

President's Report for 2021 YVAC AGM

I started last year's report on a glum note saying how hard 2020 was, unfortunately conditions have not improved in 2021. Staffing the facility since the start of the pandemic has not been easy but the lockdown in the ACT exacerbated the situation. There has been a greater reliance on agency staff to fill gaps, but this is expensive and not always available, so staff are doing additional shifts and Lyn has been doing nights shifts.

I commend Lyn, her senior team and all the other staff members for their dedication and the fantastic job they are doing. No doubt it has being very arduous dealing with the complexities of the pandemic, staffing issues and the additional surveillance and directives resulting from the Royal Commission. We want the best for the residents but compliance issues are taking up considerable time and resources.

The financial picture is also gloomy. Since I took over the chair in 2016 YVAC has managed to be cash flow positive every year, until 2021. This year the cash loss, after allowing for depreciation, is \$209,208 and with depreciation the deficit is \$712,209 which is frightening. Dealing with the pandemic has contributed to the deficit but I do not think it is the whole story. The financial position has been deteriorating for the last few years.

The situation is not helped by the low interest rate regime. In 2017 term deposit income was \$225,000 and this year \$20,000. The difference is virtually the cash deficit. As a consequence, and after careful consideration the Board invested \$2 million in a Separately Managed Account, managed by Shaw and Partners, which invests in hybrid securities issued by the major banks. The risk is greater but the return on investment hopefully over time will exceed 4% per annum and make the risk worthwhile. At present it is running at 2% after only five months.

The refundable accommodation deposits have been increased to \$500,000 for a room with ensuite and \$450,000 for one without, but unfortunately this does not greatly help if it is paid in full because of negligible interest rate. If it is partly paid, the balance attracts a rate of 4.01% per annum, which does help.

In February YVAC employed a full time Finance Manager, Lan Wakefield. For the last few years Stewart Brown, specialised aged care accountants, has provided monthly financial reporting and benchmarking. Stewart Brown was very professional, but their services were becoming expensive and the Board considered a qualified finance manager, which Lan is, would be a better option for analysing financial performance. Lan has settled in well and is working on a finance work plan to improve efficiency and performance.

The major expense is wages, but these are difficult to reduce without affecting the level of care provided to the residents and the expectation of the Aged Care Quality Commission is that staffing ratios are to increase not reduce.

On the income side approximately 60% of revenue comes from the Federal Government and this funding depends on the level of care provided to a resident. Funding is constantly under review and has increased by about 20% in the last two years, but according to benchmarking conducted by Stewart Brown, YVAC is well below the average.

Increasing funding is a conundrum because it means mainly accepting residents with higher health care needs whereas in the past YVAC has not discriminated, accepting any person that has a need for aged care. YVAC would prefer not to discriminate.

The situation is not all doom and gloom the cash to loans ratio remains above 80%. Which is considerably above the minimum of 40% suggested by Stewart Brown for Not for Profits similar to YVAC. Also, there is a new funding model for aged care facilities which is due in the next 12 months and there is a belief that Not for Profits such as ours may benefit from the new model. We can only hope, but we certainly cannot rely on it happening.

More than ever, we are indebted to the Foundation for its support and I thank Katie and the members of the Foundation for the work they do and the support that the Foundation gives to YVAC.

I also thank Rowena Weir and all the other members of the Friends of Horton House and Warmington Lodge. They raise between \$7,000 to \$8,000 every year and that money is used to purchase equipment and extras for the benefit of the residents. Well done ladies.

During the year three changes to the Board have occurred. In the middle of this year Brooke Sainsbery resigned for family reasons. Brooke worked in aged care so her experience was invaluable to both Lyn and the Board and she will be missed. The two new members of the Board are Fleur Flannery and Nikki Barnes. Fleur has considerable business experience and Nikki has both aged care and health care experience and both will add to the Board's diversity, qualifications and experience.

I also thank the other members of the Board, Tony Reeves, Chris Copeland, Paul Turner, Wendy Dashwood, Hugh McDonald, Nyree Ashton and Melina Waters for all their hard work and effort during the year.

I thank you for your attention and let us hope that in 2022 we get back to some degree of normality.

Michael Walker

President