

SHIRE OF KOJONUP



Special Council Minutes

2nd March 2007

at 4.30pm

SHIRE OF KOJONUP

MINUTES

1 DECLARATION OF OPENING AND ANNOUNCEMENT OF GUESTS

The President opened the meeting at 4.30pm and alerted the meeting of the procedures for emergencies including evacuation, designated exits and muster points.

The President read the following statement:

Disclaimer

No person should rely on or act on the basis of any advice or information provided by a Member or Officer, or on the content of any discussion occurring, during the course of the meeting.

The Shire of Kojonup expressly disclaims liability for any loss or damage suffered by any person as a result of relying on or acting on the basis of any advice or information provided by a member or officer, or the content of any discussion occurring, during the course of the meeting.

Where an application for an approval, a license or the like is discussed or determined during the meeting, the Shire warns that neither the applicant, nor any other person or body, should rely upon that discussion or determination until written notice of either an approval and the conditions which relate to it, or the refusal of the application has been issued by the Shire.

2 ATTENDANCE, APOLOGIES & LEAVE OF ABSENCE

Cr Jill Mathwin	Shire President
Cr Jane Trethowan	Deputy Shire President
Cr John Benn	
Cr Pat Bunny	
Cr Will Carrington-Jones	
Cr Rosie Hewson	
Cr Ernie Graham	
Cr Greg Marsh	
Cr Frank Pritchard	
Mr Stephen Gash	Chief Executive Officer
Mr Kim Dolzadelli	Manager of Corporate Services

APOLOGIES

Cr Geoff Thorn

3 PUBLIC QUESTION TIME

Nil

4 SUMMARY OF RESPONSE TO PREVIOUS QUESTIONS TAKEN ON NOTICE

Nil

5 APPLICATIONS FOR LEAVE OF ABSENCE

Nil

6 CONFIRMATION OF MINUTES

Nil

7 ANNOUNCEMENTS by the Presiding Member without discussion.

8 PETITIONS, DEPUTATIONS & PRESENTATIONS

9 DECLARATIONS OF INTEREST

Nil

10 CORPORATE & COMMUNITY SERVICES REPORTS**10.1 SPRINGHAVEN AGED CARE SERVICES**

AUTHOR: Stephen Gash
DATE: 27th February 2007
FILE NO: 05.02.12
ATTACHMENT: Review of Springhaven Lodge and Retirement Units

DECLARATION OF INTEREST

Nil

SUMMARY

To consider the consultation process and statutory requirements to further examine the recommendations of the "Review of Springhaven Lodge and Retirement Units", by Bentleys MRI, and the service delivery options available to the Shire for the provision of aged care services.

BACKGROUND

The Review of Springhaven Lodge and Retirement Units, conducted by Bentleys MRI, was received by Council on 20th February 2007. Bentleys MRI were selected due to their knowledge and experience of the aged care sector.

The review was commissioned due to concerns regarding the apparent escalation in costs associated with Springhaven and the need to ensure future aged care services for the community. The review covered the following areas:

Operating Results – determination of the current operating results of the facility;

Future Projections – preparation of estimates of the likely future operating results of the current facility, and if economies of scale were possible through expansion. Estimates were considered on the basis of a 60 bed facility, representing a size where economies of scale may be possible.

Capital Costs – a review of the existing facilities with a view to establishing the approximate value of capital works necessary to bring the facility up to an acceptable standard; and

Management or divestment options available.

COMMENT

The review of Council's financial data confirmed the previous estimates that had been compiled by Shire Management since the more detailed accounting information has been available. The report states:

"Based on the actual operating results of the aged care facilities to 30 November 2006, we estimate the annual loss incurred by the Shire for aged care facilities will be in the vicinity of \$330,000 to \$400,000. The actual loss will vary depending on resident occupancy levels, wages costs, maintenance costs, and the administration expense allocation. We expect these losses to increase over time, particularly if the proposed capital works are not undertaken".

The value of the capital works referred to above is approximately \$447,840. The Shire may be able to access some external funding through the aged care approvals round for part of the works.

The report suggests that even if the Shire could utilise economies of scale applicable to a 60 bed facility it would still require an operating subsidy in the order of \$87,000 to \$157,000 plus capital expenditure to expand the facility to the 60 bed level (estimated by the Shire as being at least \$2,000,000) and then maintain it to accreditation standards and resident expectations.

Given the existing facility is averaging 77% occupancy of the 22 beds there is no documented current demand for additional lodge type beds. However, the growing interest in independent style units may be a more appropriate development focus to diversify the occupancy risk of a sole low care lodge facility.

The review concluded that “*due to the current size and resident mix of Springhaven, it is unlikely that the facility could operate profitably under any form of ownership other than an owner operator.*” This model would significantly reduce overheads associated with corporate structure.

The issue for Council cannot be based solely on profit, and the community service obligations are most important. To consider the cost / benefit analysis of the projections it is also important to consider the alternative models of service delivery, such as leasing the facility to a management organisation, or freehold sale of the assets and service.

Each of these options would need to be considered in detail and in accordance with the statutory environment of the Local Government Act 1995, however, the analysis is only relevant if there is interest in one or more of the options and therefore an expression of interest process is recommended to tailor the analysis.

Given the importance of the community service expectations there needs to be an extensive consultation process, however, this will only be meaningful when there is documented interest and preliminary analysis undertaken which considers level of service to the community, the value of assets and the present value of future cash flows from the operations. Only once these are known can a true cost benefit analysis be performed.

Due to the complexity of an expression of interest (EOI) process with multiple options, Council may wish to consider seeking external assistance. If the EOI results in viable alternatives then these will be considered against the current model of operation and a preferred model selected. If the preferred model is not Council operating the facility as they currently do, then a formal tender will need to be called with selection criteria based on the preferred service delivery model.

Although the option is available for Council to utilise external support to assist with the entire EOI process and evaluation, the use of clear criteria and documentation should allow Council consider the options and therefore external support is only proposed for the documentation and advertising stage.

Expressions of interest will be advertised State wide with an appropriate period for response provided.

CONSULTATION

The Department of Local Government and Regional Development have been approached to ensure any consideration of options and in particular valuation of assets and services are done in accordance with the Local Government Act 1995

The Springhaven Advisory Committee will be briefed on the proposed process at their next meeting on Thursday 1st March 2007

STATUTORY ENVIRONMENT

Local Government Act 1995 section 3.57, 3.58 and 3.59.

The expression of interest will assist Council to refine the options however a formal tender process will be required under the threshold provided in the *Local Government (Functions and General) Amendment Regulations 2007*.

POLICY IMPLICATIONS

There are no known implications.

FINANCIAL IMPLICATIONS

The estimated cost of external advice to assist drafting of the expression of interest package is \$2000.00. This can be accommodated within Council's budget without further amendment.

STRATEGIC IMPLICATIONS

Council must consider the strategic decision whether it has the skills and financial capacity to operate aged care facilities or whether its future role is as a broker to ensure aged care services are provided at an appropriate level.

OFFICER RECOMMENDATION

1. That Council authorise the Chief Executive Officer to call for expressions of interest for aged care service delivery at Springhaven Lodge and Retirement Units based on:
 - a) contract management of the facilities and operations; or
 - b) freehold purchase of the existing facilities and operations; or
 - c) freehold purchase of the existing facilities and operations and adjacent 10 acre block for development of further aged care facilities; or
 - d) any other option for the provision of aged care services at Kojonup.

COUNCIL DECISION

18/07 MOVED Cr Marsh seconded Cr Hewson

That Council authorise the Chief Executive Officer to call for expressions of interest for aged care service delivery at Springhaven Lodge and Retirement Units based on:

- a) contract management of the facilities and operations; or**
- b) freehold purchase of the existing facilities and operations; or**
- c) freehold purchase of the existing facilities and operations and adjacent 10 acre block for development of further aged care facilities; or**
- d) any other option for the provision of aged care services at Kojonup.**

CARRIED UNANIMOUSLY

11 CLOSURE

There being no further notice of business for the Special Meeting under section 5.5 of the Local Government Act 1995, the President thanked the members for their attendance and declared the meeting closed at 6.00 pm.

12 ATTACHMENTS

Item 10.1 Review of Springhaven Lodge and Retirement Units