

## CEO ANNUAL REPORT – 2019-2020

### **Overview.**

I suspect that I am not the only person in the room who has found 2020 to be a year that will be best forgotten - at least in part.

At the AGM last year I mentioned that there would be many hurdles presenting themselves for the residential aged care industry to deal with during 2019-2020. These would include

- The fall out of a long-running Royal Commission,
- implementation of new standards
- a new Quality and Safety Commission,
- difficult times financially with interest rates currently offering around .65%

Oh how I underestimated the number and size of the hurdles that we've had to face.

And then along came COVID-19.

We noted last year that Aged Care had become a political football with plenty of media talking about poor performances and unsatisfactory care. This continues to this day.

Of course we are appalled when the criticism is justified but too often it is not.

Australia is no closer to deciding what its Aged Care service should look like, how it is to be resourced with staff and funds and who should pay.

As recently as yesterday we have had press stories to suggest that everyone should be funded to stay at home and avoid residential care altogether.

Through all of this Warrina has continued to provide the very best care it can to the (currently) 139 residents in our care. Training has continued to be increased and improved, the facilities have been maintained and improved at nearly every opportunity and we strive to make Warrina/Villanova to be the home that our residents truly enjoy and deserve.

Our new development is getting very close to completion – this has been a great achievement. I will discuss this in a little more detail in a few minutes.

But first I would like to share some exciting news.

As an important part of the opening up of our new facility and as one critical step in rebuilding the viability of Warrina our Board has accepted recommendations for us to commence a positive marketing exercise. This will be a program that rolls out between now and mid next year as we seek to fill all of our beds.

Step 1 in this process has been to review and update our branding to better meet the market of the 2020s. So it gives me great pleasure to share with you the newly approved/ adopted logo for Warrina – its first public showing.

Now for the details:

## Operating Results 2019/20

The final audited Financials for 2020 show an after tax Loss of (\$813,055.00) in comparison to last year's loss of (\$1,378,004.00).

While you might think we have performed better in comparison to last year, this is not really the case. The loss includes COVID-19 Income totalling \$322,000.00, so if you take this into consideration, our actual operating loss would in fact have been around (\$1,135,055.00), which is only marginally better than last year's loss.

A loss of any amount needs to come from reserves and capital, and operating in this manner is only sustainable for a matter of time. Aged Care now more than ever before, is operating in a volatile position, and for many small not for profit facilities, COVID-19 is going to make the future challenging to say the least.

Some points we would like to make in relation to this year's performance:

- As we noted at our last AGM, our occupancy had been lower than normal, and was sitting around 90%, instead of our average 95%. Sadly this financial year, we have seen our occupancy decline further to an average of 88.1%. COVID-19 has resulted in very little interest in aged care, no doubt thanks to the media, despite the fact that aged care deaths are down more than 1000 to last year. Something we don't hear in the news headlines, sadly.
- Overall total Income is up \$93,345.00, but if you take out all the COVID-19 funds received of \$322 000.00 it is clear that our revenue would have been down around 228,655.00 this financial year. Lower occupancy has resulted in reduced funding and fees income, as well as lower interest rates, and less funds available for investment have also contributed to our lower revenue.
- We have noted for the past 2 years that Interest rates are at a historically low rate and are not attractive, shockingly they are still getting lower by the day. With our new building development nearing completion a large portion of our investment funds have been put towards a better return. As a result of low interest rates, and less funds available for investing, we have seen a decrease in investment income of \$172,513.00.
- Below is detailed schedule of the major income in comparison to last financial year:

### Financial Performance

<i>Revenue:</i>	<b>30-Jun-20</b>	<b>30-Jun-19</b>	<b>Movement</b>	<b>Audit Comment</b>
Operating grants	9,853,828	9,956,638	-102,810	Decrease due to lower occupancy due to COVID-19. This is despite COVID-19 Funding Payments (Viability and ACFI increases of around \$72,000)
Residential fees	3,029,490	3,677,839	-648,349	Occupancy has been lower than expected largely due to COVID-19, thus fees are lower, also a coding change has moved funds from Fees to Accommodation Charges
<b>Total Revenue</b>	<b>12,883,318</b>	<b>13,634,477</b>	<b>-751,159</b>	

*Other income:*

Accommodation Income Government	962,967	355,284	607,683	Increased due to a change of coding, increasing Accommodation Charges, and reducing Resident Fees
Accommodation charges / bond retentions	645,522	527,749	117,773	Slightly higher than last year, likely due to more combination payments, and less RAD's
Interest	33,458	26,629	6,829	Decreased market interest rates, and lower funds to invest due to building development
Other revenue	430,226	145,492	284,734	Other Revenue is up due to COVID-19 Income Received totalling \$250,236.00
Investment Income	165,826	338,339	-172,513	Decreased market interest rates, and lower funds to invest due to building development
<b>Other Income</b>	<b>2,237,998</b>	<b>1,393,494</b>	<b>844,504</b>	

In relation to total expenses, they were up by 2.11% for the year, and we note the following in relation to our expenses:

- Interest expense is much higher to last financial year, as we have started drawing down on our loan facility.
- With most of our other expenses, some were down while some were up in comparison with last year.
- Insurance was up to last year, but this is largely due to a \$62,500.00 increase in WorkCover.
- Overall expenses have gone up to last year despite our best efforts to be as vigilant as possible. The increase in expenses is largely due to insurance and repair and maintenance increases. With Covid-19 we have also seen increased expenses with wages, PPE and materials.

The table below provides a summary of the main expense items and the total expenses for the year compared to last year's results.

Depreciation	761,330	726,970	34,360	Consistent with increased asset balances
Interest expense	47,658	6,219	41,439	Increased due to new loan now being drawn down
Catering	624,420	641,375	-16,955	consistent with last year as expected - no major change on operations
Contract Services	72,241	103,667	-31,426	less use of consultants and external advice
Employee Expenses	11,617,392	11,523,028	94,364	Similar staff number to last year

Insurance	564,631	455,372	109,259	Increase due to small increase in insurance, and WorkCover Policy increase of \$62,500.00
Other staff costs	86,447	94,417	-7,970	consistent with last year as expected - no major change on operations
Professional Fees	34,481	46,288	-11,807	consistent with last year as expected - no major change on operations
Repairs & Maintenance	583,075	471,039	67,036	More maintenance has been carried out this year compared to last year
Rates	275,577	249,066	26,511	Normal Rates Increases, plus now using town water due to New building Development. Will go back to bore soon.
Utilities	340,445	368,923	-28,478	No major change on operations, less due to lower occupancy
Others	926,674	919,611	7,063	consistent with last year as expected - no major change on operations
<b>Total Expenses</b>	<u>15,934,371</u>	<u>15,605,975</u>	328,396	

In summary it will be critical for Warrina to keep a very close eye on financial matters over the next few years. A detailed review of our operations is planned and will help develop a blue print for a return to long-term profitability.

### Redevelopment Plans

I can now give you a more detailed update on how matters are progressing with our planned redevelopment.

I am very happy to report that the new 64 bed Unnamed facility is expected to be handed over for occupation during November of this year. Subject to more rain (and there has been so much of that over the past 12 months). We are planning on furniture and fittings to be “bumped in” over the first 10 days of November.

There have been some significant challenges with the weather during much of the construction period – I told you that I want to forget 2020.

I have to commend our head contractor – Paynter’s for their mighty effort. I am confident that everyone will be thrilled with the end result.

The building was costed at \$18m and remains very much on budget. The additional 64 high care residential beds in a beautiful, modern facility will go a long way to helping Warrina meet the growing needs and demands of the community and I expect will be the start of us rebuilding our occupancy numbers.

## **Lakes Retirement Village**

The Lakes Retirement Village continues to provide an important service to the Innisfail community with 30 independent living units. The village currently has 1 unit available for interested persons.

The Village continues to operate in line with all legislative requirements and its annual budget. As at the 1<sup>st</sup> of January 2020 the Australian Retirement Village Code of Conduct became operational and co-exists with the relevant state legislation the Lakes Retirement Village now operates under.

The financial results of the Lakes Retirement Village will be presented at a separate AGM on the 22<sup>nd</sup> October 2020.

## **Acknowledgements**

Once again I must acknowledge the tremendous effort that has been made by all of the staff at Warrina and Villanova over the past 12 months.

Be assured that the commitment that all our staff show to our residents and their families is both a source of great pride and a means of inspiration for me. Nurses, care staff, activity, maintenance and ground staff, kitchen, cleaning and laundry staff and the administration staff continue to perform way beyond their job descriptions.

Each year I specifically like to mention our DON, Ms Glynis Laffy, our Administration Manager Ms Jan Mitchell, Mrs Mary Camilleri our Retirement Village Manager, Hospitality Manager Mrs Kathleen Gould, Maintenance Manager Mr Stephen Gill, HR Manager Mr Caleb Wiles, Education Coordinator Mr Wayne Payne and Quality Assurance Co-Ordinator Kylie Wynne and Chief Financial Officer Mrs Tracey Turner. These are the people that work hard to keep the ship afloat day after day.

The Administration team continues to hold the place together – you see many of them here tonight. Each and every one has provided me with personal support over the time that I have been with Warrina. It has been very much appreciated. They are a team of champions.

I know that they have been mentioned by the president, as well I must also acknowledge the wonderful volunteers who helped make Warrina a facility that truly seeks to provide person centred care. Thank you to everyone.

Finally I must acknowledge the tremendous work and leadership of our Board of Directors and the efforts and commitment of President Chris Kahler. All of our directors have volunteered many hours of time to bring their skills and experience to the Board table for the betterment of Warrina. With their ongoing commitment I'm sure that Warrina has much to offer our local community both now and into the future.

**Peter B Roberts**

**Chief Executive Officer**

**22/09/2020**