



Pride
Aged Living

Gummun Place Hostel Facility Report

Upper Hunter Shire Council

6 May 2025 / Version 01



Take pride in your success

Contents

1.0 Executive Summary..... 3

2.0 Scope and Methodology 5

3.0 Prospects, Residents Demand and Customer Profile..... 5

4.0 Built Environment and Safety..... 9

5.0 Workforce Development..... 11

6.0 Financial Outcomes 15

Appendix A – Site Tour Photos and Commentary 22

1.0 Executive Summary

Upper Hunter Shire Council have engaged Pride Aged Living Pty Ltd ('PAL') to undertake a commercial review of Gummun Place Hostel ('GPH' or 'Gummun Place'), a 16-bed residential aged care facility located in Merriwa, NSW.

The agreed scope of our report is:

- Findings: Prospects, challenges and risks faced within the current facility, including: built environment and safety; rostering and workforce development; financial outcomes; and resident demand and customer profile.
- Recommendations: Options for more sustainable operations and potential constraints to achieving these goals.

1.1 Key Findings

At the time of this report, Gummun Place Hostel is not a sustainable residential aged care facility.

The business recorded a financial loss of \$588,000 in the financial year ended 30 June 2024 and is on track to record a substantially larger loss in the current financial year ending 30 June 2025. The facility requires significant capital investment to address safety and operational matters, and this investment is difficult to justify when the facility is not generating a surplus that can be used to repay the investment.

The main factors contributing to the operating results are:

1. **Occupancy:** For several years leading up to February 2025, the facility had not been operating at full capacity. Recent admissions have filled the facility, but this required admission of residents from as far afield as Ballina. Local demand in Merriwa is projected to remain at current levels.
2. **Scale:** When full, the facility cannot generate enough revenue from 16 beds to recoup the cost of operations, compliance and governance. The average Australian aged care facility has 80 beds, and most facilities that are reporting sustainable financial results have more than 100 beds.
3. **Workforce:** The current roster in the facility has 84 shifts per week and relies on agency staff to fill at least 40% of shifts, sometimes as many as 50%. Agency staff are those provided by third-party labour hire companies and come at a considerable additional cost compared with internal staff members. The workforce shortfall at GPH is greater than the sector average, despite the facility being small by industry standards.
4. **Built Environment:** GPH was built decades ago, to service a model of aged care generally referred to at the time as 'low care'. This leads to two challenges in the current aged care regime:
 - a. **Capital Investment:** The building is old and in need of significant refurbishment, including works needed in areas such as flooring, tiling, carpeting, roofing, plumbing, storage, electrical wiring, and information technology; and
 - b. **Risk Mitigation:** The building is not designed to provide 'high-care' services, which have become the dominant form of care and support within residential aged care facilities in recent years. The layout of rooms and common areas does not accommodate the free movement of equipment for staff to provide care and support services safely and efficiently. The environment is also a potential safety risk due to the flooring, railing, seating, and security features within the facility.

1.2 Key Recommendations

Whilst there are standard approaches that providers can explore to address any one of the issues set out in the key findings, there are no easy solutions for Gummun Place. The factors leading to non-sustainable results are compounding each other and will undermine attempts to address any single issue in isolation.

The option to sell the facility has been excluded from the following list, as Upper Hunter Shire Council have already conducted an expression of interest campaign. Expressions of interest were sought from more than 160 providers, and, whilst there was initial interest from 43 organisations seeking to find out more about the facility, ultimately none of the other providers were interested in taking on the facility until the scale, workforce, and built environment factors had been at least partially addressed.

The following table sets out the list of remaining options for improved sustainability. Each recommendation also includes a list of constraints that will need to be addressed.

Recommendation	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

2.0 Scope and Methodology

2.1 Scope

The scope of this report is as per our engagement letter dated 24 April 2025.

We will prepare a formal report on Gummun Place Hostel, in a format suitable for publication by Upper Hunter Shire Council. Our report will consider:

- Prospects, challenges and risks faced within the current facility, including: built environment and safety; rostering and workforce development; financial outcomes; and resident demand and customer profile.
- Options for more sustainable operations and potential constraints to achieving these goals.

2.2 Methodology

Consideration	Approach
Prospects, Resident Demand and Customer Profile	<ul style="list-style-type: none">▪ High-level review of Council demographics▪ Review competitor facility sizes▪ Admissions and Occupancy discussion with the facility Care Manager
Built Environment and Safety	<ul style="list-style-type: none">▪ Site walkthrough and interview with Care Manager
Workforce Development	<ul style="list-style-type: none">▪ High-level roster review▪ Agency staff numbers review▪ Discussion with Facility Care Manager
Financial Performance	<ul style="list-style-type: none">▪ Review of Statutory Annual Financial Statements for the last two years▪ Review of management accounts for the year to date

Consideration elements are discussed in detail in sections 3 to 6 of this report. Each element contains the same report structure:

1. Key driver(s) of Sustainability
2. Analysis & Commentary
3. Conclusion

2.3 Documents

We have relied upon the following records and source documents in the preparation of this report:

Australian Bureau of Statistics Census 2021: https://www.abs.gov.au/census/find-census-data	REMPPLAN population forecast Upper Hunter Shire https://app.remplplan.com.au/upperhunter/economy/trends/population
Gummun Place Roster as at 21 March 2025	Audited Annual Financial Statements for Gummun Place Hostel for the financial year ended 30 June 2024, including comparative results for the year ended 30 June 2023
Unaudited management accounts for Gummun Place Hostel for the 9-month period from 1 July 2024 to 31 March 2025.	

3.0 Prospects, Residents Demand and Customer Profile

3.1 Key driver(s) of Sustainability

Aged care facilities operate at low profit margins from the delivery of care and personal support services, typically around 2% to 5% of government funding. Maximum funding subsidies for aged care facilities are capped, so providers aim to have residents as possible living in their facility.

General demand for aged care beds is based on the number of people in a planning region who are over the age of 70, with the average person within that age group moving into care at age 85.

Facility design is also a factor in sustainability, with many facilities designed around a particular model of care that is designed to specialise in certain clinical, cultural, lifestyle or spiritual outcomes.

Key Driver(s):

- **Future Demand**
- **Occupancy**

3.2 Analysis

3.2.1 Customer profile

Gummun Place Hostel does not target specific clinical, cultural and lifestyle choices. The facility will draw future residents from the local population, but is likely to have limitations in terms of the care needs that can be serviced, as the bathrooms are too small to safely accommodate bath chairs for residents who cannot walk to stand for extended periods.

Residents in aged care facilities have tenure. It is not generally accepted practice to transfer residents to a hospital or another aged care facility when their everyday care needs exceed the limits of the facility. This means that residents who are unable to walk to the shower will instead receive a sponge bath or an equivalent alternative to a shower. This may impact occupancy if the resident or their family deem this to be unacceptable.

In terms of local demand, the facility care manager reported that a concerted effort had been made to ensure that local residents were provided with beds when needed. When there is no local demand, admissions have been accepted from out-of-area.

The current average age of entry into residential aged care facilities is 85 years of age (and 82 to commence at-home support services). There are no indications that the age of entry is materially different in Merriwa.

3.2.2 Local population and demand for beds

The population of Upper Hunter Shire in 2021 was just over 14,000 people, with 1,819 living in Merriwa.

Age Band	Merriwa Persons	Merriwa Percentage	Upper Hunter Persons	Upper Hunter Percentage	NSW Persons	NSW Percentage
0-19 years	502	28%	3,515	25%	1,834,791	25%
20-54 years	692	38%	5,822	41%	3,538,073	47%
55-69 years	358	20%	2,826	20%	1,274,240	17%
70-84 years	208	11%	1,701	12%	665,670	9%
85+ years	59	3%	406	3%	167,506	2%
TOTAL	1,819	100%	14,270	100%	7,480,280	100%

Table 3.2.1a – 2021 Population by age bracket. Source: Australian Bureau of Statistics Census 2021

Within these populations, the key demographics used by the government to predict demand for aged care services are the number of individuals aged over 70. Merriwa and Upper Hunter have higher proportions of individuals aged over 70 than the state average. These regions also have lower proportions of working age (20-54) individuals who are needed to source future care employees.

The planning ratio is used by the Commonwealth Department of Health and Aged Care to assess the underlying need for aged care facility places is between 71.4 (2024) and 59.7(2025 onward) residential aged care places per one thousand people over the age of 70.

Current demand for beds using the spread of planning ratios is between 15 and 18 beds for Merriwa and between 124 and 147 beds for the entire Upper Hunter Shire.

The facility had struggled to fill more than 14 beds out of 16 for at least 2 years prior to February 2025, when admissions sourced from as far away as Ballina helped to fill the remaining empty beds. This confirms that the planning ratios are broadly accurate when forecasting demand within the Merriwa area.

3.2.3 Supply of beds

Within the Upper Hunter Shire and areas surrounding Merriwa, there are currently 5 aged care facilities:

Facility	Location	Number of Beds
Calvary Muswellbrook Retirement Community	Muswellbrook	65
Gummun Place Hostel	Merriwa	16
Merton Court Hostel	Denman	17
Murravale Aged Care Facility	Murrurundi	25
Strathearn House	Scone	98
TOTAL		221

Current bed numbers appear to match or exceed the number used for planning purposes by the Department of Health and Aged Care, with substantial growth in demand needed to consistently use all of the available beds. Despite the relatively large distances between these towns, the supply of beds is sufficient to meet most local needs.

3.2.4 Future Growth

Projected growth in population is relatively static. Projected population for the Shire by 2036 is 16,184, or an increase of 0.58% per annum (reference: REMPLAN population trends).

Without significant growth, future projections of demand will need to be based on the current population demographics for Merriwa and Upper Hunter. Within the next 15 years, a proportion of the cohort of individuals aged 55-69 will age into the bracket requiring aged care services, which is likely to increase demand.

At the same time, there are expected to be structural changes to the aged care sector, which will reduce demand. Current government policy is pushing for more people to stay at home for longer, rather than move into a residential facility.

Demand within Merriwa is unlikely to grow significantly above 15-18 beds in the short term and may fall at times when locals are receiving the care and support needed to stay at home. Demand within the Upper Hunter Shire is lower than the current number of places, and it will be some time before all facilities can be expected to be at full occupancy.

3.3 Conclusion

The local population in Merriwa is most likely sufficient to keep a 16-bed facility fully occupied for the next 10+ years.

The local population is not sufficient to justify the construction of a significantly larger facility over the next 5 to 10 years.

Within the wider shire, there is currently a surplus of residential aged care beds. This may improve over the next five to 10 years as the population ages.

4.0 Built Environment and Safety

4.1 Key driver(s) of Sustainability

The design goals for a sustainable residential aged care facility are twofold.

Firstly, the facility needs to be safe. The built environment needs to have enough space to safely use and store equipment. Walking around inside the building and grounds needs to be safe and comfortable for both staff and residents. Security, including controls over entry and access needs to be carefully balanced between the safety concerns and the rights of the residents to come and go as they please.

Secondly, the building is a form of accommodation investment and needs to generate a return. Like a hotel, the choices of room size, layout and type of materials used in construction need to be balanced against the expected price that will be charged for the room.

Expensive buildings need to be designed in a way that encourages residents and their families to pay large capital deposits or daily rental charges. Cheaper, low-cost buildings need to be designed in a way that minimises the time spent by workers as they deliver services. In both cases, the building needs to be easy to maintain and the chosen standard of accommodation maintained via regular investment in repairs, refurbishment and renovations.

Key Drivers:

- Safety
- Room pricing and appeal

4.2 Analysis & Commentary

In March 2025, PAL undertook a site tour of Gummun Place Hostel. A schedule of findings and photo evidence is attached at Appendix A to this report. Please note that the site tour was conducted from a business operational perspective and our findings are not technical in nature. Should Council seek to address the built environment issues at the site, one or more experts will need to be appointed to identify a comprehensive list of issues and estimate the cost to address these items.

4.2.1 Low Care Facility Design

The care model of aged care facilities has changed quite dramatically over the past 20 plus years. When the previous aged care act was introduced in 1997, there were two different care models in the market.

Low care facilities: These facilities would provide accommodation for individuals who were more self-sufficient. Earlier models still had kitchenettes in each room for residents to make their own food and hot drinks. Residents were often encouraged to do their own laundry in residential washing machines and dryers, and some facilities had rooms that required staff and residents to navigate stairs or steep ramps to gain access. There was little accommodation for clinical services and the equipment that we take for granted today in terms of mechanical beds, lifters, shower chairs, etc.

High care facilities: These traditional nursing homes would provide accommodation and clinical care services to individuals who require significant ongoing support. Residents who had acute care needs would normally be transferred to a hospital for treatment. The rooms and wards in these buildings most closely resemble modern residential aged care facilities, although there are differences such as the bathrooms being too small to accommodate modern equipment.

When a resident of a low-care hostel became too frail to safely stay in that facility, they would be discharged and transferred to a high-care facility.

In the nearly three decades since the modern aged care system was implemented, multiple changes to the care model have seen low-care facilities closed or refurbished with different building designs. These include:

- **Increased frailty:** The advent of home care packages in the early 2000s enabled many people to stay at home during the period of their life when they would previously have considered low-care accommodation. This means that the people admitted into residential facilities are older and have increased frailty and acuity of care needs.
- **Tenure:** Today, it is expected that a resident who moves into an aged care facility will stay in the same room, ageing in place. Providers are expected to have made changes to their buildings to avoid having to evict residents who progress along the common ageing pathways.
- **Equipment:** Modern equipment allows for frail residents to be safely lifted, transported and to have their personal hygiene attended to. Beds have also changed significantly to support a variety of sleeping models for individuals who would otherwise injure themselves falling out of bed. This equipment is much larger, requiring wider doorframes and larger turning circles to safely manoeuvre and store the equipment within the facility.
- **Staff practice:** Staff procedures have improved markedly to handle the increased frailty of residents. Showering, toileting and lifting of residents commonly utilise multiple staff members to mitigate the risk of falls and workplace injuries. This also requires more room for the correct number of staff members to participate in these activities.
- **Storage:** Aged care facilities need storage for lifters, shower chairs, wheelchairs, medical supplies, cleaning equipment and chemicals, safety equipment and masks, food products (dry, cold and frozen), lifestyle equipment, dress-up clothes and games, maintenance tools and supplies, etc. The list is extensive.
- **Walkways, access points and grounds:** Low care facilities were designed with a younger, more mobile resident in mind. Flooring can be uneven, have a high gradient or require navigation of stairs. Railings may not extend down all hallways. Floor and wall materials (or colouring of these materials) may have dark spots or patterns which an older resident with poorer eyesight would mistake for a void or obstacle.

4.2.2 Home-like Environment

It is a requirement of the aged care quality standards that providers maintain residential facility bedrooms, common rooms and grounds to keep them clean and inviting. Damage and dirt need to be identified and rectified in a timely manner, and there must be a regular schedule of spot and deep cleaning services to keep on top of the build-up of dirt and grime. Ultimately, a resident who is so inclined should feel proud to invite a guest into their home.

Conversely, providers are not meeting the standards if resident rooms are dirty and poorly maintained, or if the resident and their family are unable to point out issues and have them addressed in a timely manner.

If dirt cannot be cleaned off or damage cannot be repaired, it is the responsibility of the provider to replace that item.

4.2.3 Gummun Place Specifics

Drawing on the observations of the site tour, Gummun Place has the following built environment challenges:

Bedroom flooring is unsuitable in most rooms. The original vinyl remains in place in two rooms and was a plain but functional option with a non-slip surface. Some bedrooms have had the flooring replaced with carpet, which has become stained over time, particularly in the areas impacted by water near the bathrooms. Other rooms have installed slat-vinyl flooring that is not designed for commercial facilities. This material is installed in slats which have gaps in between them that can trap water and swell, leading to a raised trip hazard on the surface and breeding grounds for mould underneath. All of this flooring would normally be replaced with a wall-to-wall vinyl solution, similar to the original room design.

Individual bathrooms are too small for an aged care facility. Staff are unable to safely accompany residents to and from showers. Some types of modern shower chairs do not fit, creating an unsafe environment for bariatric (obese) residents who cannot stand for an entire shower. Palliating residents who need to be washed in a reclining position can only be offered sponge baths due to the inability to fit a reclining shower chair into their bathroom. It is reasonably foreseeable that there will be a significant compensation claim arising from a slip or fall in a bathroom.

The outdoor paved walkways are uneven, with no clear markings or colour changes to indicate trip hazards. Handrails are sparse, and seating is not available for residents who cannot walk for extended periods without rest.

There were several plumbing issues discussed during the tour, from the freezing of pipes in winter and long delays for some residents to get hot water, through to more recent issues with water leakage undermining the slab foundations.

The facility lacks storage. There are piles of boxes in the resident common areas. Kitchen supplies are stored in cupboards due to a lack of food storage in the kitchen area. Chemical storage is not housed in areas with retention dams to stop hazardous spills from entering the drainage system.

The facility lacks fences, allowing residents to access the street without supervision and potentially allowing access to the site from multiple directions. Residents with wandering behaviours can easily reach the road, and the main road without staff within the facility being able to see them leave.

4.3 Conclusion

There are two parts to this conclusion:

4.3.1 Capital Investment

The facility requires significant investment to improve the facility, including:

- Replace carpet with non-slip vinyl. Ensure flooring is waterproof and that the non-slip rating is not so high that it precludes the use of chemical-free, microfibre floor mops.
- Review and replace defective plumbing elements as needed to improve water flow and access to hot water in winter.
- Install security fences along the Brisbane Street frontage to create a single point of entry and exit for the facility.
- Build additional, purpose-built storage for lifestyle, kitchen and chemical supplies

4.3.2 Risk Mitigation

- Increase the size of bathrooms in all rooms, or alternatively install at least one purpose-built bathroom in the unused room at the front of the facility to safely accommodate bariatric and palliative care showers
- Remove trip hazards and raised/uneven/mould-prone vinyl
- Install railings and seats around external walkways. Block areas where residents can stumble down the hill or otherwise fall off the pathway. Clearly mark or paint uneven surfaces and ramps near doors. Fix areas with raised/broken pavers
- Install new cabinetry to safely store utensils and cooking equipment away from easy access by residents with advanced dementia.

5.0 Workforce Development

5.1 Key driver(s) of Sustainability

Aged care workforces are designed around the combination of tasks needed to meet the care needs of current residents and the time taken to traverse the footprint of the building. The final number of staff varies from facility to facility and is recorded in the master roster. Recent changes to government funding have implemented mandatory minimum hours for personal care workers and Registered Nurses, based on the assessed care needs of residents.

Each staff member needs to spread their time across a certain number of residents to recover their costs. The ration of staff per resident changes at different times of the day, as the activity levels vary across the morning, afternoon and night shifts.

Individuals are hired to fill the shifts in the roster. Permanent staff working multiple shifts each week are preferred for most shifts, as these staff members spend more time getting to know the residents and cost less per hour than temporary staff. A certain amount of flexibility is required to adjust shifts up or down based on changes in resident numbers, which are usually filled with casual staff.

Too much flexibility may lead to a shortfall, at which time the facility will need to call a labour hire agency to provide a temporary staff member. Labour hire agencies typically charge much more than normal staff wage levels, as they are paid to find the staff member, often from a different town or region, and then need to pay that staff member a higher wage to encourage them to travel to the facility.

Key Drivers:

- Workforce ratios
- Agency Usage

5.2 Analysis & Commentary

5.2.1 Roster analysis

The Master roster for Gummun Place Hostel has 11 to 12 employees allocated to work each 24 hour period. Out of the 84 shifts available each week, at least 33 (40%) are filled by agency staff. These are primarily the registered and enrolled nurse positions, reflecting a shortage of suitable nurses in the Merriwa area.

The shortage in staff is also a constraint on growth, as a larger facility would need many more nurses and carers. If the local care workforce is already at full capacity, any additional staff would also need to come from labour agency sources.

5.2.2 Standard Roster Efficiency

The care workforce for a typical 80 bed facility is set out in the following diagram:

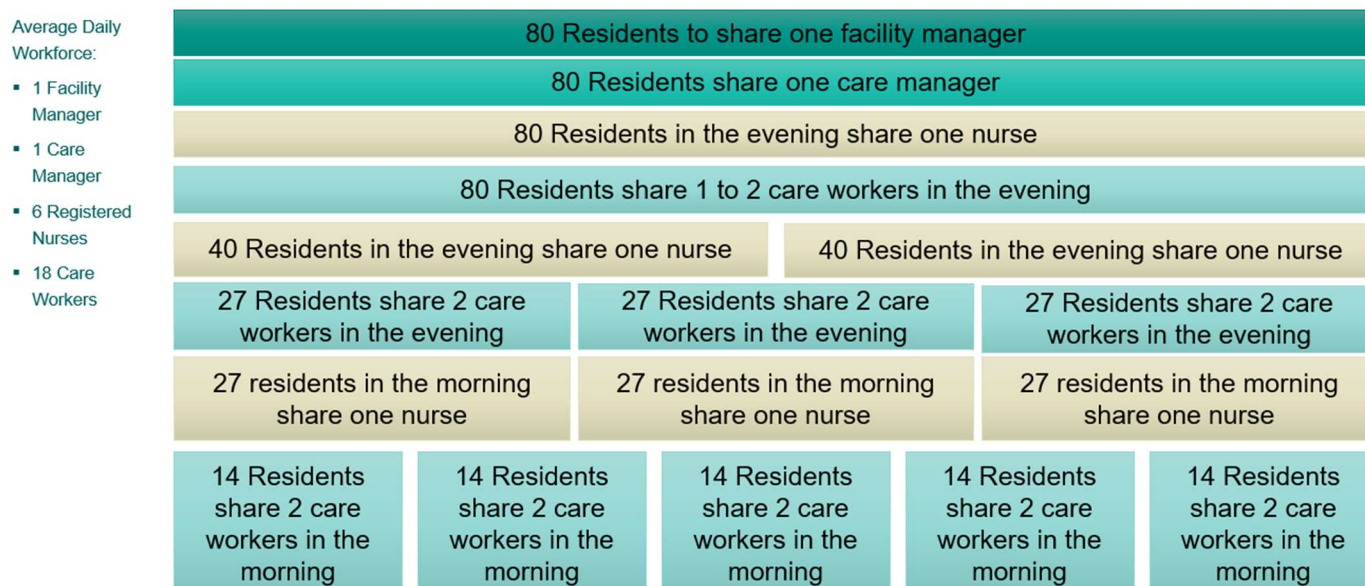


Figure 5.2.1a – Typical clinical workforce allocation for an average 80 bed facility

In the above figure, the workforce for an average facility is broken into workgroups. This includes, from top to bottom:

- One facility manager shares their time across 80 residents and all the staff members
- One care manager oversees the clinical care needs of 80 residents
- At night (typically from 10pm to 6am), there is one nurse available in case of medical emergency and 2-3 carers
- In the afternoon (typically from 2pm to 10pm), there are two nurses and 6 carers, including at dinner time and the nighttime medication rounds
- In the morning (typically from 6am to 2pm), there are 3 nurses and 10 carers, including at breakfast, lunchtime and during both of these medication rounds

Using a structure like this, facilities can spread out their costs across 80 residents and vary the size of the workforce across the span of the day. This averages out to a cost-effective hourly rate.

The allocation of care staff has to be efficient as the portion of facility income remaining after paying for carers and nurses then needs to be spent on other staff members who work in kitchen, cleaning, lifestyle, maintenance, administration, clinical governance and education roles.

5.2.3 Gummun Place Hostel Efficiency

At 16 beds, GPH is a long way off from average industry efficiency, as shows in the diagram below:

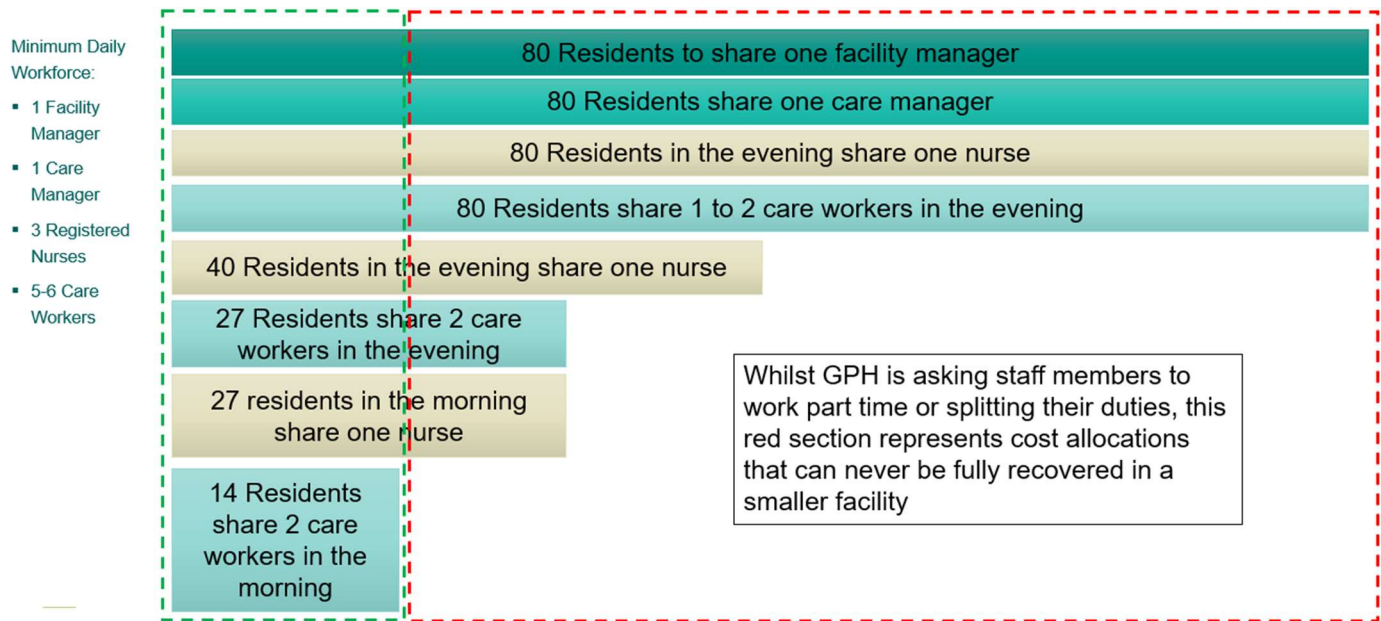


Figure 5.2.3a – Gummun Place Hostel workforce efficiency compared with an average 80-bed facility

In this adjustment to the previous diagram, we can see the efficiency limitations of having just 16 beds. Staff payroll costs in the area with the green border on the left-hand side are being fully recouped, but there is no way to fully recover the amounts in red red-shaded box on the right-hand side.

Recognising that there are only 16 residents, the management team have taken steps to recoup some of the excess time costs by working on the floor of the facility in lieu of nurses and carers and has taken on some of the other roles in lifestyle and administration. This helps, but is not enough to recoup these costs.

5.3 Conclusion

Gummun Place Hostel is too small to generate the workforce efficiencies needed to create sustainable margins. If there are not enough local staff at the current size, this will make it very expensive to try to increase the size of the facility as significant costs will be incurred on labour hire agency personnel.

6.0 Financial Outcomes

6.1 Key driver(s) of Sustainability

The life cycle of an aged care facility is one of construction, maintenance, renovation and eventual replacement. At each stage of the life cycle of the building, aged care providers need to generate a mixture of capital (lump sum) income and operating surpluses.

The ideal mix of funding is different for each facility as it depends on the business model chosen by the provider. Ideal funding mixes may change over time as the building ages or as resident cohorts change over time.

Financial outgoings include operating expenses, which are predominantly wages, consumable supplies, building services, and utilities.

After funding operational costs, long-term sustainability requires the facility to generate a surplus that can be saved up over time to pay for the eventual cost of replacing the . This may be in the form of repayments for the capital invested in a new building (interest) or by saving up multiple years of surpluses to fund future capital works.

Key Drivers:

- Operating margins
- Net surplus
- Capital Reserves

6.2 Analysis & Commentary

6.2.1 Audited Financial Statements

We have reviewed the Audited financial statements for Gummun Place Hostel for the financial year ended 30 June 2024. An extract from the audited financial statements is set out below:

Income Statement and Statement Comprehensive Income for the financial year ended 30 June 2024

\$ '000	Notes	Actual 2024	Actual 2023
Income from Continuing Operations			
Revenue:			
User Charges & Fees	2a	388	404
Interest & Investment Revenue	2b	-	-
Grants & Contributions provided for Operating Purposes	2c,d	1,194	1,042
Grants & Contributions provided for Capital Purposes	2c,d	-	-
Other revenue	2c,d	3	11
Total Income from Continuing Operations		1,585	1,457
Expenses from Continuing Operations			
Employee Costs	3a	1,286	1,184
Materials & Contracts	3b	532	288
Depreciation, Amortisation & Impairment	3c	88	79
Other Expenses	3d	267	250
Net Losses from the Disposal of Assets	4	-	10
Total Expenses from Continuing Operations		2,173	1,811
Operating Result from Continuing Operations		(588)	(354)
Net Operating Result for the Year		(588)	(354)

Figure 6.2.1a – Income Statement for Gummun Place Hostel for the financial year ended 30 June 2024, including comparative data for the financial year ended 30 June 2023

Income rose by \$128,000 (8.7%) between the 2023 (\$1,457,000) and 2024 (\$1,585,000) financial years.

Expenses rose by \$362,000 (20%) during the same period, increasing from \$1,811,000 (2023) to \$2,173,000 (2024). This increase in costs is attributable to wage increases (\$102,000), Contract labour and consultants (\$77,000) and a legal fees (\$104,000).

The financial result for the most recent financial year was a deficit of \$588,000, which is 60% worse than the deficit for the previous financial year (2023: \$354,000 deficit).

6.2.2 Management Accounts

We have reviewed the unaudited accounts for the 9 month period 1 July 2024 to 31 March 2025. A simplified restatement of these financial statements is set out below

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)

Figure 6.2.2a – Management Accounts for the 9 months to 31 March 2025. Note that comparative data for the full years ended 30 June 2023 and 30 June 2024 have been added by PAL.

The layout of the management accounts is different to the audited accounts, which makes direct comparison more challenging. Some key drivers of the worsening deficit are:

- Income has improved, reflecting increases to government funding and an increase in occupancy as the facility has been full since February 2025.
- Wages have risen significantly, reflecting an increased use of labour hire agency staff
- The profit and loss for the nine months to 31 March 2025 show an operating loss of \$766,805, which has already exceeded the full-year loss of the 2024 financial year (\$588,000).
- Depreciation has been added back for all financial periods to show the cash trading position, which is an increasing series of deficits:
 - \$275,000 for the financial year ended 30 June 2023;
 - \$500,000 for the financial year ended 30 June 2024; and
 - \$707,153 for the 9 month period ending 31 March 2025.

In addition to the operating deficit, the facility is also incurring capital investment costs on building and IT (Nurse Call) systems. These additional costs of \$114,257 have seen the total amount of cash spent on Gummun Place Hostel by Upper Hunter Shire Council rise to \$821,410 for the 9-month period ended 31 March 2025, or a net loss of more than \$51,330 per bed.

We note that capital costs were incurred in the 2023 and 2024 years, but have been excluded from this report due to differences in formatting of the information.

6.2.3 Accommodation Funding

Resident Accommodation Deposits ('**RAD**') are payable by residents who are deemed to have financial means when they enter a residential aged care facility. Residents who have the financial means can choose whether to pay:

- a lump sum to the provider, which then invests this to earn income or saves money by paying down construction finance used to build or renovate aged care facilities; or
- a daily rental amount in lieu of a lump sum, which the resident pays monthly to the provider.

When a resident leaves the facility, they are refunded their RAD. This cash payment is typically replaced by the deposit received from the next resident and so results in no direct cost to the facility.

When a resident does not have the means to pay a RAD, the government pays an accommodation subsidy to the provider, equal to the equivalent rent on a room value of \$310,000 (as at May 2025).

Brand new facilities tend to focus on attracting residents who are prepared to pay a RAD, as this helps them to pay of the construction costs. Older facilities which have paid off their construction costs tend to favour a mixture of RAD paying residents and residents who are paying rent for the use of their room.

Gummun Place Hostel had a total RAD balance of \$640,000 at 30 June 2024 (2023: \$618,000). This is not a material value of RADs, indicating that most residents of the facility do not have the means to pay RADs.

6.2.4 Accommodation Costs

The current price per bed for a new, purpose-built residential aged care facility in NSW is between \$400,000 and \$500,000 per bed. The large price range allows for variation in the number of floors, choice of materials, and land costs.

Renovations are substantially cheaper, but vary widely based on the number of internal walls that need to be moved, the aged of the building and the scope of any changes.

Funding of construction costs relies on a defined group of

- The current interest cost of funds loaned by external financiers, in the range of 8% to 9% per annum.

- Providers who are not seeking to collect a large RAD pool from the new rooms will generally require a new building or renovation project to generate additional revenue at least equal to the interest cost on the funds invested in the work.
- Providers who are planning to collect large amounts of RADs from new residents will offset these amounts against any loans borrowed to fund the construction costs, then seek to invest the remainder to build funds toward any maintenance and future renovation costs.

The low number of residents who are currently paying a RAD at GPH will be a significant impediment to the sustainable development of a new facility.

6.2.5 Options to Improve Margins

There are 4 standard approaches to generating a surplus in an aged care business:

Option	Description	Application to Gummun Place
Increase revenue by adding occupancy	<p>Care margins per resident are small, so a larger number of residents is needed to pay for fixed costs such as management wages, building maintenance and annual compliance costs.</p> <p>Providers with vacant rooms can deploy strategies to attract residents from a wider catchment. Providers who have no spare rooms will need to expand or remodel the facility</p>	<p>Gummun Place is currently full, so the building would need to be substantially renovated or rebuilt to add rooms.</p> <p>If rooms are added, there are two challenges:</p> <ul style="list-style-type: none"> ▪ Limited staff are available to provide care ▪ Local demand does not support large numbers of beds in Merriwa.
Increase accommodation revenue	<p>Raising the price of each room and targeting residents with higher wealth creates additional revenue through:</p> <ul style="list-style-type: none"> ▪ increased earnings on lump sum amounts that are invested in term deposits or the share market ▪ increased daily rental amounts received from residents who choose not to pay some or all of the room price as a RAD. 	<p>Gummun Place is an older facility and is not at the standard of design and furnishings to attract residents willing to pay higher room prices.</p> <p>It is unlikely that setting higher room prices will result in a significant change to accommodation income, but it may lead to a decrease in occupancy as prospective residents look elsewhere.</p>
Reduce variable (wage) costs	<p>Focus on recruitment and retention to decrease the proportion of shifts being filled by labour hire agency employees.</p>	<p>This has already been attempted. There are limited suitable staff members available in Merriwa and the surrounds.</p> <p>If successful, this cost saving will not return the facility to profitability, as there are still too few beds in the building</p>
Reduce fixed costs	<p>Fixed costs in aged care are rarely out of line with the budget by material amounts. Those items that can usually be looked at are electricity prices, materials supply contracts and third-party contractors.</p> <p>Fixed costs per resident are typically reduced by increasing the number of residents in the facility.</p>	<p>Third-party costs will not reduce markedly from undertaking a pricing review.</p> <p>The most practical strategy for reducing fixed costs per resident is to increase the size of the facility. This approach would require solutions to the shortages in the workforce and prospective residents</p>

Option	Description	Application to Gummun Place
Cross-Subsidisation	<p>Providers that operate retirement villages or other community services may choose to use some of the surpluses from these business units to fund small deficits in the operation of an aged care facility.</p> <p>There is an upper limit to the value of losses that can be absorbed in this way, as the provider still needs to fund the replacement of all of their buildings at the end of their economic life.</p>	<p>Upper Hunter Share Council do not have any related business units that could cross-subsidise the operations of Gummun Place. One option would be to redirect council income (increase council rates or close other services) to fund the losses at Gummun Place.</p> <p>The losses at Gummun Place are excessive for a smaller aged care facility, and it is unclear if cross-subsidisation will improve outcomes for the Council or at the site in the long term.</p>
Alternate Models	<p>Speciality providers have developed models which operate outside the aged care funding framework.</p> <p>Example: Group Homes Australia</p> <p>These smaller facilities can be viable at 12-20 beds, but the required annual revenue is approximately \$200,000 per bed.</p> <p>Residents in these facilities sign a contract to pay the full amount without government funding, although they may be able to recover some of these costs through funding packages from the National Disability Insurance Scheme or from the Aged Care Home Care Package/Support at Home program.</p>	<p>As an existing provider of funded residential aged care services, it is unclear if Gummun Place Hostel is able to switch to a privately funded model.</p> <p>It is even less clear if there is demand for these types of services, given the current low proportion of residents who have the means to pay a RAD.</p> <p>If this option were viable, a significant investment in the building would be required to raise it to a level that justified charging \$200,000 or more in annual fees to each resident.</p>

6.3

6.4 Conclusion

Financially, there are few options to engineer a sustainable surplus for Gummun Place Hostel.

- The facility is too small to generate a sustainable surplus.
- Any investment in growing the size of the facility will be difficult to recover due to ongoing shortages in the workforce and weak local demand for residential aged care services.
- Alternate funding models require significant investment, and it is unclear if they will be successful in the medium to long term.

Upper Hunter Shire Council, as the owner of Gummun Place Hostel, has obligations under the Local Government Act 1993 and related Regulations. To maintain financial sustainability and good governance practices, the Council will need to consider one of the following financial options:

- Sell the facility to another provider, one that can leverage its own economies of scale and workforce to grow and expand the site.
- Subsidise the operational costs in the short term through increased community rates or donations.
- Close the facility and recoup the costs expended on losses to date through sale or lease of the land to a third party.

Appendix A – Site Tour Photos and Commentary

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.



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.



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.



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.



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.



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.



Disclaimer

This report is provided to your organisation in accordance with the scope of the project as set out in the engagement letter.

This report is based on information supplied or demonstrated by your organisation to Pride Aged Living during its assessments, as well as interviews conducted with your staff and consumers. We do not independently verify this information and cannot provide any assurance as to its completeness or accuracy. If a sample of information is provided, Pride Aged Living assumes that it is reflective of broader activities and still current as at the time it is reviewed. Additionally, this report is provided at a point in time, and assumes that practices evidenced during Pride Aged Living's assessment are standard and ongoing. Projections, forecasting and modelling are all based on and subject to the accuracy and continuity of such information and practices.

This report contains information confidential to your organisation. By circulating or reproducing this report, your organisation may be disclosing your confidential information or waiving professional privileges.

This report has been prepared solely for the management of your organisation for the purpose set out in the engagement letter between your organisation and Pride Aged Living. Where a conclusion is reached or action proposed by Pride Aged Living, it may be based on an opinion, subjective assessment and/or assume certain actions or systems are maintained or implemented. A similar assessment by another person, including a government agency, may reach a different conclusion, including by reason of the manner in which information is presented, a different opinion or interpretation of facts or application of the law. Pride Aged Living does not guarantee any particular outcome, including compliance with laws or the procurement of additional funding. Ultimately, your organisation must identify and discharge its obligations as an approved provider, taking into account your assessment of the circumstances and the risks and benefits of actions proposed by Pride Aged Living.

Over time legal obligations, interpretations of laws and guidance notes issued by government agencies will change. The areas of focus and opinions of government agencies and commissions, regulators, and financial institutions will also change, as will industry and community expectations. Such changes may have a significant impact on the relevance or application of information provided or actions proposed in this report. Your organisation must continually review and assess its circumstances. Pride Aged Living does not accept any responsibility for monitoring or advising your organisation of changes that may be relevant to you or for revisiting or revising information or proposed actions following the conclusion of our engagement. Your organisation may not rely on any representations that conflict with this statement.

Contact Us

Suite 1003/100 Walker Street
North Sydney NSW 2060

Level 23, Tower 5/727 Collins Street
Docklands VIC 3008

02 9068 0777
clientservice@prideagedliving.com.au
prideagedliving.com.au

[Subscribe to our mailing list](#)



Take pride in your success