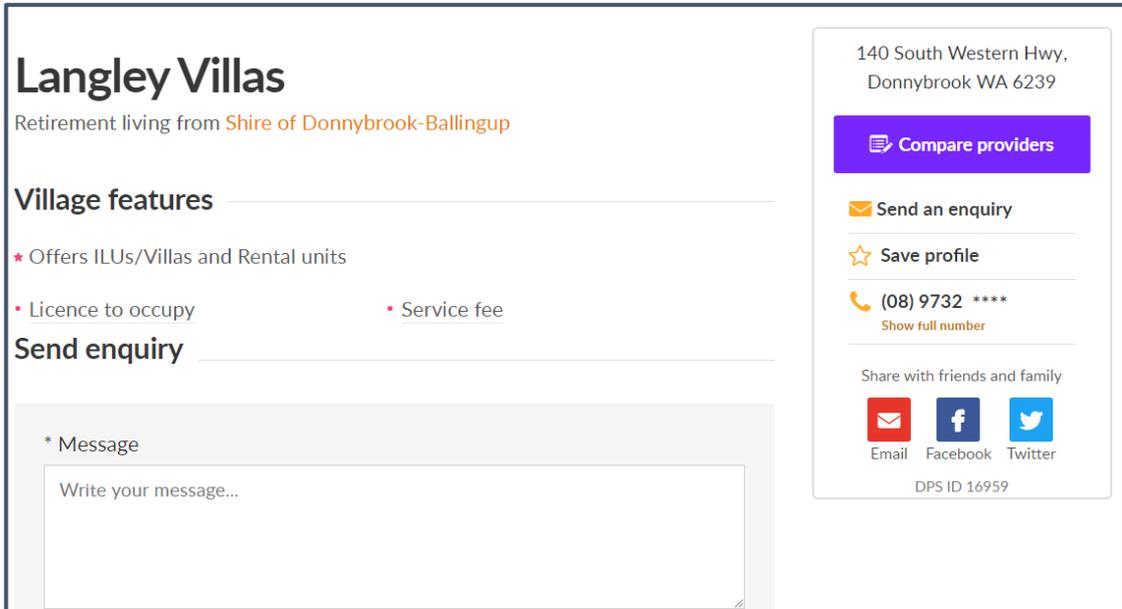
### 6.2.4 Other Considerations

Given the success of the well-aged units, the Shire also outlined the high levels of interest from external community housing operators to take over the operation of the Minninup Cottages and Langley Villas.

Whilst the Shire expressed no difficulties in obtaining residents at either of the three developments, there was minimal marketing and promotional material. More specifically, management identified 'word of mouth' as their strongest marketing strategy, with neither of the three developments listed on prominent aged care/retirement living website "Villages.com.au" and only Minninup Cottages and Langley Villas appearing on "Agedcareguide.com.au". There was limited information on the village (as well as no images).

We noted that the Shire has an arrangement with Alliance Housing and the State Government to develop up to 15 affordable housing units for seniors aged 65 and over. This project is known as the Bridget Street Housing Project and recognises the strong demand for affordable housing in the area. Alliance Housing will be responsible for managing the tenancies.

**Figure 37: Marketing Material - AgeCareGuide Langley Villas Advertisement**



### 6.3 LEASE ARRANGEMENTS

Ansell Strategic conducted a high level analysis of the financial aspects of the lease agreements relating to the Shire’s retirement village and well-aged units. This review has been conducted based on current lease arrangements for each of the sites.

#### 6.3.1 Well-aged Units

The Shire’s Langley Villas and Minninup Cottages both offer affordable accommodation options to the seniors of Donnybrook and surrounds through a standard rental agreement through the *Residential Tenancies Act*. Rental fees are charged based on a resident’s relationship status, with singles charged at \$328.40 per fortnight and couples at \$429.40 per fortnight. Rental charges are regardless of the unit’s size or bedroom configuration.

Under the Commonwealth Rental Assistance program, residents of the well-aged units are subsidised by the Government on their fortnightly rent. This equates to a maximum of \$135.80 per fortnight for singles and a maximum of \$128.00 per fortnight for couples rental assistance.

Rental charges have been stagnant since their most recent change in July 2016. This is despite the planned half-yearly rental charge increases to be made in March and September of each year (as stated in the Resident Information Package).

Upon entry, residents are also required to pay a security bond at a maximum of between \$656.80 and \$858.80 (again depending on relationship status).

**Table 20: Well-aged Units Rental Fees**

Singles	Couples
\$328.40 per fortnight	\$429.40 per fortnight

### 6.3.2 Preston Retirement Village

Preston RV operates under *Retirement Villages Act 1992 (WA)* and offers a more traditional retirement living model with a Deferred Management Fee (DMF) structure. The DMF is accrued over the life of the lease as a percentage of a resident’s entry contribution (purchase price) and is realised when the resident departs the village. The DMF at Preston RV is comprised of the Amenities Fee and a Reserve/Sinking Fund Contribution.

Preston RV’s DMF is capped at 20% over a ten year term, accruing at 2% per annum. In addition, a Reserve Fund Contribution (capped at 8% over 10 years) is also chargeable on exit, accruing at 0.8% per annum.

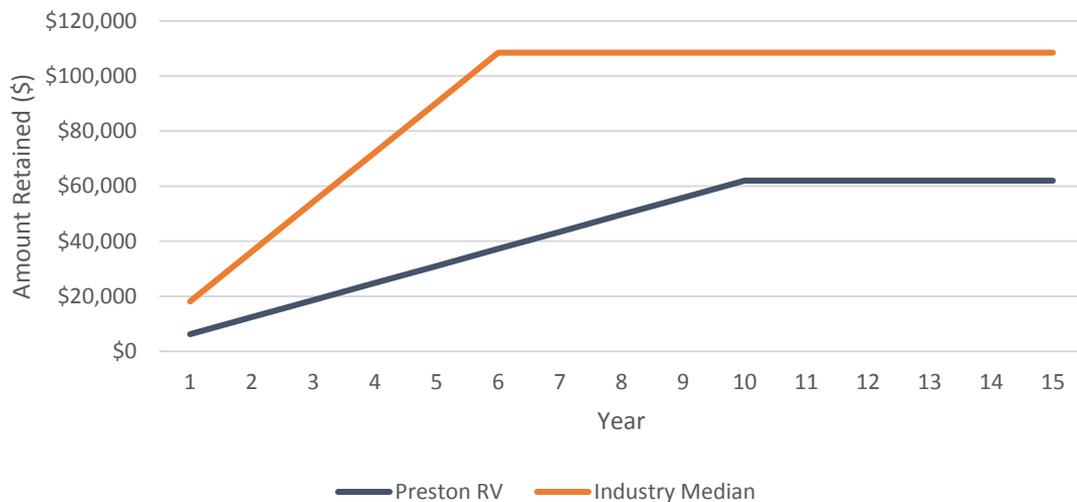
Units at Preston RV have an average sales price of \$310,000, meaning the average maximum amount chargeable to a resident on exit is \$86,800 (\$62,000 DMF plus \$24,800 Sinking Fund contribution), excluding other variable fees such as refurbishment or re-sale costs. Table 21 below provides a further explanation:

**Table 21: Fixed Exit Fee Structure - Preston RV**

Year	Exit Fees on Entry Price
1	2.8%
2	5.6%
3	8.4%
4	11.2%
5	14.0%
6	16.8%
7	19.6%
8	22.4%
9	25.2%
10	28.0%

Based on PwC/Property Council Australia’s 2018 Retirement Living Census, of the 568 villages surveyed, the median maximum DMF charged was 35% which was over a median of approximately 6 years. This level of retention is significantly greater than the Shire’s DMF arrangement at the Preston RV of 20%, however this is likely reflective of the village service and amenity offering, which is less than many other villages. Further illustration of Preston RV’s DMF in comparison to the wider industry is illustrated in Graph 23 below, assuming a \$310,000 purchase price.

**Graph 23: DMF Structure - Preston RV and Industry Median**



On exit, residents may also be charged a refurbishment charge to return the residence to a standard similar to its condition at the commencement of the lease. Residents or their estate are also liable for the re-sale/marketing costs for the unit following their departure.

Maintenance Fees are also chargeable to residents on an ongoing basis, currently priced at \$108 per fortnight for singles and \$130 per fortnight for couples. This significantly differs from industry averages of approximately \$282 per fortnight across Australia, however this is likely reflective of the village’s limited amenity.

The village did not offer a share of capital gains or a buy back guarantee, compared to 55% and 65% of the industry who did, respectively. As stated in Section 3.9, the Department is expected to shortly release a Consultation Paper that may propose operators buy-back units after a period of vacancy. Given the small scale of the village and the relatively slower property market, the Shire could have greater financial exposure if the buyback proposal is introduced. We also note that there has been minimal turnover of units since the village opened. This could be a lead indicator that residents may depart in the short term, which could further exacerbate the Shire’s exposure.

The Shire may consider exploring alternate contract structures and arrangements that appeal to a broader target market.

*The lease arrangements for the well-aged units and retirement village appear to be reflective of the local market’s affordability levels and the accommodation age and amenity offerings. However, we did note that the entry contribution for the village is considered high relative to median house price in the area. The Shire may consider alternate contract structures that broaden the target market of the village.*

## 6.4 FINANCIAL ANALYSIS

### Financial Performance

Ansell Strategic has undertaken a review of historical financials for the Shire’s seniors’ living services including the Minnipup Cottages, Langley Villas and Preston Retirement Village. The review has been conducted through an analysis of FY17, FY18 and FY19 YTD management accounts provided by the Shire. We have focused our analysis on actual figures rather than budget figures given there appears to be significant variation in actual results and budgeted YTD estimates.

Our analysis has revealed that both the well-aged units and Preston RV are operating at a considerable operational surplus. More specifically, in the most recent full financial period the well-aged units achieved an EBITDA of \$99,387 whilst Preston RV and Community Centre achieved a result of \$125,705.

**Table 22: Financial Results Summary - Well-aged Units**

	FY17 Actual (\$)	FY18 Actual (\$)	FY19 YTD (\$)
<b>Income</b>	181,287	182,229	71,123
<b>Expenditure</b>	69,664	82,842	27,807
<b>EBITDA</b>	<b>111,624</b>	<b>99,387</b>	<b>43,316</b>

Source: Management Accounts

**Table 23: Financial Results Summary - Preston Retirement Village & Community Centre**

	FY17 Actual (\$)	FY18 Actual (\$)	FY19 YTD (\$)
<b>Income</b>	36,362	169,883	9,615
<b>Expenditure</b>	40,200	44,178	8,028
<b>EBITDA</b>	<b>(3,838)</b>	<b>125,705</b>	<b>1,587</b>

Source: Management Accounts

As of June 2018, Preston RV maintains a capital reserve of approximately \$172,586 which appears sufficient to cover any capital expenditure in the short term.

The Aged Housing Reserve maintains a reserve of approximately \$1,317,102 which is another capital reserve account encompassing Tuia Lodge and the well-aged units. This is in addition to the well-aged units’ contingency account, which totals \$18,314. These reserves are utilised towards unit capital expenditure.

#### 6.4.1 Well Aged Units

##### Revenue

Across the two full year periods of FY2017 and FY2018, total revenue has been steady, growing at only 0.5% from \$181,287 in FY2017 to \$182,229 in FY2018. Whilst rental income has remained relatively constant, other income (composing of resident reimbursements) has seen a greater increase between the two periods.

**Table 24: Revenue Breakdown - Well-aged Units**

	FY17 Actual (\$)	FY18 Actual (\$)	FY19 YTD (\$)
<b>Rental Income</b>	180,106	180,429	71,123
<b>Other Income</b>	1,181	1,800	0
<b>Total Revenue</b>	<b>181,287</b>	<b>182,229</b>	<b>71,123</b>

Source: Management Accounts

As stated in Section 6.3.1, rental charges have remained the same since their most recent change in July 2016, driving the marginal change in total revenue.

#### Operational Expenses

Across the financial periods, operational expenses have risen. In total, operational expenses have seen an 18.9% rise from \$69,664 in FY2017 to \$82,842 in FY2018.

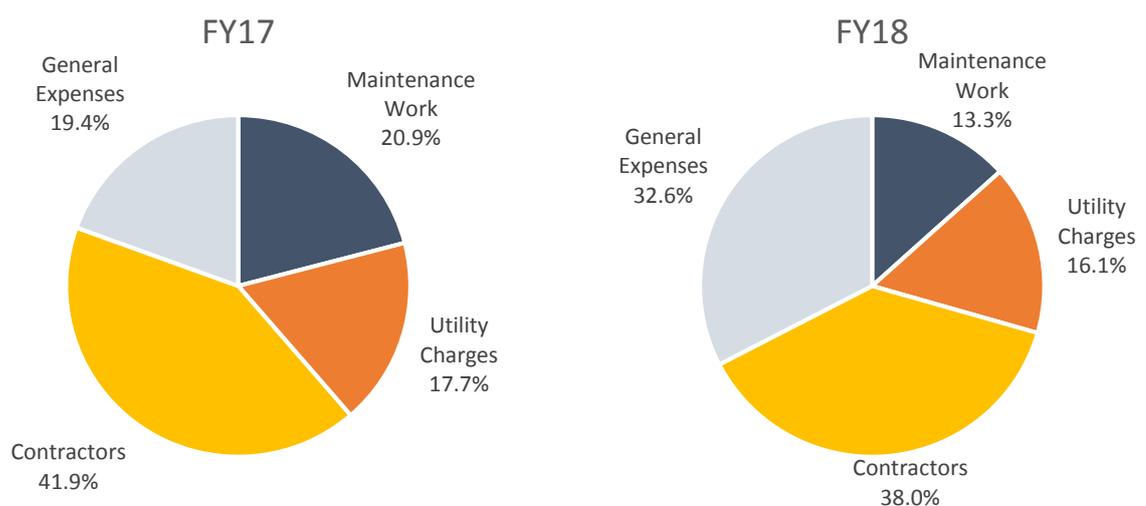
**Table 25: Operational Expense Breakdown - Well-aged Units**

	FY17 Actual (\$)	FY18 Actual (\$)	FY19 YTD (\$)
<b>Maintenance Work</b>	14,588	11,039	5,177
<b>Utility Charges</b>	12,350	13,346	4,341
<b>Contractors</b>	29,179	31,448	11,733
<b>General Expenses</b>	13,547	27,009	6,556
<b>Total Expenses</b>	<b>69,664</b>	<b>82,842</b>	<b>27,807</b>

Source: Management Accounts

The largest driver of increased expenditure has been from general expenses or, more specifically, from allocated Shire administration costs. This particular item has seen a growth of 438.2% from a total of \$3,150 in FY2017 to \$16,953 in FY2018. Shire administration costs were incurred as a proportion of the Shire's total activity based costing recoveries to cover administration, payroll and finance support functions of the aged services portfolio.

**Graph 24: Operational Expense Composition - Well-aged Units**



Source: Management Accounts

#### 6.4.2 Preston Retirement Village

##### Revenue

Between FY2017 and FY2018, revenue rose from \$36,362 to \$169,884, representing a growth of 220%. This rapid increase is mostly attributed to the departure of one resident during FY2018 and thus their accrued contribution being retained by the Shire and recognised as income. The equated to \$126,084.

**Table 26: Revenue Breakdown - Preston Retirement Village**

	FY17 Actual (\$)	FY18 Actual (\$)	FY19 YTD (\$)
<b>Retained Contributions</b>	0	126,084	0
<b>Maintenance Fees</b>	30,178	37,122	8,340
<b>Resident Reimbursements</b>	2,131	2,090	0
<b>Community Centre</b>	4,054	4,588	1,275
<b>Total Revenue</b>	<b>36,363</b>	<b>169,884</b>	<b>9,615</b>

Source: Management Accounts

##### Operational Expenses

Total operational expenses grew 9.9% between FY2017 and FY2018, or from \$40,200 to \$44,178.

**Table 27: Operational Expense Breakdown - Preston Retirement Village**

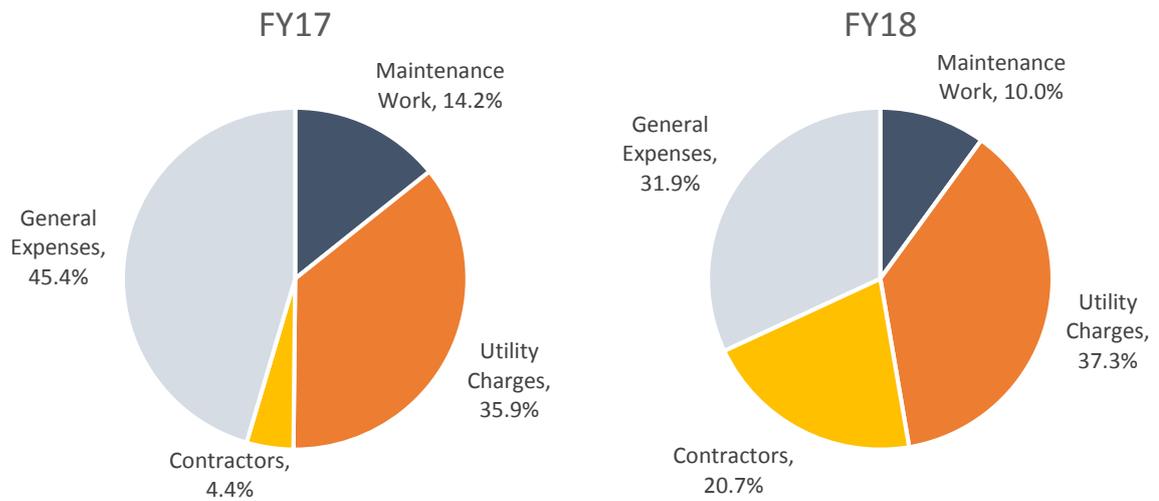
	FY17 Actual (\$)	FY18 Actual (\$)	FY19 YTD (\$)
<b>Maintenance Work</b>	5,716	4,408	0
<b>Utility Charges</b>	14,450	16,496	3,904
<b>Contractors</b>	1,769	9,163	380
<b>General Expenses</b>	18,266	14,112	3,744
<b>Total Expenses</b>	<b>40,201</b>	<b>44,179</b>	<b>8,028</b>

Source: Management Accounts

Contractors expenditure was the largest increase between the two full year financial periods, increasing 418.0% from \$1,769 in FY2017 to \$9,163 in FY2018. This was namely attributable to a chemical treatment undertaken in the units during the FY2018 period.

General expenses also saw a decrease of 22.7% from \$18,266 in FY2017 to \$14,112 in FY2018, however this was not largely attributable to any particular item.

**Figure 38: Expense Composition - Preston Retirement Village**



Source: Management Accounts

## 6.5 SUMMARY OF FINDINGS

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>▪ The services provided by the Shire cater to a broad range of seniors including those of lower socio-economic status.</li> <li>▪ Strong demand and occupancy is generally maintained at the well-aged units (excluding refurbishments).</li> <li>▪ All units are well maintained with renovation and refurbishment works ongoing.</li> <li>▪ Preston RV is profitable over the long term (when accounting for retained contributions).</li> <li>▪ Well-aged units are profitable.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited marketing, generally relying on ‘word of mouth’.</li> <li>▪ Preston Retirement Village units are priced above the median house price with long periods between units being reoccupied.</li> <li>▪ Limited scale at all sites.</li> <li>▪ Limited common amenities and/or services available.</li> <li>▪ Well-aged units are maturing and require significant capital expenditure (particularly Minninup Cottages).</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Surplus land available for further development at Preston Retirement Village.</li> <li>▪ Joint venture with Alliance Housing to develop additional seniors housing as part of the Bridge Street Affordable Housing Project.</li> <li>▪ Opportunity to work on providing additional services in-home, such as partnering with a home care provider.</li> <li>▪ Opportunity to improve community connections.</li> <li>▪ Opportunity to review current contract structures at Preston RV to ensure they remain attractive to consumers and viable for the Shire.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Large retirement living estate (under development) identified as competition in the nearby suburb of Boyanup.</li> <li>▪ Any future amendments or additions to legislation, including the introduction of buyback clauses for Retirement Villages.</li> </ul>



# SECTION SEVEN & EIGHT EVALUATION OF OPTIONS & RECOMMENDATIONS

## 7. EVALUATION OF OPTIONS

### 7.1 OVERVIEW

Based on our review of the Shire's aged care services, Ansell Strategic has provided strategic options for the Shire to consider.

In evaluating the options, we have given consideration to the changing aged care and retirement living sector as well as future client needs and the Shire's desire to ensure appropriate care services are delivered to the community. For each service, we have outlined four key options and the advantages and challenges of each option for the Shire to evaluate.

Broadly, the four options explored for each service include:

1. Continue to Operate (Hold)
2. Upgrade and Expand (Invest)
3. Transfer/Divestment of Services (Divest)
4. Outsource Management (Outsource)

In assessing the above options, we have also considered the financial and risk management implications.

### 7.2 TUIA LODGE OPTIONS ANALYSIS

Overall, the Tuia Lodge is a well-maintained home providing a needed service to the local area. There has been change in Management over recent years, however the Shire and current Management Team have demonstrated a strong commitment and passion towards growing the connection the Tuia Lodge has with the local community and have taken a number of proactive measures to improve resident wellbeing and enhance the home.

However, the change in Management resulted in a loss of experience and knowledge. Further, it has been difficult to attract and maintain senior clinical care staff and the home was operating for more than 6 months without senior clinical oversight. This exposes the Shire and home to quality and clinical governance risks. This risk is exacerbated due to the limited sector specific knowledge of the Shire. We note that the current Management team has experience operating residential aged care facilities, however this experience is not clinical. The need for clinical oversight will be essential as residents present with more complex care needs and higher acuity.

We do note that attracting and retaining staff in regional areas is difficult for all operators, however, Tuia Lodge as a small, standalone operation, has greater exposure due to the inability to access additional clinical experience and resources that other specialised aged care organisations have.

The aged care sector is undergoing one the most transformative times in Australia. In addition to the Royal Commission and the New Aged Care Quality Standards, scrutiny from both the public and the regulatory bodies have increased. Further, the home is operating at a loss (budgeted to be a loss of approximately \$290,000 in FY2018/19) and there is an ongoing challenge to manage growing care costs.

In light of the above, we have assessed potential strategic options for Tuia Lodge. Note, in assessing the outsource option, we have assumed the Shire would remain the Approved Provider and therefore ultimately responsible for the service.

**Table 28: Tuia Lodge Option Analysis Summary**

OPTION	ADVANTAGES	CHALLENGES
<b>HOLD</b>	<ul style="list-style-type: none"> <li>No further investment or resources required.</li> <li>Little resistance from stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Continuing to operate an unviable service.</li> <li>Services and accommodation will become redundant without reinvestment.</li> <li>Ongoing quality, clinical governance and reputation risk exposure.</li> </ul>
<b>INVEST</b>	<ul style="list-style-type: none"> <li>Upgrade/expand services and accommodation that meets consumer demands and needs.</li> <li>Prevent local residents relocating from the community.</li> <li>Increase service scale and long term sustainability of operations.</li> </ul>	<ul style="list-style-type: none"> <li>Sourcing funds for capital investment/expansion projects.</li> <li>Ongoing quality, clinical governance and reputation risk exposure.</li> <li>Unlikely to recover investment from returns.</li> </ul>
<b>OUTSOURCE</b>	<ul style="list-style-type: none"> <li>Reduced exposure to operating a facility that is exposed to increased regulatory compliance and currently unviable.</li> <li>Reduced exposure to financial losses.</li> </ul>	<ul style="list-style-type: none"> <li>Seeking a reputable provider to manage the facility.</li> <li>Ongoing brand/reputational risk due to association/management arrangement.</li> <li>Still a level of governance exposure associated with outsourcing.</li> <li>Depending on arrangement, requirement to contribute to ongoing capital investment and infrastructure.</li> </ul>
<b>DIVEST</b>	<ul style="list-style-type: none"> <li>Cash flow to fund other investments/Shire initiatives.</li> <li>Reduced exposure to operating a facility that is exposed to increased regulatory compliance and currently unviable.</li> <li>No further investment required to maintain facility.</li> </ul>	<ul style="list-style-type: none"> <li>Sale of a quality community asset.</li> <li>Brand/reputational risk.</li> <li>Forgo potential opportunities that would ensure the long term sustainability of the asset.</li> <li>Seeking a reputable provider to acquire the facility.</li> </ul>

### 7.3 WELL AGED UNITS OPTIONS ANALYSIS

The Shire’s Well-Aged Units provide affordable accommodation to seniors in area. With an ageing demographic, affordable aged housing will continue to be demanded in the future and there are limited competitors in the area. The units remain profitable, however they are maturing and require further capital investment to ensure that they remain well maintained and relevant.

**Table 29: Well-Aged Units Options Analysis Summary**

OPTION	ADVANTAGES	CHALLENGES
<b>HOLD</b>	<ul style="list-style-type: none"> <li>No further investment or resources required.</li> <li>Continue to operate a viable service.</li> </ul>	<ul style="list-style-type: none"> <li>Without major capital investment, accommodation will become redundant.</li> </ul>

OPTION	ADVANTAGES	CHALLENGES
	<ul style="list-style-type: none"> <li>Continue to provide a highly demanded service to the area.</li> <li>Little resistance from stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Unable to provide holistic service offering to tenants.</li> <li>Shire resources required to manage the villas/cottages.</li> </ul>
<b>INVEST</b>	<ul style="list-style-type: none"> <li>Joint ventures with Community Housing Providers and State.</li> <li>Upgrade/expand accommodation that meets consumer demands and needs.</li> <li>Expand to include services and enable local residents to age in place.</li> <li>Continue to operate a viable business.</li> </ul>	<ul style="list-style-type: none"> <li>Sourcing funds for capital investment/expansion projects.</li> <li>Securing tenable joint venture arrangements.</li> <li>Shire resources required to manage the villas/cottages.</li> <li>Unlikely to recover investment from returns.</li> </ul>
<b>OUTSOURCE</b>	<ul style="list-style-type: none"> <li>Reduced responsibility associated with managing tenants.</li> </ul>	<ul style="list-style-type: none"> <li>Seeking a reputable manager.</li> <li>Ongoing brand/reputational risk due to association/management arrangement.</li> <li>Ongoing exposure to maintaining and upgrading the villas/cottages.</li> </ul>
<b>DIVEST</b>	<ul style="list-style-type: none"> <li>Cash flow to fund other investments/Shire initiatives.</li> <li>No further capital expenditure required to upgrade/refurbish mature units.</li> </ul>	<ul style="list-style-type: none"> <li>Seeking a reputable provider to acquire the Shire's equity interest and manage the units in line with existing agreements with the State.</li> <li>Sale of a viable business.</li> <li>Brand/reputational risk.</li> </ul>

#### 7.4 PRESTON RETIREMENT VILLAGE OPTIONS ANALYSIS

The Preston Retirement Village is a well maintained and attractive village. The small scale and limited amenity inhibits the ability for the village to have a strong lifestyle culture, which is often a differentiating factor of villages compared to normal residential properties.

The village does not offer additional service options to residents which further limits the ability to differentiate the village. Given the current entry contributions exceed median house prices in the area, there is a perception that the units are expensive.

Operations are generally viable, however the units and amenity require regular investment and refurbishment. There is ongoing legislative reviews and some of the pending changes to the sector may increase the Shire's financial exposure.

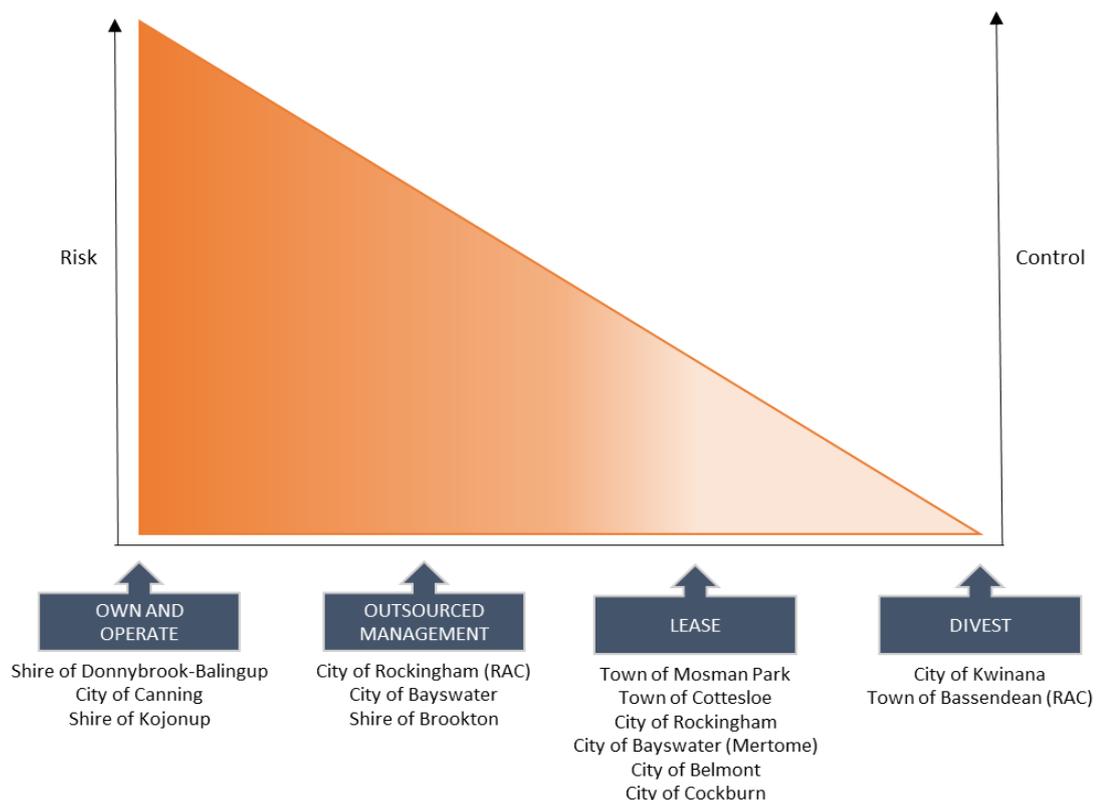
**Table 30: Preston Retirement Village Options Analysis Summary**

OPTION	ADVANTAGES	CHALLENGES
<b>HOLD</b>	<ul style="list-style-type: none"> <li>No further investment or resources required.</li> <li>Continue to operate a viable service.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing capital expenditure/investment required.</li> <li>Differentiating villages to residential or other competition.</li> <li>Shire resources required to manage the units.</li> <li>Maintaining occupancy.</li> <li>Ongoing regulatory burden.</li> </ul>
<b>INVEST</b>	<ul style="list-style-type: none"> <li>Increase village scale.</li> </ul>	<ul style="list-style-type: none"> <li>Sourcing funds for capital investment/expansion projects.</li> </ul>

OPTION	ADVANTAGES	CHALLENGES
	<ul style="list-style-type: none"> <li>Expand to include services and enable local residents to age in place.</li> <li>Continue to operate a viable business.</li> </ul>	<ul style="list-style-type: none"> <li>Limited ability to significantly increase scale and create a greater sense of village community or viably offer greater amenity.</li> <li>Maintaining occupancy.</li> <li>Ongoing regulatory burden.</li> </ul>
<b>OUTSOURCE</b>	<ul style="list-style-type: none"> <li>Reduced responsibility associated with managing the village.</li> </ul>	<ul style="list-style-type: none"> <li>Seeking a reputable manager.</li> <li>Ongoing brand/reputational risk due to association/management arrangement.</li> <li>Ongoing exposure to maintaining and upgrading the village.</li> <li>Ongoing regulatory burden.</li> </ul>
<b>DIVEST</b>	<ul style="list-style-type: none"> <li>Cash flow to fund other investments/Shire initiatives.</li> <li>No further capital expenditure required to upgrade/refurbish units and amenity.</li> <li>Reduce/remove regulatory burden.</li> <li>Reduce exposure to changes in legislation.</li> </ul>	<ul style="list-style-type: none"> <li>Seeking a reputable provider to own and operate the village.</li> <li>Sale of a viable business.</li> <li>Brand/reputational risk.</li> </ul>

The analysis of options above highlights the relationship between control of aged care operations and the financial and operational risks. The following provides an illustration of this relationship and presents the models that have been employed by Western Australian Local Government Authorities.

**Figure 39: Risk and Control Under Different Management Arrangements**



## 8. RECOMMENDATION FOR AGED CARE SERVICES

The Shire of Donnybrook-Balingup, like many other Local Governments, has provided needed accommodation and services to its local community for many years. The Shire's Aged Care services have a long history and connection with the community and together with the Management Team, a number of changes and initiatives have been implemented to enhance the lives of seniors that they provide accommodation and/or care services to. Whilst some services are performing well, the Shire and Management are aware that change is required to ensure long-term sustainability.

### 8.1 RECOMMENDED STRUCTURE FOR THE SHIRE'S SERVICES

We have had the opportunity to discuss our observations with the Aged Care Community Reference Group. Our discussion centred around the risk exposures outlined in the report and the Group's views on community and Shire priorities.

It is clear from our consultations and observations at the sites that there is a significant sense of community ownership associated with the services. The people of Donnybrook-Balingup have invested considerable time and resources in establishing, expanding and maintaining the services for the benefit of the local community.

At the same time, there is an understanding of the risks associated with an increasingly complex aged care operating environment. The pace of legislative change, coupled with higher clinical needs among the consumers of aged care, represents a material exposure in the ongoing management of these services. Local Government bodies are rarely resourced to manage such risks in addition to the myriad of other responsibilities associated with their core services.

As Australia's home care services improve, residents will enter aged care at later stages of their ageing journey and they will require a high level of clinical support. The Shire will face significant challenges in managing the needs of highly dependent clients and retaining clinical staff in a regional environment. The planned expansion of the home will require a substantial capital contribution and there is significant exposure to financial deficits in the future under Local Government control. In our opinion, these risks are unacceptable for Council, particularly given that individual Councillors are ultimately accountable as "Key Personnel" from the Department of Health's perspective.

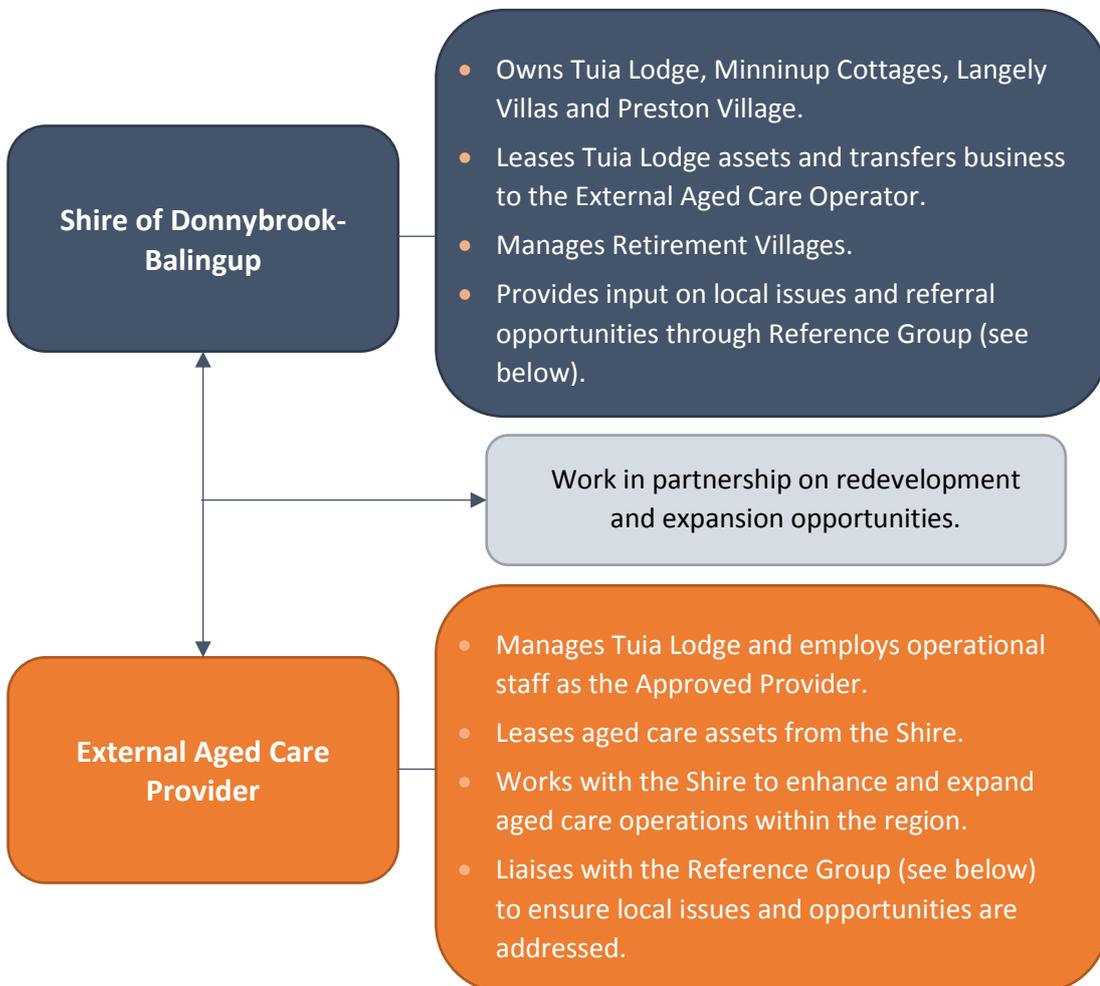
It is our opinion that the Shire should seek to engage with a specialist aged care provider to form a partnership in the operation of the aged care services. The model we would recommend is similar to those recently employed by the City of Bayswater and the City of Rockingham. In these partnerships, the City retains ownership of the aged care/retirement living assets and an experienced aged care service provider takes charge of operations.

This model would enable the services to remain under local community ownership while providing the operational expertise of an organisation wholly dedicated to the provision of services to the elderly. Although ownership would be retained by the Shire, clinical governance and operational management would transfer to a professional aged care provider. This provider would also oversee the expansion of the home over time and enhance the long-term viability of the service.

There are a variety of models upon which this arrangement could be established, however, we would recommend that the Shire consider transferring its operational staff at Tuia Lodge to the aged care provider. This is normal practice in these circumstances and may present opportunities for staff career development and salary packaging. We appreciate that this will have implications for the Shire and these are discussed below.

We also recommend that the Shire continues to own and manage the village in the first instance. The complexities associated with the Retirement Villages Act 1992 and joint venture arrangements with the State Government Housing Authority make transition of operations more challenging. The arrangements could be reviewed in time with the selected operator of Tuia Lodge. There are likely to be synergies between the retirement and aged care services that could be facilitated through the Reference Group (see below). In any event, this decision is likely to be less material on overall operations for the Shire.

**Figure 40: Proposed Partnering Structure**



An alternate arrangement may involve the retention of current employees and the formation of a management agreement with a specialist provider on a fee for service basis. In these circumstances, the aged care operator provides governance oversight services and the Shire may leverage their systems and processes as well as back up staff resources where required.

Wattle Hill Care in Bunbury has operated in partnership with Acacia Living (previously known as RSL Care) successfully under this arrangement.

However, we would not recommend this structure for the Shire because of the remaining financial and operational exposures and ultimate accountability to the Council. We also consider that service expansion possibilities will remain limited under this arrangement and it heightens the risk of a discontinuation of services in the longer term.

## 8.2 CONSIDERATIONS

There are a number of key issues that will need to be considered if the Council proceeds with our recommended approach. These have been outlined below.

### 8.2.1 Communication of Decision

The decision to transfer operations to a specialist aged care provider should be seen as an opportunity to enhance and expand operations in the Shire. Residents' right of tenure are protected under State and Commonwealth legislation and the quality of service is underpinned by the Aged Care Standards. It is reasonable to expect that employees will retain their positions with opportunities for advancement and preferable salary arrangements.

It will first be critical to ensure that there is sufficient interest by prospective aged care operators in the partnership. Before any communication is made, it is important to articulate the Council's expectation, qualitative and quantitative, and to undertake high level consultation with prospective partners on a confidential basis.

Assuming that there is interest consistent with Council's expectations, a communication strategy should be developed to ensure that the change is presented positively. Residents should be made aware of their rights of tenure and staff should understand the plans for their ongoing employment.

### 8.2.2 Employee Transfers and Transition Costs

Should the Shire decide to hand over operations to a specialist aged care provider, the Council would ordinarily require that all employees are transferred (normally on conditions no less favourable than they currently enjoy). However, there will be staff employed within Council that are currently engaged in different levels of support to the aged care and retirement operations. The extent to which they can be redeployed to other Council duties will determine the extent of any redundancy costs.

Approximately one third of the Shire's staff are employed within the aged care services. We recognise that this will have an impact on the administration of the Shire and the workloads of staff. Should efficiencies be achieved within the administration, there may be additional redundancy costs. On-charges made historically by the Shire to the aged care operations will be lost. We note this is budgeted to be approximately \$285,000 in FY2019.

The operations of the aged care and retirement services have not contributed materially to net revenues and have generated losses in previous years, with Tuia Lodge alone budgeted to lose approximately \$290,000 in FY2019. Depending on the arrangements made with the partnering aged care provider, we would expect that future deficits would discontinue.

The net financial effects of these changes are unlikely to be material to the Shire.

### 8.2.3 Reference Group

Within close knit communities, it is beneficial to have a feedback mechanism to the operator from local stakeholders. The service provider would benefit from local knowledge and networks that support client satisfaction, management and the identification of opportunities/threats and future development planning. It also provides a community link to communicate plans and initiatives from the Manager to the local community. Of particular importance will be plans for expansion of the service involving the recently acquired approved places from the Commonwealth.

If the operation of the aged care and retirement villages is separated initially, as recommended above, the reference group may also assist with identifying opportunities for cross referrals and other synergies for seniors' services.

The role of the reference group can be formalised in the partnership/lease contract.

## 8.3 NEXT STEPS

Should the Council elect to adopt the above recommendation, we recommend the following key steps:

### 8.3.1 Objectives and Selection Criteria

Before the communication of the decision, the Council should articulate the objectives it seeks to obtain through the outsourcing process. This includes the desired outcomes for the community, stakeholders and any financial expectations.

Qualitative and quantitative criteria for a preferred Manager should be developed and consideration will need to be given to the commercial appeal of the opportunity to external providers. The decision to outsource management will be concerning for some stakeholders and it will be critical to ensure that a successful appointment is reasonably foreseeable before committing to this course of action.

As described above, it may be necessary to conduct some high level, confidential market testing of provider interest at this stage.

### 8.3.2 Communication Plan

As described above, it will be paramount that a positive message is communicated to those affected by the decision to outsource management. The rights of residents are protected under law and a suitable transition arrangement should see the retention of staff at the home.

Most importantly, the decision should reflect the Council's desire to secure the long-term viability of aged care services in Donnybrook-Balingup. The process would be designed to retain and expand services for older people within the municipality and promote local employment within the service.

The communication plan should identify key stakeholders, communication format and timing of announcements and correspondence. The Shire may wish to invite stakeholder input into the process.

### 8.3.3 Invitation to Potential Providers

The invitation for expressions of interest would be informed by the objectives and selection criteria outlined above. The Shire should obtain legal advice to ensure compliance with procurement mandates. There are a number of precedents from other municipalities that can be leveraged to assist in this process (refer Section 7).

### 8.3.4 Manager Selection and Contracting

Having selected a preferred provider, the Shire would negotiate arrangements that will need to be formalised in a legal contract. As discussed above, the contract may incorporate the role of the Reference Group or this could be addressed under a separate agreement.

Ansell Strategic is able to assist in the transition process should the Shire proceed with this recommendation.



# APPENDICES

## APPENDIX ONE : GLOSSARY

ABS	Australian Bureau of Statistics
AIHW	Australian Institute of Health and Welfare
Ansell Strategic	Ansell Strategic Pty Ltd
CHSP	Commonwealth Home Support Programme
CRA	Commonwealth Rental Assistance
DAP	Daily Accommodation Payment
DMF	Deferred Management Fee
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EN	Enrolled Nurse
FTE	Full-time Equivalent
FY	Financial Year
HACC	Home and Community Care
HCP	Home Care Package
LGA	Local Government Area
MPIR	Maximum Permissible Interest Rate
NRAS	National Rental Affordability Scheme
PBPD	Per Bed Per Day
Preston RV	Preston Retirement Village
RAC	Residential Aged Care
RAD	Refundable Accommodation Deposit
RN	Registered Nurse
RV	Retirement Village
SA1	Statistical Area Level 1
SA3	Statistical Area Level 3
SWOT	Strengths, Weaknesses, Opportunities and Threats
The Shire	The Shire of Donnybrook-Balingup
Tuia Lodge	Tuia Lodge Frail Aged Facility
WA	Western Australia
YTD	Year To Date

## APPENDIX TWO : EXISTING RESIDENTIAL AGED CARE COMPETITION

Suburb	Facility Name	Provider	Advertised Services	Address	Beds	For Profit or Not-For-Profit	Notes
<b>South Bunbury</b>	Bethanie Elanora	The Bethanie Group	24/7 registered nurse, couples accommodation, secure garden, chapel/church, facility transport and hairdressing salon.	37 Hastie St, South Bunbury WA 6230	81	Not-for-profit	Made up of the Bethanie Elanora Hostel (34 single ensuite rooms) and the Bethanie Elanora Nursing Home (43 single and 2 double rooms).
<b>Eaton</b>	Bethanie Fields	The Bethanie Group	24/7 registered nurse, couples accommodation, secure garden, café/kiosk, chapel/church, facility transport, hairdressing salon.	111 Eaton Dr, Eaton WA 6232	160	Not-for-profit	Large facility made up of approximately 14 twin shared rooms and 132 single ensuite rooms.
<b>Bunbury</b>	Catholic Homes Ocean Star Village	Catholic Homes	Couples accommodation, pets on premises, secure garden, chapel/church, facility transport, hairdressing salon.	207 Ocean Dr, Bunbury WA 6230	42	Not-for-profit	Located adjacent to the beach, the facility features 38 single and 2 twin/couple rooms.
<b>Bunbury</b>	Opal Bunbury Gardens	Opal Aged Care	24/7 registered nurse, couples accommodation, secure garden.	39 Hayes St, Bunbury WA 6230	75	For profit	Mix of private single and double rooms.
<b>Bunbury</b>	Regis Bunbury	Regis Aged Care	Couples accommodation, secure garden, facility transport, hairdressing salon.	926 Woodrow St, Bunbury WA 6230	95	For profit	Mix of private single and double rooms.
<b>Bunbury</b>	Wattle Hill Care	Wattle Hill Care	24/7 registered nurse, secure garden, facility transport, hairdressing salon.	2 Wattle St, Bunbury WA 6230	62	Not-for-profit	Features 62 single ensuite rooms ranging from low to high care.

Note: No competition identified within 30 kilometres of the Tuia Lodge facility.

## APPENDIX THREE : EXISTING RETIREMENT LIVING COMPETITION

Suburb	Site Name	Provider	Address	No. Dwellings	Unit Configurations	Site Amenities	Types of Accommodation	Notes
<b>Boyanup</b>	Meadowbrooke Lifestyle Estate	Meadowbrooke Lifestyle Estate	33 Turner Street, Boyanup WA 6237	95 (stage one)	1 bed 1 bath 2 bed 1 bath 2 bed 2 bath	Clubhouse, fitness room, bowling green, art & craft room, library & computer room.	ILUs	Over 55's estate, currently advertised prices from \$199,000. Note, majority of Stage One is currently under development.
<b>Balingup</b>	Vintage Home Town for Life Balingup	Vintage Home Town for Life	20 Jayes Road, Balingup WA 6253	3	2 bed, 1 bath	Nil.	ILUs	Received a grant of \$300,000 from the Royalties for Regions Regional Grants Scheme to assist in construction of additional four seniors' housing.

## APPENDIX FOUR : EMERGING RETIREMENT LIVING COMPETITION

Suburb	Development Name	Provider	Address	No. Dwellings	Site Amenities	Unit Configuration	Expected Completion	Notes
<b>Boyanup</b>	Meadowbrooke Lifestyle Estate	Meadowbrooke Lifestyle Estate	33 Turner Street, Boyanup WA 6237	88 (stage two)	Clubhouse, fitness room, bowling green, art & craft room, library & computer room, indoor swimming pool.	1 bed 1 bath 2 bed 1 bath 2 bed 2 bath	-	Over 55's estate, forms the second and final stage of the lifestyle estate.
<b>Balingup</b>	Vintage Home Town for Life Balingup	Vintage Home Town for Life	6 Spencer Street, Balingup WA 6253	4	Nil.	2 bed, 1 bath	Two units to be completed in December 2018.	Received a grant of \$300,000 from the Royalties for Regions Regional Grants Scheme to assist in construction of additional four seniors' housing.

## APPENDIX FIVE : LIST OF ADVERTISED HOME CARE PROVIDERS

Carealot Home Health Services	Southern Plus Home Care Packages Country Region
Baptistcare At Home Services South West	Bethanie Community Care South West
Country Mile Home Care	Acacia Living Home Care Packages South West
Candice Care WA	Community Home Care
Enrich Living Services WA Regional	Home Support Services (WA)
KinCare WA	Let's Get Care (WA)
South West Community Care Home Care Services	

## APPENDIX SIX : FINANCIAL CONSOLIDATION

Tuia Lodge RACF	FY2017	FY2018	FY2019 YTD
<b>Revenue</b>			
Government Funding	2,220,012	2,204,536	984,120
Resident Contributions	836,486	890,548	416,232
Other Income	5,023	1,940	1,756
<b>Total Revenue</b>	<b>3,061,521</b>	<b>3,097,024</b>	<b>1,402,108</b>
<b>Expenses</b>			
Labour Costs	2,047,642	2,247,826	1,077,819
Property & Maintenance	165,505	233,735	87,937
Administration	131,893	88,463	63,467
Hotel Services	234,764	257,526	81,491
Care Costs	94,194	84,041	39,052
Overheads	66,409	265,240	0
Other Expenses	43,460	36,178	22,148
<b>Total Expenses</b>	<b>2,783,866</b>	<b>3,213,009</b>	<b>1,371,914</b>
<b>EBITDA</b>	<b>277,655</b>	<b>(115,985)</b>	<b>30,194</b>

Preston RV	FY2017	FY2018	FY2019 YTD
<b>Revenue</b>			
Retained Contributions	0	126,084	0
Maintenance Fees	30,178	37,122	8,340
Resident Reimbursements	2,131	2,090	0
Hire Community Centre	4,054	4,588	1,275
<b>Total Revenue</b>	<b>36,363</b>	<b>169,884</b>	<b>9,615</b>
<b>Expenses</b>			
Mowing & Ground Maintenance	5,716	4,408	0
Utility Charges	14,450	16,496	3,904
Contractors	1,769	9,163	380
General Expenses	18,266	14,112	3,744
<b>Total Expenses</b>	<b>40,201</b>	<b>44,179</b>	<b>8,028</b>
<b>EBITDA</b>	<b>(3,838)</b>	<b>125,705</b>	<b>1,587</b>

Well-aged Units	FY2017	FY2018	FY2019 YTD
<b>Revenue</b>			
Rental Income	180,106	180,429	71,123
Other Income	1,181	1,800	0
<b>Total Revenue</b>	<b>181,287</b>	<b>182,229</b>	<b>71,123</b>
<b>Expenses</b>			
Mowing & Ground Maintenance	14,588	11,039	5,177
Utility Charges	12,350	13,346	4,341
Contractors	29,179	31,448	11,733
General Expenses	13,547	27,009	6,556
<b>Total Expenses</b>	<b>69,664</b>	<b>82,842</b>	<b>27,807</b>
<b>EBITDA</b>	<b>111,623</b>	<b>99,387</b>	<b>43,316</b>



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