



PRESIDENT'S REPORT

2018 ANNUAL GENERAL MEETING

Good evening members, staff and friends

This might seem a strange way to open a report but it is important to set the scene for this year's AGM.

The aged care industry is encountering significant financial stress. This is combined with a major national concern that the very vulnerable frail and elderly are being mistreated – that could be as a result of the deteriorating financial position, or as a result of poor service standards, or a combination of the two.

A very common held community perception is that our industry is being paid a lot of money and that is being used to bolster profits.

Reality is very different. We are stand-alone – we do not have the scale of business necessary to reduce most costs. We are being paid less for doing much more. Add to that a financial reality, you need to be making a good profit to ensure the very significant capital expenses in buildings and equipment that this business relies on is maintained. If you don't then your long term viability is immediately compromised.

LBHA has not been making provision for its future. Most of what we do earn we spend on staff and retention. As a result we have slipped financially in real dollar terms and arrived at a crunch point. If we do not rebuild our nursing home now we will just about guarantee our demise.

The numbers are important and our Treasurer, David Catanzaro, will take you through the detail of those results.

I am making the early reference to the financials because all the decisions we as a Board have made this year, and the resulting strategy we have embarked upon, is about achieving our main goal – ensuring the frail and elderly of the Burdekin community continue to be cared for locally

So while we have had our setbacks it will be our creativeness, our resourcefulness, and our drive that ensures a valuable service remains for the long term. To get there we have not ruled out asking for support, considering mergers or even sale (under the right terms) in order to achieve our goal.

This issue has not just sprung up out of nowhere. The rate of change in the aged care industry though is outstripping our capacity to respond, and that of about 40% of all other providers.

Two years ago LBHA engaged the services of Bentley's, national accountants who specialise in aged care. Under their guidance a full governance review was completed and that in turn directed our strategic assessment process and the due diligence that followed.

Very early on it was identified that staff turnover and occupancy were our critical areas of strategic risk. As it turns out the actual building and services layout of our both our campuses in Ayr and Home Hill work against us, making addressing that issue the #1 priority for resolving the weaknesses.

Staff turnover in part is a result of how our buildings are laid out and their amenity. We did as much as we could do with Home Hill and that was completed early this year. It was officially opened by George Christensen in August 2018. Over \$3M in all was invested in that site and largely successful. What we can't do anything about is the sprawling layout, which is perhaps a winner visually but not when we attempt to achieve a high quality service. Staff are still too spread out and that will be argued by some as a very significant deficiency presenting its own risks. Happily the amenity is still of a very high standard.

Ayr is a very different story – built as it has been by adding bits over many years until the sum of the bits simply do not work for you – you have to work them. There is a high maintenance cost, crowding, unattractive resident room amenity, and asbestos. All is dated and much has long since passed its usable service life. Due to the asbestos and layout there is no immediate value for other purposes.

After review by Bentleys and more recently productivity and asset review with Paynter Dixon, the unescapable conclusion is to rebuild the nursing home.

A shortlisted project has been identified. It has been the subject of quite a deal of public display and opened for comment. A \$23M – 10 year project with the critical \$11.5M stage 1 required for completion in 2021. Not only do we have to find the money, but we also have to survive until then.

In decades past LBHA would have gone to the community to seek funding support. All agree that those days are long gone and replaced with the expectation that users should pay. On just that premise alone we are completely frustrated – the amenity and appeal of the nursing home in Ayr is extremely low.

We have made an application for an ACAR grant and we are in the process of completing a similar application from the Building Better Regions Fund. Time is against us and if we do not have a clear indication of funding support by April 2019 then the remaining strategic options will need to be exercised

The goal is unchanged – the retention of residential aged care services in the Burdekin. With that in mind we are actively engaged in merger and collaboration discussions with other providers. What we were unclear about is how the community might feel if we were to sell.

Sale of the entire business is a real possibility. If there is no community pushback to that concept by the time of this AGM then the incoming Board will be required to continue with

preparations. The strategic plan will require management to engage Bentley's in the float of an Expression of Interest, EOI. The EOI will seek to attract interest from parties that will continue the residential aged care service in the Burdekin. We imagine those expressing interest would be able to demonstrate scale, values that are compatibility and a commitment to the Burdekin to take on LBHA operations as a going concern.

Feedback to date is a mix, everything from indifference to acknowledging the complexity of the service, the cost in operations, the significance the service has to employment in the Burdekin and the challenges before LBHA. The common thread though is that the service can't be lost. A service where the care for the elderly is done locally in a residential environment and by a provider that can be trusted to act compassionately and respectfully.

It has been an incredible year. The collegiality of the Board and their personal commitment of time and to informed debate has been so integral to understanding the best path forward – to realising our strategic plan.

We can't thank our staff enough. Change has been with them the whole year, they have carried out their duties throughout diligently and with great passion.

Their efforts stand in such stark contrast to those described in the deeply saddening news of families elsewhere in Australia. Our thoughts are with these families as we journey with them in the Royal Commission. Ultimately we have to trust, and it is just such a blessing to be able to trust our employees.

In thanking our staff, I particularly want to thank our General Manager, Jim Collins. Jim has had to deliver our messages, make our numbers stack up and generally keep our two sites doing what they do best, look after our residents.

To our residents and families, you are the reason we have taken this long road to ensure that your care now and into the future is the best we can offer. We value your feedback and thank you for the trust you have placed in LBHA.

To all the Burdekin community, we say that we fully understand the trust that has been placed in us to ensure the continuity of this essential service.

Finally I want to personally thank the Board members for their commitment and persistence in leaving no stone unturned as we have examined every option available in the due diligence process.

*Lyndy McCathie
PRESIDENT*