

CONFIDENTIAL REPORT



PortAugusta
CITY COUNCIL

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| REPORT FOR: | Strategic Management Committee | | |
| MEETING DATE: | 15 September 2014 | | |
| REPORT FROM: | Director, Community Services | | |
| REPORT TITLE: | Information Update No 1 - Expressions of Interest Aged Accommodation | | |
| FILE NAME: | F10/2812 | RECORD NO: | AR14/25746 |

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| COMMUNITY VISION & STRATEGIC PLAN OBJECTIVE/S |
| 1.3 We use and manage our financial and physical resources in the best interests of our community, now and for the future. |
| 4.2 Facilitate services and develop partnerships to enable appropriate care for people in our communities. |

PURPOSE

To provide Elected Members with information regarding progress in the call for Expressions of Interest process for the development and management of aged accommodation in Port Augusta.

RECOMMENDATION

Strategic Management Committee recommends Council receives and notes the report (AR14/25746) dated 29 August 2014, submitted by the Director – Community Services concerning “Information Update No 1 – Expressions of Interest Aged Accommodation”.

BACKGROUND

At the meeting held 22nd July 2013, Council resolved to call for Expressions of Interest for the development and management of Aged Accommodation in Port Augusta.

Expressions of interest closed Friday 23rd August 2013; five responses were received.

At the meeting held 16th December 2013, Council resolved that the City Manager, Director Community Services, Director Corporate Services and Care Managers of Nerrilda Nursing Home and AM Ramsay Village entering further negotiations with Little Company of Mary Health Care (Calvary), Southern Cross Care & Anglicare SA with a further report to be provided to Council in due course. A copy of this report and resolution is attached for members' information.

Both Southern Cross Care and Anglicare SA withdrew from the process in December 2014/January 2015.

DISCUSSION

Following discussions with Calvary, it was agreed that the two organisations would jointly appoint a valuer to prepare a formal valuation report on the properties. These valuations provided advice to both parties on what would form the basis of final negotiations for the sale.

Nelson Partners were jointly appointed to carry out the formal valuation. David Nelson attended both sites on 7th May 2014; documentation, including financial reports was provided to Nelson Partners as requested.

Due to the changes to Aged Care from 1st July 2014, there was a delay in the completion of the reports as the aged care industry awaited final decisions regarding financial reforms. The valuation reports for each facility were received by both Calvary and Council on 16th June 2014.

The valuations were based on a "going concern" value "as is" for both sites based on fair market value taking into account age and condition of the buildings, trading details, and market evidence.

AM Ramsay Village is valued at \$2,820,000. Nerrilda Nursing Home is valued at \$2,500,000. However, it is noted that a discount in the order of 20 – 30% of the values assessed is not unrealistic.

Council received an email from Calvary in early July stating that an offer would be forthcoming. Calvary was requested to provide either a letter of offer or a withdrawal from the process by Friday 22nd August 2014.

A letter of offer was received on Friday 22nd August 2014 for the purchase of both Nerrilda Nursing Home and AM Ramsay Village as 'a going concern' based on the valuation reports. Calvary would be prepared to move forward with Council to seek to finalise negotiations on these facilities based on a 25% discount being applied to the formal valuations (in line Nelsons comments) and subject to finalising:

- Adjustments required for any changes in trading position under the new aged care reforms. This would include any material change to bond levels (now RADs) and changes in operating income given the cessation of the dementia supplement and the increased COPO payments.
- Confirmation and survey on titles, lots etc. and other land related matters
- Financial impact of any final due diligence matters to be agreed between the parties
- Transfer of the Crown Lease in respect of the land occupied by Nerrilda Nursing Home
- Confirmation and survey on titles, lots etc. and other land related matters
- Provision of building certificates and a final occupation certificate for both premises to ensure compliance with the relevant planning permits.
- Detailed building condition reports covering all aspects of condition including but not limited to pest infestation, structural integrity and appropriate levels of maintenance for all services.
- Agreement on the development model for potential independent living development on the land adjacent to the residential care facilities.
- Financial impact of any final due diligence matters to be agreed between the parties

To date Council has described the following objectives within the prospectus document:

In any transfer of ownership or management Council will seek to:

- Retain existing service quality
- Ensure transmission of employment for all staff currently employed at Nerrilda Nursing Home and AM Ramsay Village.
- Ensure existing Aged Care Facility residents will not be disadvantaged

- Maintain access for low income residents
- Ensure a foundation that supports growth in bed numbers in the longer term i.e. more than 7 years from now
- Cover existing financial obligations including Council loans and grant repayments
- Leverage additional accommodation such as independent living units, semi-supported accommodation models, residential aged care beds and programs that provide support to older people to remain in their own homes
- Ensure the provider has a demonstrated commitment and proven track record in the delivery of quality care in the Residential Aged Care sector.

A request for Calvary's response to the above, particularly in relation to staff matters has been made as the next step in negotiations; however at the time of writing the report a response has not been received.

As Council will be in 'caretaker mode' from 16th September 2014 until the new Council is sworn in, no decision can be made during this period. Due to the impact of staff & community uncertainty regarding this process, it is necessary to keep negotiations continuing during this time. Therefore officers will continue negotiations to enable a report to be put to the new Council early in 2015.

CONFIDENTIALITY PROVISIONS

Organisations have requested 'Commercial-in-Confidence' in relation to their responses and therefore Confidentiality Provisions are appropriate in this instance.

It is considered that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is conducting business, or proposing to conduct business, or would prejudice the commercial position of the Council.

It is recommended that Council maintains the confidential provisions as outlined above until **31 July 2015, or until determination is made by Council in relation to this matter.**

RISK MANAGEMENT

1: Financial/Budget

The financial implications of the future options of Council's Aged Care Facilities will be demonstrated as part of a final presentation to Council once negotiations have been completed.

2: Legal

With the increased level of care being provided in Residential Aged Care Facilities comes increased clinical risk with the potential for legal action to be taken against the facilities. Providers specialising in health and aged care have purpose designed systems in place to support facilities to minimise risk in relation to clinical care and the shifting paradigm to sub-acute care within the Aged Care sector.

Legal opinion will be sought in the development of any draft agreements that may occur as a result of the negotiation process.

3: Environment

n/a

4: Community4.1 General

Port Augusta, as with the rest of the nation is an ageing community. The key reason to consider future options is to ensure that the needs of the community of Port Augusta are met and that our residents receive the best quality aged care outcomes into the future.

ANNE O'REILLY**29/08/2014**



PortAugusta

CITY COUNCIL

CONFIDENTIAL RESOLUTION

PORT AUGUSTA CITY COUNCIL MEETING 16/12/2013

AR13/34177

CONFIDENTIAL
ORDER –
EXPRESSIONS OF
INTEREST AGED
ACCOMMODATION
RESULTS
AR13/32623
F10/2812

Crs Brown/Solomon that **Council:**

1. Orders (pursuant to the provisions of Section 90(2) of the Local Government Act 1999), that the public, with the exception of the following Council Staff – Acting City Manager Mr M Dunemann, Director City & Cultural Services Mrs L Heron & Executive Assistant Ms M Jenkins, be excluded from attendance at the meeting to discuss report AR13/31603 submitted by the Director Community Services, concerning “Expressions of Interest Aged Accommodation Results”.
2. Is satisfied that, pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is conducting business, or proposing to conduct business, or would prejudice the commercial position of the Council.
3. Is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the disclosure of Council’s commercial position may severely prejudice Council’s ability to be able to negotiate a cost-effective proposal for the benefit of the Council and the community in this matter and in relation to other contract negotiations.
4. That having considered report AR13/31603 in confidence under Section 90(2) & 3(b) of the Local Government Act 1999, the Council, pursuant to Section 91(7) of the Act orders that the report, discussions and minutes concerning this agenda item, be retained in confidence until 31 July 2014 or until a determination is made by Council in relation to this matter, and that this order be reviewed every 12 months (if the confidentiality period is longer than 12 months in duration).

CARRIED

CONFIDENTIAL
REPORT –
EXPRESSIONS OF
INTEREST AGED
ACCOMMODATION
RESULTS
AR13/31603
F10/2812

Crs Brown/Solomon that **Council** endorses the City Manager, Director Community Services, Director Corporate Services and Care Managers of Nerrilda Nursing Home and AM Ramsay Village entering further negotiations with Little Company of Mary Health Care (Calvary), Southern Cross Care & Anglicare SA with a further report to be provided to Council in due course.

CARRIED

CONFIDENTIAL REPORT

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| REPORT FOR: | Operations Committee | | |
| MEETING DATE: | 9 December 2013 | | |
| REPORT FROM: | Director, Community Services | | |
| REPORT TITLE: | Expressions of Interest Aged Accommodation Results | | |
| FILE NAME: | F10/2812 | RECORD NO: | AR13/31603 |

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| COMMUNITY VISION & STRATEGIC PLAN OBJECTIVE/S |
| <p>1.3 We use and manage our financial and physical resources in the best interests of our community, now and for the future.</p> <p>4.2 Facilitate services and develop partnerships to enable appropriate care for people in our communities.</p> |

PURPOSE

To provide Elected Members with information regarding responses to the call for Expressions of Interest in the development and management of aged accommodation in Port Augusta and resolve to enter into further negotiations with Little Company of Mary Health Care (Calvary) and Southern Cross Care.

RECOMMENDATION

Operations Committee recommends Council:

1. Endorses the City Manager, Director Community Services, Director Corporate Services and Care Managers of Nerrilda Nursing Home and AM Ramsay Village entering further negotiations with Little Company of Mary Health Care (Calvary) and Southern Cross Care with a further report to be provided to Council in due course.

BACKGROUND

On 22nd July 2013, Council resolved to call for Expressions of Interest for the development and management of Aged Accommodation in Port Augusta.

On 9th September 2013, an information report was provided to Council advising that five responses to the Expression of Interest had been received and further investigation would occur.

DISCUSSION

As per the information report provided to Council on 9th September 2013, five responses were received to the call for Expressions of Interest for the development and management of aged accommodation in Port Augusta.

All five responses were from reputable aged care organisations with four being not-for-profit organisations and one being a private operator.

One organisation was solely interested in the development of aged accommodation, and one organisation was only interested in the management of Council's aged care facilities.

Meetings were arranged with the other three organisations to determine their level of interest. It is unfortunate that these meetings took longer than originally anticipated to coordinate.

A meeting was held with five representatives of Anglicare SA on 4th November 2013. This meeting was quite positive with lively discussion taking place. However, following additional information being supplied to the organisation, a letter was received by Council on 21st November 2013 advising that after considerable discussion and consideration, AnglicareSA has decided to withdraw their Expression of Interest. I have responded to this letter expressing Council's disappointment and asking them to reconsider their position.

A meeting with David Bergman, National Chief Financial Officer & Company Secretary and Paul Bradley, National Director Aged Care & Retirement Services, Little Company of Mary Health Care (Calvary) was held on 6th November 2013. This discussion explored Calvary's renewed interest in our facilities given that Council had previously held approximately two years of discussion that did not progress. Calvary has a strong health background with opportunities such as telehealth, a big focus on end of life care and is realistic about the challenge of financial sustainability. Discussion also took place regarding feasibility of using village models through the Public Housing Authority to reduce build costs. This may link with recent news of Housing SA handing over housing to Community Housing Providers. Calvary is also holding initial discussions regarding management of two other facilities in regional South Australia.

A meeting with Southern Cross Care originally scheduled for 28th November 2013 has now been rescheduled by that organisation for 6th December 2013.

It is important to keep this Expression of Interest progressing as staff of the facilities and the community in general is awaiting the outcome of this process. There are also major changes scheduled to commence from 1st July 2014 in relation to aged care for which Council needs to position itself to respond to if it is to remain Approved Provider of Residential Aged Care in Port Augusta.

Given the delay in meeting with the organisations and the need to keep this process moving to get a result for the Community, I am requesting endorsement by Council for key staff to enter into further negotiations with the two remaining parties pending the results of the meeting with Southern Cross Care on 6th December 2013.

A further report on the progress of these negotiations will be provided to Council in the first quarter of New Year.

CONFIDENTIALITY PROVISIONS

Organisations have requested 'Commercial-in-Confidence' in relation to their responses and therefore Confidentiality Provisions are appropriate in this instance.

It is considered that pursuant to Section 90(3)(b) of the Act, the information to be received, discussed or considered in relation to this agenda item is information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is conducting business, or proposing to conduct business, or would prejudice the commercial position of the Council.

It is recommended that Council maintains the confidential provisions as outlined above until **31 July 2014, or until determination is made by Council in relation to this matter.**

RISK MANAGEMENT

1: Financial/Budget

The financial implications of the future options of Council's Aged Care Facilities will be demonstrated as part of a final presentation to Council once negotiations have been completed.

2: Legal

With the increased level of care being provided in Residential Aged Care Facilities comes increased clinical risk with the potential for legal action to be taken against the facilities. Providers specialising in health and aged care have purpose designed systems in place to support facilities to minimise risk in relation to clinical care and the shifting paradigm to sub-acute care within the Aged Care sector.

Legal opinion will be sought in the development of any draft agreements that may occur as a result of the negotiation process.

3: Environment

n/a

4: Community

4.1 General

Port Augusta, as with the rest of the nation is an ageing community. The key reason to consider future options is to ensure that the needs of the community of Port Augusta are met and that our residents receive the best quality aged care outcomes into the future.

4.2 OPAL Program

n/a

Anne O'Reilly
25/11/2013