



Gummun Place Hostel

Presentation to Community
Consultation session on behalf of
Upper Hunter Shire Council

7 May 2025 / Version 1.0

Take pride in your success

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Pride
Aged Living



Agenda

1. EOI Outcome
2. Sustainability Constraints
3. Matters related to Scale and Workforce
4. Operational Factors
5. Financial Outcomes
6. Options



EOI Outcome

Gummun Place Hostel

Process Recap

As set out in our report of 10 March 2025, only one provider contact out of >160 submitted a non-binding Expression of Interest. That EOI required UHSC to obtain or underwrite significant capital grants and a substantial investment in improving financial viability and before they would enter negotiations for acquisition.

Outcome of the EOI Process

We received 43 responses to the emails sent to the targeted audience. The responses are summarised in the following table:

Not Interested	26
No stated position was able to be determined and or later confirmed not submitting an EOI	5
General expression of interest followed up and confirmed not proceeding further to be followed up	6
Did not respond to further follow-up	5
Non-Binding EOI submitted	1

Note: The sole EOI received by the Council was withdrawn by that operator after they completed a site review. There are no purchase offers for the Council to consider after completion of the EOI Process.

Market Feedback

Larger providers are unwilling to acquire assets that:

- Require substantial investment in capital works, unless these costs are likely to be recovered in the short term through substantial increases in Residential Accommodation Deposits
- Are incurring substantial operating losses
- Have significant staffing issues or workforce shortages
- Are too far away from, or too close to, existing assets in their portfolio

Providers are potentially willing to look at:

- Sites with potential for redevelopment, particularly prospects to diversify into non-aged care sectors
- Strong ongoing demand and profitability, particularly if the location means that they can share support staff with other sites in their portfolio

Sustainability Constraints

Sustainable results for Residential Aged Care Facility Operators in 2025
are found in three core strategies

Efficiencies of Scale

Large and ultra large providers have increased:

- the size of each facility
- the number of facilities in their group

As revenue margins per bed falls:

- Increasing facility size increases the margin available to pay frontline management wages
- Increasing the number of facilities increases the margin available to fund head office compliance and corporate services teams

Premium Pricing

Niche and premium providers create a competitive difference, based on:

- premium or specialist services, or
- specific customer types or cultures

Increased revenue comes in the form of:

- Daily additional services fees
- Investment returns from charging and banking higher Residential Accommodation Deposits
- Private fees and non-government-funded services

Diversification

Providers with access to capital funds are seeking to cross-subsidise aged care operations by investing in business that:

- Create short-term capital to fund facility renewal and redevelopment. Examples: retirement villages and assisted living

OR

- Create long-term financial synergies by creating longer and deeper customer engagement. Examples: home care, assisted living, private services

Matters related to Scale and Workforce

Typical Clinical Workforce Allocation for average 80 bed facility

Average Daily
Workforce:

- 1 Facility Manager
- 1 Care Manager
- 6 Registered Nurses
- 18 Care Workers

80 Residents to share one facility manager				
80 Residents share one care manager				
80 Residents in the evening share one nurse				
80 Residents share 1 to 2 care workers in the evening				
40 Residents in the evening share one nurse		40 Residents in the evening share one nurse		
27 Residents share 2 care workers in the evening	27 Residents share 2 care workers in the evening	27 Residents share 2 care workers in the evening	27 Residents share 2 care workers in the evening	27 Residents share 2 care workers in the evening
27 residents in the morning share one nurse	27 residents in the morning share one nurse	27 residents in the morning share one nurse	27 residents in the morning share one nurse	27 residents in the morning share one nurse
14 Residents share 2 care workers in the morning	14 Residents share 2 care workers in the morning	14 Residents share 2 care workers in the morning	14 Residents share 2 care workers in the morning	14 Residents share 2 care workers in the morning

Matters related to Scale and Workforce

Minimum Daily
Workforce:

- 1 Facility Manager
- 1 Care Manager
- 3 Registered Nurses
- 5-6 Care Workers

GPH Resident Profile

80 Residents to share one facility manager
80 Residents share one care manager
80 Residents in the evening share one nurse
80 Residents share 1 to 2 care workers in the evening
40 Residents in the evening share one nurse
27 Residents share 2 care workers in the evening
27 residents in the morning share one nurse
14 Residents share 2 care workers in the morning

Whilst GPH is asking staff members to work part time or splitting their duties, this red section represents cost allocations that can never be fully recovered in a smaller facility

Operational Factors – Site Tour

1. Backyard is substantial. Staff are unsure where border sits between aged care and council land. No fences, which creates a risk of ingress by external persons and the ability for residents to wander off in multiple directions.



2. Only structures in back backyard are one open and one closed shed.



3. Walkway to neighbouring independent living units is closed at the fence line, making this redundant.



4. The back of the property is not flat, lacks railings, has limited seating for residents to rest as they walk along and has been the cause of multiple falls and trips. Some pavers are raised/damaged. Areas are not suitable for higher-care needs residents.



Operational Factors – Site Tour

5. Water tanks. There are two like this on each wing of the building (four in total). The volume of water in the tanks seems appropriate for 16 residents. Rooms close to these get hot water in a timely manner. Rooms at the other end of each wing take a long time to get hot water as it goes through the roof and under the floor, including exposed areas that ice over in winter.



6. This lino floor type is not suitable for wet areas in aged care, but has been installed in rooms that have had recent renovations. The lino comes in slats to look like floor tiles, which allows water to get between the slats and cause them to swell and rise (becoming trip hazards) or stay damp (causing mould hazards). Best practice in aged care is single-piece lino floor covering, with the option to cover the sides up the walls if residents or staff are urinating on the walls.



7. Example tiled bathrooms. Two examples were sighted with buckled tiles due to subsidence under the floor (South Wing). The first picture also shows a discoloured and dirty carpet. This would be the worst example of carpet in the facility. Half the rooms have carpet, and spills of bodily fluids and shower water runoff have built up.



Operational Factors – Site Tour

8. Like most older facilities, there is not enough space to store equipment. The image on the left is the lifestyle officer's games, crafts and dress-up materials. The image on the right is one of multiple cupboards. The kitchen is also low on space, as it is a standard residential kitchen layout and does not have enough dry, cold and frozen storage options.



This is the original standard room layout, with non-slip lino for easy cleaning and unrenovated bathroom. There are only two few rooms left like this. All bathrooms in the facility are this size, which is too small to safely accommodate a frail/immobile resident and two staff members. Any showering activity that is conducted onsite with this type of resident is potentially unsafe.



9. Dining room area is a touch small, but serviceable for mobile residents. A concern is the lack of suitable seating for residents with bariatric (obese) and some forms of mobility impairment diagnoses.



10. Each wing has a single sink and handwash area. This can be sufficient for only 8 residents per wing. The items in the photo are all accessible to residents, which may pose a risk as the number of residents living with an advanced form of dementia has increased.



Operational Factors - Summary

These are the key concerns identified at our site visit on 25 March 2025:

Topic	Issue	Implication for Council
Operational Efficiency	Site comprises too few beds to generate a surplus under current government funding regime.	Capital Investment: More beds would be required to increased capacity to at least 60 beds to generate sustainable margins
Workforce Composition	Half of current roster shifts are filled by agency staff. Proportion of local staff can be expected to fall in future.	Workforce: There are not enough local workers to support current number of residents. Peer organisations are targeting recruitment of overseas workers and constructing low-cost staff housing options to attract staff. This constraint becomes even more important if the facility size is increased.
Internal Flooring	Rooms with carpets are no longer responding to deep cleaning. Rooms with retail grade linoleum slats are unsuitable for wet areas as they become trip hazards or harbour mould.	Capital Costs: Safety, amenity and hygiene of rooms will require investment in new flooring.
Bathrooms	Resident bathrooms are small and do not safely fit two staff members plus resident and their shower chair Floor tiles are uneven in South Wing rooms where slab has warped.	Worksafe and Resident Safety Obligations: Slip and fall events are increasingly likely in short term. A current bariatric (obese) resident is being lifted into shower area in their chair by two staff members, creating a high risk of back injury for staff or resident being dropped on floor. Investment: Build at least one a modern aged care bathroom in one of the staff rooms on site to care for bariatric, frail and palliating residents
External Flooring	Low care hostel design means that outdoor areas are uneven and lack railings and seating	Safety: Residents have already fallen and more falls can be expected on outdoor pathways and garden areas.
Site Security/Access	Site is designed without secure fencing and has multiple points of entry and exit. Residents living with a dementia are an increasing cohort of aged care sector.	Capital Costs: Without fences to control foot traffic through the front reception area, these residents can wander into traffic on main road (50 metres from facility) without staff being aware.

Financial Outcomes

GUMMUN PLACE HOSTEL Profit and Loss Statement

INCOME

Government Funding
Resident Fees
Other Income

TOTAL INCOME

EXPENSES

Administration Costs
Staff Training
Personal Care
Cooking & Ancillary
Registered Nurse
General Expenses
Utilities
Grounds Maintenance
Building Maintenance
Depreciation
Administration & Overheads

TOTAL EXPENSES

NET OPERATING SURPLUS / (DEFICIT)

NON-CASH ADDBACKS

Depreciation

TOTAL NON-CASH ADDBACKS

NET SURPLUS / (DEFICIT) FROM OPERATIONS

CAPITAL EXPENDITURE

Capital Works
Equipment Costs
IT and Nurse Call Systems

TOTAL CAPITAL EXPENDITURE

TOTAL CASH SURPLUS / (DEFICIT)

Financial Year ended 30 June 2023	Financial Year ended 30 June 2024	9 Months ended 31 March 2025
		\$1,124,234
		\$214,590
		-
\$1,457,000	\$1,585,000	\$1,338,824
		(\$20,642)
		(\$6,160)
		(\$754,052)
		(\$152,677)
		(\$621,524)
		(\$302,548)
		(\$53,577)
		(\$10,867)
		(\$60,714)
		(\$59,652)
		(\$63,216)
\$1,811,000	\$2,173,000	(\$2,105,629)
(\$354,000)	(\$588,000)	(\$766,805)
\$79,000	\$88,000	\$59,652
\$79,000	\$88,000	\$59,652
(\$275,000)	(\$500,000)	(\$707,153)
		(\$6,832)
		-
		(\$107,425)
		(\$114,257)
		(\$821,410)

Gummun Place has made a loss in each of the last two full financial years ending June 2023 and June 2024.

For the 9 months to 31 March 2025, the Cash Deficit from Operations was \$707,153, and will be close to or exceeding \$1 million for the full 2025 financial year.

Capital expenditure is also an ongoing cost. Total investment by Council for first 9 months of 2025 was \$821,410.

The financial results have decreased over time due to:

- Falling care margins for the aged care sector as the ratio of funding to care labour has been adjusted by the pricing authority
- Falling numbers of suitable local staff, leading to rising labour agency costs to bring in replacements from further afield
- A low proportion of residents who have the means to pay more towards the cost of their rooms.

Options

Options	Details and goal	Constraints required to be overcome
Increase the size of the facility to include more beds	<p>Address the room layout and facility scale issues by expanding the existing facility or constructing a new facility in the vacant land behind the current building.</p> <p>If the facility has more beds, then the cumulative margin earned from the operation of each bed would recoup more of the fixed costs of operations.</p>	<p>A new facility will cost around \$500,000 per bed, and a minimum sustainable size for a standalone facility is at least 60 beds.</p> <p>The resulting minimum investment is \$30 million, and there are no guarantees that this investment will ever be recouped.</p> <p>If a larger facility is built, there are not enough workers or prospective residents in Merriwa to justify a facility larger than the current site.</p>
Subsidise the existing facility	<p>The site requires investment in capital works to mitigate risks and improve the amenities for residents.</p> <p>Ongoing operating deficits need to be funded for the foreseeable future.</p>	<p>Council is unable to fund these costs indefinitely from existing ratepayer funds, and would be poorly advised to lend money to the facility as it is not generating enough cash flow to service the debt..</p> <p>Additional funding would need to be sourced from charging higher rates to residents or via ongoing financial support from a third party.</p>
Close the facility	<p>Closing the facility and deregistering as a provider will save the council money and prevent future risks to the safety of residents and staff.</p>	<p>Closure of the service will lead to:</p> <ul style="list-style-type: none"> Loss of local residential aged care services for the residents of Merriwa Existing workers will lose their jobs

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