

# CONFIDENTIAL REPORT

 <b>Port Augusta</b> CITY COUNCIL	REPORT FOR	<b>Corporate Services &amp; Infrastructure Committee</b>
	MEETING DATE	<b>20<sup>th</sup> July 2009</b>

REPORT FROM	Director, Community Services		
REPORT TITLE	<b>Investigation of Future Options of Council's Aged Care Facilities</b>		
FILE NAME	REPF0788	FILE NUMBER	2235

STRATEGIC PLAN SUB GOAL/S
1.3 Best practice in community programs & facilities managed by Council.
4.2 Plans for the provision of additional infrastructure to meet the needs of our growing community.
6.1 A professional effective, efficient & customer focused organisation, responsive to the needs of the community.
6.2 Optimise the use & management of the council's financial & physical resources.

## **PURPOSE**

To provide information regarding future options for Council's Aged Care Facilities.  
To obtain Council's endorsement to engage Ms Angela Hazebroek of Urban & Regional Planning Solutions to develop a prospectus for engaging potential partners and to hold discussions with potential partners on Council's behalf with a further presentation of findings to be made to Council at the conclusion of the investigation

## **RECOMMENDATION**

### **Corporate Services & Infrastructure Committee recommends Council:**

1. Receives and notes the report (REPF0788) dated 30<sup>th</sup> June 2009, submitted by the Director, Community Services concerning "**Investigation of Future Options of Council's Aged Care Facilities**".
  2. Resolves to engage Ms Angela Hazebroek of Urban & Regional Planning Solutions to develop a prospectus for engaging potential partners and to hold discussions with potential partners on Council's behalf with a further presentation of findings to be made to Council at the conclusion of the investigation.
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## **BACKGROUND**

1. At the meeting held 23<sup>rd</sup> August 2004 Council considered a report from the Director, Corporate Services regarding the operation of Council's Aged Care Facilities and at that time resolved not to take any action to investigate the sale or to sell either the Nerrilda Nursing Home or AM Ramsay Village.
2. On 22<sup>nd</sup> May 2006 following the review of Council's programs and services, and an in depth review undertaken of a number of key services including aged care services, Council resolved to continue to maintain its existing Aged Care facilities and proceed with the proposed building extensions at Nerrilda Nursing Home and AM Ramsay Village as a matter of priority.
3. On 27<sup>th</sup> August 2007, Council formally received the Ageing Strategy 2007-2012 developed by Angela Hazebroek of Urban & Regional Planning Solutions. One of the goals from this Ageing Strategy is to "plan now to meet the projected future demand for residential aged care places, so that all older people have access to high quality affordable facilities within their community". The strategy is to "initiate discussions with not-for-profit aged care providers to explore the potential for a partnership approach to developing and managing additional aged care places to meet demand for services after 2015. This may involve Council ceasing to be a direct funder of services after that time. Community support for this approach would be contingent on Council establishing and publicising criteria to ensure that the level of concessional access meets community needs and that the quality of care is maintained to a very high standard".

## **DISCUSSION**

1. To address the above recommendation of the Ageing Strategy, Council recently engaged Angela Hazebroek of Urban & Regional Planning Solutions to investigate future options for the development and management of aged care facilities to meet the needs of older residents from the City of Port Augusta and surrounding districts.
2. Whilst Council is still bound by the terms and conditions of the Department of Health and Ageing's Rural and Regional Building Fund Grant Deed of Agreement, it is prudent to commence the process of investigation now to enable Council to transition towards an alternative model or indeed submit further applications for additional bed places and Capital Grant funding to ensure the needs of our ageing population are met into the future.
3. Angela Hazebroek will be presenting the attached report at the Committee meeting on 20<sup>th</sup> July 2009.

## **RISK MANAGEMENT**

### **1: Financial/Budget**

The cost of engaging Ms Hazebroek of Urban & Regional Planning Solutions has been quoted at \$6,518 inclusive of GST.

The financial implications of the future options of Council's Aged Care Facilities will be demonstrated as part of the final presentation to Council.

**2: Legal**

The implications of the Department of Health and Ageing's Capital Grant Funding Agreement for Nerrilda Nursing Home and AM Ramsay Village have to be considered as this impacts on options available.

**3: Environment**

n/a

**4: Community**

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**  
**30/06/09**



## City of Port Augusta Aged Care Facilities Options Stage One- Draft Report May 2009

**Lead Consultant** URPS

**Prepared for** City of Port Augusta

**Consultant Project Manager** Angela Hazebroek, Director  
58 Rundle Street (cnr The Parade  
West) Kent Town, SA 5067  
Tel: (08) 8363 0444 Fax: (08) 8363  
0555  
Email: [angela@urps.com.asu](mailto:angela@urps.com.asu)  
Website: [www.urps.com.au](http://www.urps.com.au)

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## 1.0 Introduction

The City of Port Augusta has engaged Angela Hazebroek of URPS to investigate future options for the development and management of aged care facilities to meet the needs of older residents from the City of Port Augusta and surrounding districts.

The investigation has involved meeting with Council Staff, site visits of Council owned facilities and potential locations for new or expanded aged care facilities and a review of relevant studies and reports.

The purpose of this Draft Report is to present a summary of the operating context for the existing Council managed aged care facilities and retirement housing, to identify future trends and propose options that can be considered by Council.

Stage Two of this investigation is dependent on Council's preferred option. It could involve consultation with prospective providers of, or partners in the provision, of aged care facilities and retirement housing.

## 2.0 Council Owned and Operated Facilities

Council currently operates the Nerrilda Nursing Home, AM Ramsay Village (low to medium care hostel) Julia Lodge and Poinsettia Village. Council also manages a number of programs for older people including the Health Focus Day Therapy Centre for members of the community. The Men's Shed, which is located off-site adjacent to the Railway Workshops, provides services in association with HACC to older men and Vietnam War Veterans.

### 2.1 Nerrilda Nursing Home

Nerrilda was built by the City of Port Augusta on Crown Land located in the Hundred of Copley on Stokes Terrace, Port Augusta West. The land was dedicated for "aged person's cottage homes purposes pursuant to the Crown Lands Act, 1929 by Gazette" on the 27<sup>th</sup> March 1986.

The total area of the site is 4.147 hectares as calculated for the Certificate of Title. The building footprint is approximately 2,500 m<sup>2</sup>.

The nursing home was opened in September 1987. It was accredited under the Aged Care Act in 1997 and was the first facility in Australia to receive accreditation under the new system.

Nerrilda is currently approved to provide 45 high care beds. The number of concessional residents fluctuates between 60-80% and currently sits at 69%.

Grant funding of \$620,000 was provided by The Australian Government on 29 July 2005. The centre is staffed as shown in Table One below:

**Table One: Staffing levels for Nerrilda**

Classification	Numbers – full time equivalent
Registered Nurse	6.6
Direct Care	21.3
Indirect Care	5.6
Administration	1.0
Maintenance	1.0
<b>Total staffing</b>	<b>35.5 FTE</b>

Council does payroll accounts payable and financial management as part of its Council wide system.

Occupancy levels were at 99.62% at 28 February 2009 indicating high levels of demand for the services and a likely need for additional high care beds in the next 8-10 years.

Table Two shows financial data for the year to date July 2008 to February 2009.

**Table Two: Financial Data 7/06 to 2/09**

Concessional Supplements	\$125,304.47
Accommodation charges	\$32,344.00
Bond retentions	\$4,046.00
Loan repayments (expires 15/6/2021)	\$145,000.00

Nerrilda staff are employed under the Nerrilda Aged Care Services Enterprise Agreement negotiated between Council and the Australian Nursing Federation for 2008-2010. Council provides 2 Registered Nurse and 2 Enrolled Nurse qualification bursaries each financial year to assist staff to increase their skills and ensure that skilled staff are attracted and retained.

## 2.2 AM Ramsay Village

Council owns the land on which the AM Ramsay Village is located. The Village was built in 1980 as a 20 bed hostel in a joint venture between the South Australian Housing Trust (SAHT) and Council. Council purchased the village from the South Australian Housing Trust in the early 1990's.

The building was then upgraded by Council with the Masonic Wing being changed to a dementia specific wing and The Manager's Residence being converted into the McGee Wing. Building works completed in 2008 resulted in an additional eight bed places. This has created an approved low level care facility of 60 beds plus 2 respite beds.

50% of the residents receive a concessional supplement. This is down from 60% in 2006 and likely to continue to decline if the value of houses continues to increase in Port Augusta.

The occupancy level for permanent beds is 99.11% and 79.22% for respite beds.

Table Three below shows details of the staffing at AM Ramsay Village.

**Table Three: Staffing levels at AM Ramsay Village**

Classification	Numbers – full time equivalent
<b>Registered Nurse</b>	2.4
<b>Direct Care</b>	11.9
<b>Indirect Care</b>	6.7
<b>Administration</b>	1.0
<b>Maintenance</b>	0.8
<b>Total staffing</b>	<b>22.8 FTE</b>

Catering is by contract and Council provides all payroll, accounts and financial management services.

Grant funding of \$1.37 million for capital works was received from The Australian Government on 22 February 2007.

Table Four below provides some financial data relevant to the AM Ramsay Village for the current financial year to the end of February 2009.

**Table Four: Financial Data 7/06 to 3/09**

Concessional Supplements	\$107,230.00
Accommodation charges	\$322.30
Bond retentions	\$62,130.00
Loan repayments (expires 15/7/2017)	\$186,000.00

The Jubilee Court units adjacent to the AM Ramsay Village are owned by Housing SA. Council has been negotiating with the Housing SA Staff to manage tenancy issues to assist in a smooth transition to Ramsay Village for those older people needing higher levels of support.

### 2.3 Retirement Accommodation for Rent

Council took over the administration and maintenance of 9 units at Julia Lodge and 14 units at Poinsettia Village. Poinsettia Village was built by Council in 1964.

The rent is set at 20% of the maximum aged pension with a \$4,000 entry fee for Poinsettia Village. There is no entry fee for Julia Lodge.

Both properties have some issues regarding their suitability for "ageing in place" and there is no maintenance plan in place to ensure that adaptations are made to suit clients needs.

## 2.0 Conditions of Grant Funding

The Commonwealth of Australia acting through The Department of Health and Ageing entered into a Deed of Agreement with the City of Port Augusta with respect to the Rural and Regional Building Fund Grants provided by Council for the capital works costs of residential aged care services.

Conditions of the Deed of Agreement include the following:

- That the grantee must continue to use the property for the purpose for which the grant was made for a period of 13 years from the project completion date
- Grantee must not transfer ownership or effective control of the property to another person for 13 years without written approval of the Secretary. This approval can be given subject to conditions including the repayment of all, or part of the grant funding.

In May 2006 Mr John Lewis from the Commonwealth Department of Health and Ageing advised Council that if the ownership of the aged care facilities was transferred to another operator, the capital grant funding of \$1.6 million would be required to be repaid in full if the transfer occurred in the first 7 years and in part for a further 5 years.

The sliding scale rates have not been determined but Table Five below highlights the impacts of the transfer of ownership of the facilities by Council at different time scales.

Facility	Funding	Date	Full repayment if transferred by	Part repayment
<b>Nerrilda</b>	\$0.62m	29/6/2005	2012	2017
<b>AM Ramsay</b>	\$1.37m	22/2/2007	2014	2019

## 4.0 Aged Care Review March 2006

This review was undertaken as part of an overall review of Council's programs and services which had identified specific recommendations with respect to the operation of Nerrilda and Ramsay Village.

The Council wide review recommended that Council specify its current policy on aged care and resolve the philosophical questions of market intervention. This review suggested three business models of which only two were seen to be viable, namely that Council owns the facilities which are managed by the private sector, or that the Council owns and manages the facilities. The third option of the private sector owning and managing the facilities was not considered as appropriate at the time as it would have placed grant funding for additional bed place redevelopments at both facilities at considerable risk.

The consultants Council wide view posed the question "why would Council continue to provide these services directly?" Council staff responded to the Consultants review by asking why Council would actively consider private sector management or ownership of its aged care facilities.

Table Six below summarises the response to each of the possible reasons or drivers for Council to transfer ownership or management of its aged care facilities to the private sector.

Table Six: reasons for Council considering private sector involvement in aged care facilities.

Why would the private sector be involved?	Why would Council not involve the private sector
<b>Improved service quality and management</b>	Council's facilities are fully accredited and have an excellent reputation
<b>Services are placing a significant burden on Council finances</b>	The operating deficit over 5 years for both facilities is \$28,000- this has a negligible impact on Council budget. Capital expenditure and debt servicing is funded from capital grants, accommodation charges and concessional resident supplements.
<b>Realising a major asset and using funds to provide other service/or obtain a revenue stream</b>	The total value of the buildings in 2006 was \$10 million with bed licences, furniture etc adding a further \$5m. Council could only expect a one off return of \$10-15 million or the equivalent annual return.
<b>Council being at risk in the future in terms of the capital required to maintain high care facilities.</b>	Council has been successful in the past in obtaining grant funding for capital investment in high care facilities.
<b>Private sector leveraging economies of scale to deliver greater benefits to the services</b>	"Bed places" are based on allocations from the Commonwealth Government. Private sector operators need to be able to buy or transfer licences to obtain additional beds. Private sector involvement may however enable a broader suite of aged care options with supported care in a retirement village setting delaying the transition to low to medium care facilities. However, the current high proportions of concessional residents may reduce the viability of privately provided care.

A number of considerations were raised in response to the Aged Care Review. These included the following matters which are discussed in more detail in Section 6:

- Nerrilda is on Crown Land
- Nerrilda is the location for programs such as the Commonwealth funded health Focus Day Therapy Program
- Maintaining the existing quality of service under a private sector operator
- The risk to concessional residents given that most private operators would have close to the minimum requirement for 27.5 % rather than the rates of 69% and 50% that apply to Nerrilda and Ramsay Village respectively (February 2009)
- The likelihood that entrance bonds to Ramsay Village would increase and/or that preference would be given to those able to pay an entrance bond
- Potential for strong community opposition to the sale of Nerrilda as this was built with funds raised by the community
- The probable shortfall of beds between 2012-2015 could be an opportunity to seek some private sector involvement in additional aged care infrastructure

In summary the response to the Aged Care Review concluded that the City of Port Augusta had intervened in the aged care market for sound historical reasons and that many of those reasons still apply.

It was considered that it would be difficult to withdraw from the provision of these facilities without reducing the level of accessibility and quality of service afforded to older residents.

It was acknowledged that there could be situations that arise in the future including the need to undertake a significant expansion or duplication of existing facilities which may justify the involvement of the private sector.

## 5.0 Assessment Criteria

This section documents a range of criteria against which private sector involvement in aged care facilities currently owned and operated by Council should be evaluated.

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

- Retain existing service quality
- 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, low and high care beds and programs that provide support to older people to remain in their own homes

## 6.0 Issues Impacting on the Development of Options for the Future

## 6.1 Land Tenure

Nerrilda is located on Crown Land. Crown land that had not been built on prior to the lodgement of Native Title Claims is subject to those claims. The rights of Native Title Claimants are considered not to have been extinguished by the recent additions to Nerrilda. While it is unlikely, it is possible that once Native Title has been determined rights could be assigned to the successful claimants over this portion of the land as well as over the remaining undeveloped land.

Advice from DEH indicates that as Council has care and control of the land it could enter into a lease or licence arrangement with another entity to operate an aged care facility. It could not freehold the site and therefore a private sector operator would be unable to buy the Nerrilda site from Council.

DEH would appreciate being invited to comment on Council's intention to lease the land and would probably indicate that it would prefer Council to enter into a licence arrangement with the new operator, having taken its own legal advice.

The status of the land however is such that the Minister can resume the land at anytime "on consultation" with Council. The Minister does not need Council's consent to take this action. While such an action is extremely unlikely it does mean that Council would be unable to offer any third party guarantee of tenure.

The inability to provide the land freehold or with a guaranteed tenure for a specified lease period means that it is extremely unlikely that any private sector aged care provider would be willing to take over the "ownership" of Nerrilda. There may be private sector interest in managing the facility on behalf of Council who would continue to own and maintain Nerrilda. In this model Council would retain its financial obligations with respect to the repayment of loans but would not be liable for repayment of capital costs provided the facility continued to provide high level aged care.

Council's continuing ownership of Nerrilda would be able to secure the future of programs based at Nerrilda with any "licence to operate" by a third party being contingent on his condition.

Such a licence agreement would also include conditions related to service standards and access for concessional residents. Subject to the terms of this agreement the community may be more willing to accept the lease of Nerrilda to another operator than they would the sale of this community asset.

The community should be reassured by Council that the sale of Nerrilda is not a possibility and that any changes to its operations would only occur if Council was satisfied that the agreement with a third party to manage Nerrilda on behalf of Council will deliver the required outcomes for Council and the community.

The other factor that Council needs to take into account is that should it choose to replicate the recent extension to Nerrilda as provided for in the original plans for this development, it will be subject to notification by DEH. Section 24(k) notices will be served on the registered Native Title Claimants who may object to the development. Since Native Title has not been extinguished on this part of the site DEH cannot provide any certainty about the outcomes of this process. It may be 5-10 years before this situation can be clarified.

## 7.0 Future Trends

The City of Port Augusta Ageing Strategy (2007) identified the increase in the proportion of people aged over 65 years. Port Augusta's population projections forecast that by 2016, just over 20% of the population will be over 65 years old. This is a significant increase on the 2001 Census figure of 11.7% and will represent a higher proportion than that for South Australia as a whole. The greatest increase will be the number of people aged over 75 where a 75% increase on the 1996 figures is projected resulting in a total of 1,010 people in this age group. The numbers of people aged between 65 and 74 will increase by over 50% (source: Planning SA 2007).

This will impact on the need for both high and low care beds in Port Augusta. Both Nerrilda and Ramsay currently operate at almost 100% occupancy rates which provide an excellent service to those in most need of care. Research undertaken for the Port

Augusta Ageing Strategy 2007-2012 indicated that there is already unmet demand for respite care and dementia care.

Given the increase in numbers of people aged over 75 years it is likely that by 2016 an additional 30 high care beds and 20-25 low care beds could be required to meet their needs.

The current Commonwealth Government planning ratio allocation of aged care places is 113 for every 1000 people aged over 75 years. This is currently represented as 44 high care places, 44 low care places and 25 aged care packages of various types. It is likely that this ratio will continue to change given the Government's policy focus on supporting older people to remain at home. Unless additional retirement housing is provided in Port Augusta to support people's ability to 'age in place' pressure on aged care facilities is likely to increase.

Council therefore needs to take a strategic approach to future planning for both residential aged care facilities and retirement housing.

## 8.0 What are the Options for the Future Provision of Aged Care Facilities and Retirement Housing in Port Augusta?

This section of the report provides some preliminary options for Council to consider. Subject to Council's response Stage Two of the project could proceed to "test" the interests of the aged care sector and retirement housing markets in Council's preferred options.

### 8.1 Nerrilda

It is recommended that Council continue to own and operate the high care facility at Nerrilda with its current bed levels. This provides the greatest assurance that existing service standards and levels of access can be maintained at minimal cost or risk to Council. Given the uncertainty regarding land tenure it is recommended that Council consider alternative locations for providing additional high care beds after 2015.

### 8.2 AM Ramsay Village

The AM Ramsay Village is located adjacent to Homestead Park, a large Council owned reserve and is connected by a shared car park and pedestrian link to the Jubilee Court retirement units owned by the South Australian Housing Trust.

This site is relatively close to the shops, medical services, community facilities and other services which contribute to a positive ageing experience. It is already served by both public and community transport services.

It is recommended that a Strategic Master Plan be prepared for the total site including Homestead Park and the Road Reserve that separates this from Ramsay Village. The plan should seek to address the potential for future provision of an integrated residential care and retirement housing development that:

- Adds an additional 40 low care beds to those currently provided at Ramsay Village
- Provide a new high care facility of up to 60 beds, staged over time
- Provides up to 40 Independent Living Units in addition to those in Jubilee Court retaining at least 30% of those for rental to older people on low incomes
- Provides attractive open spaces, public gathering area and meeting spaces that can be used by all members of the community not just those resident in the Retirement and Aged Care Village.

The preparation of this Master Plan should result in the identification of a site area and potential development package(s) that can form the basis for a public/private partnership between Council, Commonwealth Government, State Government and aged care and retirement living investors. Alternatively Council may seek to offer the site for sale to a private developer subject to the continued provision of services at the AM Ramsay Village, and the achievement of Council's other objectives with respect to aged care, retirement housing, community recreation and heritage.

This site affords the optimum opportunity for Council to leverage its investment in aged care at Ramsay Village to create a long term solution to the future requirements of its ageing population.

Ideally it should be offered as a single package to a consortium that provides and manages both residential aged care facilities and retirement housing. This would result in the most effective design and the best integration of care to support 'ageing in place.'

The development could be staged over a 5-15 year period beginning with the two bedroom independent living units for which there is likely to be immediate demand and adding high and low care beds in modules as these become available from the Commonwealth based on the relevant ratios.

This timing, post 2019, would not impact on the existing grant for Ramsay Village. Council could in fact as part of the terms of the sale retain ownership of this portion of the site until 2019 when it would transfer to new owners.

### 8.3 Other Opportunities for Retirement Housing

Julia Lodge and Poinsettia Village are both in need of modifications to better suit the needs of older residents especially if they are to be supported to stay in their own home for as long as possible.

Council has also revoked community land status at Parham reserve on a site in Willsden close to the social and recreation club facilities at ETSA Park. These sites could be included in the Registration of Interest package for prospective developers of residential aged care facilities and retirement housing.

The Parham Road site would lend itself to a joint venture with Housing SA in the context of a broader regeneration project in the Willsden area. This needs to be explored to ascertain the State Governments likely interest in contributing to purpose built 2 bedroom housing for older people in Willsden.

## 9.0 Summary and Next Steps

The City of Port Augusta has a proven track record in managing the residential aged care facilities it owns. These facilities provide a high standard of care at a minimal cost to Council. They were established at a time when there was no market interest in providing these facilities in Port Augusta.

Cognisant to the future demands of its ageing population both for residential and aged care places, and affordable retirement housing Council is exploring options for the future ownership and operation of its aged care facilities and other assets.

This paper provides recommendations for Council to consider. Should Council wish to test these ideas with the State Government and the private sector then a prospectus would be prepared outlining potential opportunities for investors. This prospectus would be made available on a confidential basis to a selected number of providers of aged care facilities and retirement housing and meetings held to ascertain their interests and to understand any potential barriers for them in acting on these interests.