

2018 - 2019 Annual Report

Narrogin
Cottage Homes (Inc.)



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Who we are

Narrogin Cottage Homes is a not-for-profit charitable organisation administered by a voluntary committee comprised of Society/ Community members, business people and a representative from the Shire of Narrogin.

The development of Narrogin Cottage Homes commenced in the early 1960's when local service organisations joined together to address the need to provide affordable housing for aged members of their local community. Housing development has taken place in stages over the years with our original Karinya Residential Care facility being constructed in 1979 and subsequently expanded in 1985 and 2002 and 2017.

Today the Cottage Homes is comprised of 'Karinya' (a 50 bed ageing-in-place residential care facility including a 14 bed dementia secure unit), 22 Joint Venture (JV) rental units with the Department of Housing, 29 'Lease for Life' units and 13 NCH rental units.



Organisational Report (Chairman's Report)

As Narrogin Cottage Homes celebrates its 57th year of operations, we look back at our humble beginnings and reflect on our achievements while maintaining our focus on the future in an ever challenging aged care world.

Since we started construction of our first one-bedroom units after incorporation in 1962, we have never stopped looking for new ways to meet the needs and expectations of our community and the past 12 months have been no different.

We have continued to refine our services and improve the quality of life for members of our community.

This commitment to person centred care and achieving positive outcome for our seniors is aligning us well with the expectations of the government and the community as they sharpen their focus on the aged care sector and the standard of care being provided to older Australians.

As an organisation we welcome the focus on aged care currently underway and will continue to work with the government and other stakeholders to ensure that the views and interests of our regional community, through our residents, families, advocates, tenants and staff are represented.

Progress is being made by our Executive and broader leadership team towards the goals and objectives of the 2020 Strategic Plan. We have made reference to the three Priority areas within this Report.

Leadership renewal is vital to the success of the organisation and this year it is with a heavy heart that I leave the organisation after over 30 years of service as its Board Chairman. I hope that under my direction we have established strong and vigorous systems and processes that will assist us in navigating the increasingly complex challenges that regulate the aged care service industry while stressful funding models impact on opportunities and innovation.

We also express thanks to Mrs Shelly Fisher who has so ably supported the Board during her tenure.

Although residential services make up a significant part of the operations of Narrogin Cottage Homes we continue to review our housing services for effectiveness and efficiency but with the recent downturn in the property market in the Narrogin region over the past few years and the pre-requisite requirements for admission to our JV rental units this has impacted negatively on our occupancy rates and our housing income. Reduced income does drive down opportunity for further growth in this area of our business.

We are moving into a period of consolidation following the 2017/2018 capital expansion project within Karinya and our responsiveness to the current financial stresses being experienced by a significant number of rural, regional and remote (RRR) providers has not escaped us.

Our Chief Executive Officer Julie Christensen has been at the forefront of responding to these industry wide concerns and has ensured that the Board of Management are up-to-date with the responses from our peak body Aged and Community Services Australia (ACSA). Julie has also maintained close contact with our political representatives to ensure they are also aware of these concerns and is a representative on the ACSA RRR Advisory Committee.

The last 24 months have seen the main stream media focus on poor clinical care and inadequate reporting in various aged care facilities. The ongoing clinical failures and inappropriate practices in these facilities have not helped the good reputation and good practices in the majority of aged care facilities. The Royal Commission has been established as a result of these issues.

Narrogin Cottage Homes remains focussed on the quality of life for our residents which can only be achieved, in our opinion, through strong safety systems balanced against a formal compliance system.

The New Aged Care Standards will come into effect on the 1st of July 2019. Organisations providing Commonwealth subsidised aged care services are required to comply with the Aged Care Quality Standards. Organisations will be assessed and must be able to provide evidence of their compliance with and performance against the Quality Standards.

The Quality Standards focus on outcomes for consumers and reflect the level of care and services the community can expect from organisations that provide Commonwealth subsidised aged care services.

The Quality Standards are made up of eight individual standards:

1. Consumer dignity and choice
2. Ongoing assessment and planning with consumers
3. Personal care and clinical care
4. Services and supports for daily living

5. Organisation's service environment
6. Feedback and complaints
7. Human resources
8. Organisational governance.

Each of the Quality Standards is expressed in three ways:

- a statement of outcome for the consumer
- a statement of expectation for the organisation
- organisational requirements to demonstrate that the standard has been met.

Narrogin Cottage Homes has maintained a consistent three year accreditation with the Quality Agency since initiation of the compliance system for well over 20 years. The last was achieved under the old 44 standard model in October 2018. Transition to the new standard structure has not been without pain however the greatest outcome from this process will be ensuring the participation of the resident, now known as the 'consumer', in their own care and services. Most well run facilities were already participating in this joint approach to care, the new system will formalise this approach. Policies and clinical structures have also been realigned to the new standards and the overall expectation is that the resident, and their representatives/ advocates will benefit from the strengthening of quality compliance systems.

Moving forward, the single greatest challenges to aged care services in rural, regional and remote Australia is funding. There is only so much to go around and as the years progress we are seeing a stronger drive towards a 'consumer pays' system. Yes, there will always be a safety mechanism for those with limited assets where the government will pay certain fees on their behalf but Commonwealth funding will be structured around BASIC care and services. The same way that in your home if you wanted to buy in extra 'stuff' you would also have that option in your aged care home.

For example did you know that a phone is not a 'basic' service? Yet most facilities install and support a phone in your residential room at no cost other than the standard Telstra fee. We need to change our view of these 'additional' services and where appropriate attach a small levy to cover costs as the government will not and cannot continue to pay for an expanding aged population from limited government coffers.

So, I leave at a challenging time in the industry but have every confidence in the Board of Management guiding us through these waters with strength, determination and resilience. I feel that the next 24 months will see funding reviews in RRR but these will be offset against the consumer pays system I have referred to previously and a recognition that, with employee support, staffing ratio's and rosters will need to be adjusted almost on a day to day basis to meet income as residents come and go.

Mr Robert Maxwell (Chairman)

Aged Care Funding

The cost of delivering aged care services has been increasing over a number of years without a co-contributing increase from our main funder, the Government.

The main funding tool used to calculate a residents needs in a residential aged care facility, the Aged Care Funding Instrument (ACFI), was given an indexation freeze in 2017 and in 2018 the increase was considered inadequate by the industry. Again in 2019 the indexation applied of 1.7% has not met even the basic wages increase which were indexed (increased) by 3% under the Aged Care Award and the Nurses Award, both of which are used by Narrogin Cottage Homes.

Many aged care organisations are experiencing financial stress and those of us who provide services in the bush, in areas known as rural, regional or remote are having an even more difficult time. In June 2019 nearly 65% of all rural aged care providers were operating in deficit (a loss).

The Royal Commission, currently underway, has been instructed to look at, as one of their outcomes, sustainability. This along with consumer safety, wellbeing, security has ensured that they will certainly be earning their paycheck. An interim report is due out in October and many across the industry are looking forward to reading their analysis.

It has been well acknowledged in the Industry that those of us in the bush are doing it tough. Higher costs in the areas of consumables such as food, transport/ freight, tradesmen, maintenance and wages are to name only a few.

Without significant operational investment in rural, regional and remote aged care services there is a genuine concern that many will not be in the business within the next few years. Many in the eastern states have already handed in the keys, as they say, or been brought out by larger players in the aged care 'business'.

Narrogin Cottage Homes

Priority area 1

Success and Financial Viability

Long term Financial Viability/ Growing Community, Housing & Residential based services/ Enhancing the reputation of NCH and developing new models of respite care.

Our Workforce

Our workforce is our BIGGEST asset but also our biggest challenge.

Narrogin Cottage Homes takes great pride in its staff. Not only are they skilled in their specific roles within the organisation but they all display an attitude each and every day to their job that enhances what it means to be a 'carer'.

They are exposed to the best and worst of human behaviour and with empathy and understanding they bring to the care of each resident and their families dignity and compassion at a time when emotions are often to the forefront.

Many go above and beyond the hours they are paid for and for this, as their leader, I express my sincere appreciation.

In 2018 we had significant growth in our staff numbers with the opening of the Maxwell dementia wing and the renovations to Karinya's main building. We now employ over 70 staff and contributed 3.7M to the local community in wages in 2018 - 2019 this is a 21% increase on the 2.9M in 2017 – 2018.

Although we have tried to maintain a 24 hour Registered Nurse service to our residents the funding from the Commonwealth could not sustain this operational goal so RN services at night are often covered by on-call RN.

It remains a challenge to roster what we at NCH would consider to be quality staffing ratios in line with the limited income associated with the assessed fees provided by the Commonwealth. NCH will continue to participate actively with our peak body Aged Care Services Australia to identify the challenges of aged care provision in the rural, regional and remote areas of our great country.

Even with these limited resources Narrogin Cottage Homes continues to invest in training and developing our staff to make sure they have the skills and competencies to provide the best care we can.

In 2018 – 2019 the following training occurred (this list is not exhaustive):

Manual Handling, Safe Chemical handling, Confidentiality, Dignity, Choice, Elder Abuse/ Advocacy training, LGBTI, Reportable and other incident reporting, Fire, The Law and Aged care, Human resources management, Bullying in the workplace, Code of Conduct, Aged Care Quality Standards (accreditation), Dysphasia, dementia, Hydration and nutrition, Medication, ADL support, resolving confrontation, stoma care, pain management etc

A total of 2,255 hours were paid in orientating and training new staff and ongoing training for existing staff in 2018 - 2019.

Priority Area 2

Stable Workforce and Effective Asset Management

Workforce planning/ Using Technological solutions/ Effective Asset Management

Our Growth and Viability

Narrogin Cottage Homes does not anticipate any significant growth in operations over the short term and is focused on enhancing existing services within a stressful financial environment.

With the Commonwealth opening up the community care package programs to multiple providers under the Client Directed Care model (CDC) many new players have stated to provide in home care services. This model does not work particularly well in rural, regional and remote where the 'choice' of WHO you want to provide your care can be limited. At present Narrogin Cottage Homes relies on other providers to provide home care services to our housing tenants, this may be a growth opportunity for the organisation into the future.

The stewardship of the organisations assets remain a priority for the Board of Management (See Priority area 2). Ongoing refurbishment will continue when rooms or units become vacant maximising the return on capital investment.

Population growth in the region remains higher than that of the state for the senior's population and this will continue to influence the forward motion of our services to the community.

Priority Area 3

Asset and Service Growth

Asset Growth/ Service Growth/ Partnerships

OUR MISSION

- To provide affordable, appropriate housing and residential aged care services to the seniors in our community

OUR VISION

- To be the premier rural residential aged care facility and alternate community housing provider for seniors in WA

OUR VALUES

- We believe in, and respect:
 - The individual worth and dignity of all people;
 - The right of all people to live in comfort and security;

Volunteers



We sincerely thank our volunteers who have transitioned in focus this year from the historical funding group to a more hands on approach to support. Volunteers are assisting our therapy staff on a day to day basis with activities and other programs, many bringing their personal skills such as music to enhance the lives of our wonderful residents. Our appreciation of this support can never be adequately expressed as the relationships that evolve from these activities make our facility a HOME and not an institution.



Our Achievements in 2018 – 2019 at a glance

<p>KARINYA </p> <p>Achieving a three year Accreditation with the Aged Care Quality and Safety Commission.</p>	<p>Village</p> <p>Achieving successful Registration with the Dept of Housing as a Registered Community Housing Provider</p>
<p>Karinya</p> <p>Completion of the planning and development to transition to the New Accreditation Standards (effective 1st July 2019)</p>	<p>Karinya</p> <p>Completion of the WIFI system across the entire Karinya/ residential complex</p>
<p>Village</p> <p>Compliance with the Village Contract review – Carried out by the Department of Commence</p>	<p>Village</p> <p>Compliance with the Rent setting standards following a review carried out by the Department of Consumer Protection</p>
<p>Village</p> <p>Compliance with the Rent setting standards following a review carried out by the Department of Housing</p>	

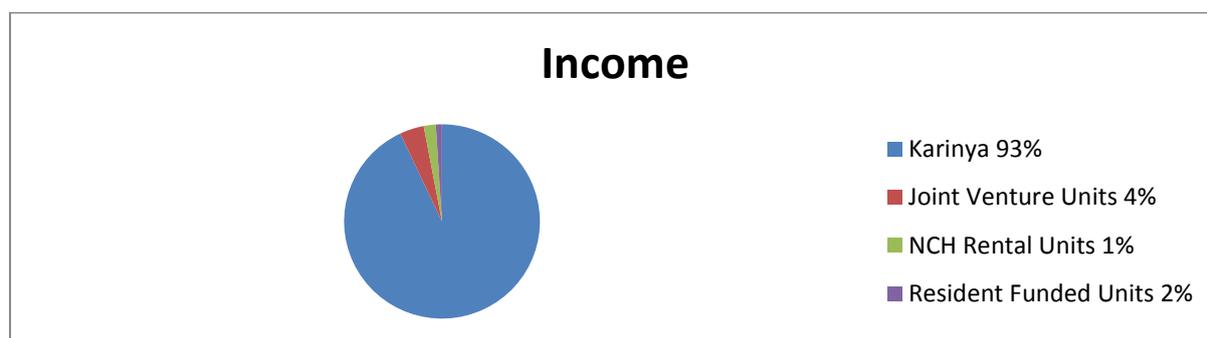
Overview of Financial results

During the year Narrogin Cottage Homes experienced a number of changes that have impacted the net result for the organisation. These include:

- the vacancy rate for several of our rental units, where pre-requisites to admission protocol resulted in a weakness in the applicant wait list;
- the vacancy rate for the resident funded units where vacant units have not been an attractive proposition in a market which has fallen over 15% in the past few years.
- Care hours at Karinya not being supported by Commonwealth funding income
- Capital co-contribution to the Administration office being required from Narrogin Cottage Homes to compliment the remaining Southern Inland Health Initiative grant funds.

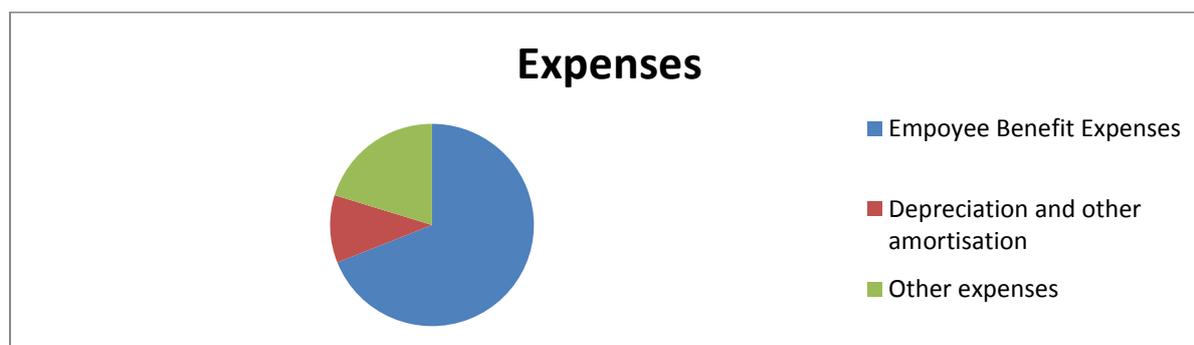
Revenue

Income increased by 30% the residential operations with a decrease being experienced within the housing operations. The residential increase was a direct result of the increasing assessed resident care needs whilst the housing operations were linked to vacancy rates and no rent increase in 2017-2018. Two significant debtors remain from the housing operations.



Expenses

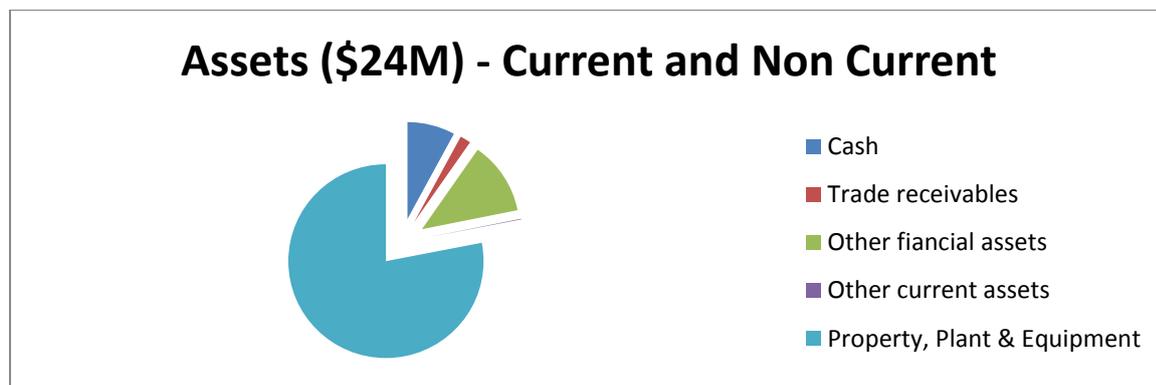
Labour cost remain the most significant impact on expenses. Where the majority of operations relate to personal care this area must be reviewed with empathy and discretion to ensure quality care is maintained as well as organisational reputation.



Assets

The addition of the Administration extension to the asset base has resulting in a positive and strong focus on quality capital investment when opportunity and income permit. Maintaining the asset base to a high standard remains a priority resulting in our overall capacity to maximise the life of our capital assets.

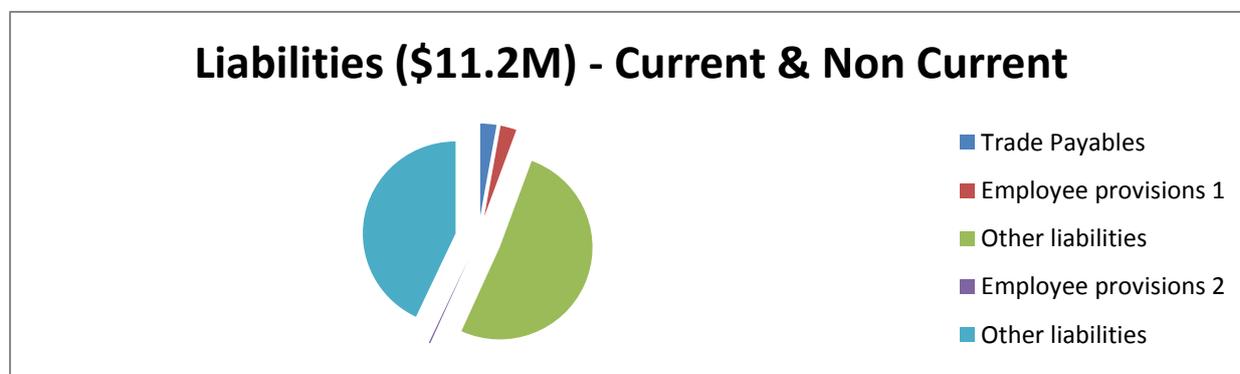
Investment into further housing operations into the short to medium term appears unlikely.



Liabilities

The principle liabilities remain the:

- RAD and Bonds received for residential care and the;
- Resident Funded Unit Ingoing Contribution (minus the deferred liability).



Cash reserves

Cash reserves have reduced

Long term financial Sustainability

Ongoing reviews of operations, staff rosters, supplier contracts and maximising ACFI revenue along with reducing housing vacancy rates will be the key drivers for our managers to achieve best practices and efficiencies. How services are delivered and managed to residential residents under the new quality standards will require analysis and be considered for impacts upon future business decisions.

Key Performance Indicators

The Board have a strong suite of Performance Indicators that are evaluated monthly and support the Boards decision making process. These include but are not exhaustive of:

- Occupancy rates (residential and housing), ACFI average, Staffing hours worked, FTE's, Complaints, Incidents (including hazards), Value of cash including investments

Operational Compliance

Narrogin Cottage Homes must be accredited/ compliant in order to receive funding from the Australian Government/Commonwealth through Care Subsidies for its residential facility and provide Community Housing (rental) services through its partnership with the Department of Housing.

Our consistent, positive accreditation and compliance results are a direct reflection of the dedication of our staff and a reflection on our service values of premium care.

The compliance process provides us with an important framework to ensure continuous improvement in the delivery of our care and services.

A special mention and congratulations to our Karinya catering team who have continued to maintain their standards of excellence within their very rigorous food safety audits.



Aged Care Demographics

33% of people aged 70+ are access some form of aged care service

Average age of a person in a retirement village is 80 years

Average age of a person *entering* a retirement village is 77 years

70% of people aged 85+ are accessing some form of aged care service

58.9% of people in a nursing home are aged 85+

43% of people aged 85+ (over half) are accessing some form of community care

Strong Leadership with Vision

The Board members are the persons who, as the management committee of NCH, have the power to manage the affairs of NCH.



Mr Robert Maxwell
Chairman
1980



Mr Frank Goater
Vice Chairman
2003



Mr Steve Martin
Board Member
2015



Mrs Shelly Fisher
Board member
2016



Mr Ross Eckersley
Board Member
2015



Mrs Kim Alexander
Board Member
2016



Mrs Helen Maxwell
Board Member
2003



Mr Ken Short
Board Member
2014



Mr Ian McMullan
Board Member
2015



Mrs Julie Chitty
Board Member
2017



Mr Tim Wiese
Shire Representative

Not Pictured: Mrs Bronwyn O'Sullivan Board Member 2017

Not Pictured: Mr Michael Ranieri 2018

Our Environment



Every Happy home has a Foundation of love and a framework of support

Financial Summary

Summary of Significant Accounting Policies

Basis for Preparation

Narrogin Cottage Homes Inc applies Australian Accounting Standards – Reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB), the Associations Incorporation Act 2015 (WA) and Australian Charities and Not-for-profits Commission Act 2012. The association is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Statement by the Board of Management

Presents a true and fair view of the financial position of Narrogin Cottage Homes Inc as at 30 June 2019, and its performance for the year ended on that date in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the Australian Charities and Not-for-profits Commission Act 2012 and the Associations Incorporations Act (WA) 2015.

Directors Benefits

No Board member of the organisation received or became entitled to receive, during or since the end of the financial year, a benefit by reason of a contract made by the organisation with a director or with a firm of which the director is a member, or with a company in which the director has a substantial interest.

Statement of Profit or Loss and other Comprehensive Income for the Year Ended 30 June 2019

	2019	2018
Revenue	4,573,483	3,098,296
Other revenue	219,469	410,157
Employee benefits expense	(3,700,719)	(2,987,618)
Depreciation and amortisation	(580,253)	(672,827)
Other expenses	(1,085,962)	(961,676)
(deficit) for the year	(573,982)	(1,113,668)

Other comprehensive income for the year	-	-
Items that will not be reclassified subsequently to profit or loss:		
Revaluation decrement of land and buildings	-	(11,327,893)
Total comprehensive income attributable to members of the entity	(573,932)	(12,441,561)

Statement of Cash Flows for the year ended 30 June 2019

Cash Flows from Operating Activities	2019	2018
Receipts form residents and government (recurrent)	4,665,984	3,053,513
Grants received	5,000	6,225
Donations received	6,405	20,396
Payments to suppliers and employees	(4,644,988)	(4,023,759)
Interest received	90,560	186,042
Net cash provided	122,961	(757,583)

Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(408,038)	(3,384,733)
Payments for financials assets at amortised cost	(2,921,090)	-
Net cash provided by/(used in) investing activities	(3,329,128)	(3,384,733)

Cash Flows from Financing Activities		
Payment of Bonds and RFU's	(836,596)	(1,439,506)
Proceeds from Bonds and RFU's	3,124,750	3,576,950
Net cash provided by/ (used in) financing activities	2,288,154	2,137,444

Net increase/(decrease) in cash held		
Cash and cash equivalents at beginning of financial year	(918,013)	(2,004,872)
Cash and cash equivalents at end of financial year	2,814,538	4,819,410
	1,896,525	2,814,538