



The Anglican Church of Australia

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Meeting Apology and Statement by Bishop John Parkes, Bishop of Wangaratta

Chair of the Trustees of the Anglican Diocese of Wangaratta
Director of Kellock Lodge Alexandra Inc

22 June 2018

Introduction and Apology

My apologies that I am not able to join you this morning to represent the Trustees. Unfortunately, this meeting coincides with Synod 2018. This is one of the most important events on the Diocese's annual calendar, involving all local parishes, and something that I need to be part of as Bishop.

The Trustees of the Anglican Diocese of Wangaratta (the Approved Provider for Kellock Lodge under the aged care legislation) hope that this written statement provides additional information that goes some way to addressing your concerns.

This public meeting underlines how loved and valued Kellock Lodge is as a community institution. It is because of this, and because the Trustees want to ensure a sustainable future for Kellock Lodge, that we have in recent months undertaken a searching examination of the home's governance, management, finances and operations.

In doing this, we are motivated only by strengthening the capacity of Kellock Lodge to provide high quality and contemporary care for seniors and frail elderly into the future.

Why Have The Trustees Acted?

Enhancing the health, wellbeing and lifestyle of the residents of Kellock Lodge has always been, and will always be, the primary focus of the Trustees and myself, as it should be for all directors who govern Kellock Lodge now and in the future.

While Kellock Lodge is a wonderful institution with a proud history, you will be aware that in recent years it has faced increasing and serious challenges. Recently these include being found non-compliant with seven critical expected outcomes under the Federal Government's aged care quality framework.

These were not minor things – they included:

- clinical care;
- medication management;
- nutrition and hydration;
- specialised nursing care needs;
- mobility and dexterity;
- continuous improvement; and
- information systems.

The aged care clinical consultants engaged by the Trustees to support Kellock Lodge continue to work with staff to embed the changes made to date in these critical areas and also address other areas of improvement identified by the consultants. Work on improving the delivery of care is ongoing.

These and other governance, leadership and management issues were serious enough to compel the Trustees, as the approved provider, to seek a range of expert advice about better meeting the needs of the elderly who rely on Kellock Lodge for care.

What Is Being Recommended?

One of the key recommendations of the governance and organisational review that we commissioned was the creation of a new governance structure for both of the Diocese's aged care homes; a new professional board with specialist aged care and health care expertise to oversee both homes.

The Trustees support this recommendation because we believe that with strengthened governance and operational resources, Kellock Lodge and St John's Village will be well placed to meet the challenges of providing quality care in an increasingly complex and competitive aged care industry.

The Trustees have commended this recommendation to members of the two incorporated associations, Kellock Lodge Alexandra Inc and St John's Village Inc, who must approve the formation of a single legal entity and governance structure.

The members will consider the recommendation to form a single incorporated association and single board of directors to govern the two homes in coming weeks. But it is important to emphasise what would **not** change under a new board structure:

- The Trustees of the Anglican Diocese of Wangaratta would remain the approved provider under the aged care legislation.
- The security of tenure, bonds and fees of aged care residents and independent living unit owners would not change, as their agreements would remain.
- Staff entitlements and employment conditions would remain unchanged under the existing staff Enterprise Agreement.
- The capacity for community involvement would not change. The need for the work of our valued volunteers and supporters would continue. I would personally encourage Mr Larry Fallon to nominate for any new board. Mr Fallon and his family, like the Kellocks and many families of Alexandra and surrounds, the local Council, Commonwealth Government and community groups have given generously to establish and support Kellock Lodge. Along with a future focus, such a powerful link to the heritage of Kellock Lodge as part of the proposed new board could only be positive.

What Is The Situation With St John's Village's Financial Position?

I would like to directly address what I know is an important concern for many of you. You will have heard strident claims that St John's Village is financially troubled and that these proposed governance reforms are in fact about seizing Kellock Lodge's assets.

This is not true. I am very sorry that some reporting on this issue has caused unfounded worry in the community. I am deeply concerned at the selective quoting of the St John's Village financial statements by some individuals and how St John's Village's financial position has been misrepresented.

I have offered to go through the accounts of St John's Village with any member of the community who has a concern.

It is very difficult, if not impossible, to explain the intricacies of an aged care organisation's balance sheet in a forum such as this but I will try.

The simple explanation begins with why aged care organisations have significant liabilities on their balance sheets. This is because of refundable accommodation deposits.

Residents or their families pay an aged care home a refundable accommodation deposit (what you may know as bonds). The home holds this on behalf of the resident. The refundable accommodation deposit is repaid when a resident departs care. Refundable accommodation deposits appear on an organisation's balance sheet as a liability.

Accountants classify liabilities as either current (falling due in the next 12 months, and therefore appearing as a negative in that year's annual results) or non-current (due later than 12 months).

Most aged care organisations split refundable accommodation deposits between current and non-current liabilities, reflecting the fact that only a portion of residents will leave care in the following year and require their deposit returned. When it's done this way it means that in the annual accounts, only some, not all, of the bonds appear as a liability for that year.

St John's Village has classified all of its bonds as current liabilities, hence the large liability figure for the current year. It is important to note that if Kellock Lodge did its accounts the same way as St John's Village its accounts would show liabilities exceeding assets, in other words it would appear insolvent which is clearly not the case.

The accounts more than demonstrate St John's Village's underlying sound position. The auditors do note the accounting treatment of refundable accommodation deposits but were happy to verify St John's Village as a going concern

Every year aged care organisations must lodge their financial statements with the Commonwealth Department of Health and Australian Charities and Not for Profits Commission. These regulators have not raised any concerns in relation to St John's Village's finances.

I repeat the public assurance that I have already given that the Trustees do not want or need to take the assets of Kellock Lodge for the benefit of St John's Village. The Trustees do believe that action must be taken to ensure both homes are delivering high quality and contemporary clinical care, that both homes have a new business and service model for the future and that both homes are able to thrive in the increasingly complex and competitive aged care industry.

The Coming Weeks and the Future

It is important that community discussion about Kellock Lodge does not only focus on the financials. Our core business, our reason for being, is caring for the seniors and frail elderly of our community and it is only right that care received is of a high quality and delivered in line with our values. It saddens me deeply to say that recent events at Kellock Lodge show that this has not always been the case.

Our staff have worked tirelessly to effect change at the operational level with our aged care consultants. The aged care consultants engaged by the Trustees will continue to work with Kellock Lodge for several months to embed change in the seven Outcomes previously unmet and in others areas identified by the consultants. There remain areas for improvement in care delivery.

The Trustees strongly encourage anyone who has a concern about the finances or any other aspect of this proposal to make contact. Over the coming weeks I will be meeting with Murrindindi Shire Council, business leaders and others in the community to answer their questions.

The Trustees strongly believe that this proposal is in the long-term best interests of Kellock Lodge's residents and staff. We hope that once people have had an opportunity to learn more that they will feel optimism, not fear, for current and future residents, their partners, carers and families and the future of Kellock Lodge.

Yours Sincerely,

The Rt. Revd. John Parkes

Bishop of Wangaratta

Chair of the Trustees of the Anglican Diocese of Wangaratta

Director of Kellock Lodge Alexandra Inc

A handwritten signature in black ink, consisting of a small cross symbol followed by the letters 'John' in a cursive script.