

AGED CARE FINANCIAL PERFORMANCE SURVEY



RESIDENTIAL CARE REPORT - MARCH 2018

The StewartBrown March 2018 *Aged Care Financial Performance Survey* (ACFPS) incorporates detailed financial and supporting data from over 911 residential aged care facilities and over 21,700 home care packages (412 home care programs) across Australia. The quarterly survey is the largest benchmark within the aged care sector and provides invaluable insight into the trends and drivers of financial performance at the sector level and at the facility or program level.

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1. HIGHLIGHTS - CARE OPERATING RESULTS



\$ 2.79 Per Resident Per Day
Average Care Result

70% decrease from June 2017



\$33.17 Per Resident Per Day
1st Quartile Care Result

13% decrease from June 2017



\$1,348 Average Facility EBT per bed per
annum

58% decrease from June 2017



\$12,048 1st Quartile Facility EBT per bed per
annum

8% decrease from June 2017



\$6,884 Average Facility EBITDA per bed per
annum

18% decrease from June 2017

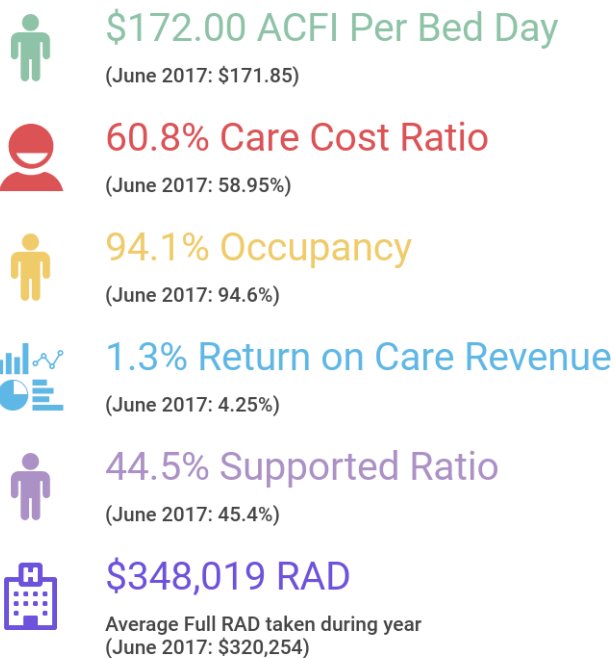


\$17,574 1st Quartile Facility EBITDA per bed
per annum

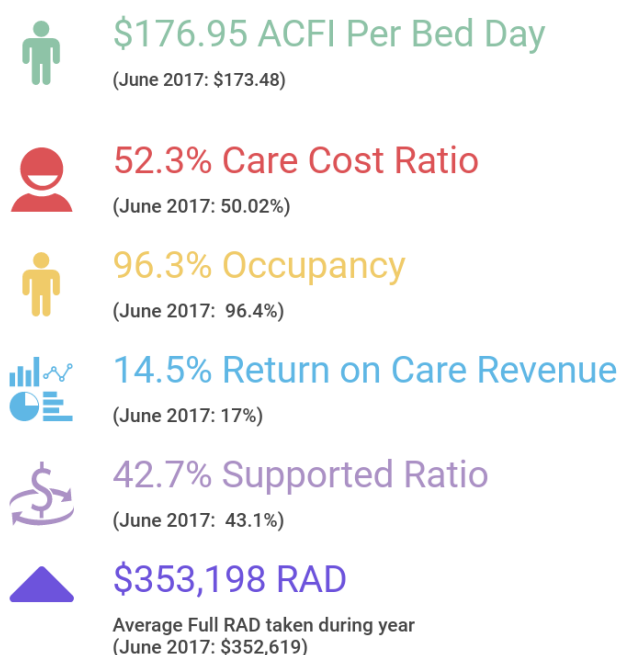
4% decrease from June 2017

2. HIGHLIGHTS - KEY METRICS

SURVEY AVERAGE



SURVEY FIRST 25%



3. EXECUTIVE SUMMARY

Summary

The results for the nine months ended 31 March 2018 continue to decline which is consistent with our forecast modelling earlier in the financial year. This decline is directly attributable to the COPE freeze for the 2018 financial year, amendments to ACFI effective from 1 January 2017 coupled with escalating direct care costs. These quarterly results are concerning for the sector with operating performance pressure expected while the full extent of ACFI funding changes are realised over the next twelve to eighteen months. The Accommodation results have improved primarily due to the ongoing roll-out of significant refurbishments and the associated supplement.

Survey Headliner

- ◆ 21.0% of facilities recorded negative EBITDA (16.1% FY17) (*cash loss*)
- ◆ 43.1% of facilities recorded negative EBT (33.9% FY17)

Survey Average

- ◆ ACFI per bed day (pbd) of \$172.00 slight increase from June 2017 pbd (Jun-17: \$171.85)
- ◆ Occupancy levels of 94.06% slight decline from Jun-17 (94.64%)
- ◆ Direct care costs plus allocation of workers compensation and quality and education costs increased by 3.8% to \$139.61 pbd (Jun-17: \$134.46)
- ◆ Total care hours per resident per day increased by 6.8% to 3.11 (Jun-17: 2.91 per resident per day)
- ◆ Care Result (contemporary) significantly reduced to (\$7.30) pbd: Jun (loss \$0.58 pbd)
- ◆ Care Result (traditional) significantly reduced by 70.3% to \$2.79 pbd from \$9.42 pbd
- ◆ Facility EBT reduced by 58% to \$1,348 pbpa: (Jun-17 \$3,236 pbpa)
- ◆ Facility EBITDA reduced by 18% to \$6,884 pbpa: (Jun-17 \$8,397 pbpa)

Survey First 25%

- ◆ ACFI of \$176.95 is a 2% increase since Jun-17 (\$173.48 pbd)
- ◆ Occupancy levels consistent with Jun-17 results (96.4%)
- ◆ Direct care costs increased by 7.3% to \$119.80 pbd (Jun-17: \$111.70)
- ◆ Total care hours per resident per day increased by 12.2% to 2.84 (Jun-17: 2.53 per resident per day)
- ◆ Care Result (contemporary) declined by 17.5% to \$23.39 pbd: (Jun 17 \$28.36 pbd)
- ◆ Care Result (traditional) declined by 12.6% to \$33.17 pbd: (Jun 17 \$37.96 pbd)
- ◆ Facility EBT declined by 8% to \$12,048 pbpa: (Jun-17 \$13,103 pbpa)
- ◆ Facility EBITDA declined by 3.8% to \$17,574 pbpa: (Jun-17 \$18,285 pbpa)

Brief Commentary

The declining residential care financial performance for the nine months ended 31 March 2018 continues to be a concern for the sector and its ongoing financial viability. The headline results are that 43.1% of facilities reported an overall EBT loss (deficit) with 21% reporting an EBITDA loss which is a cash loss. With continued headlines such as these it will be difficult to promote or stimulate future capital; and equity investment into residential care.

Whilst the higher portion of the facilities recording a loss continue to be those located in regional areas, declines in performance are also consistently occurring in metropolitan areas.

The survey *Average* continues to report neutral ACFI with the survey *First 25%* reporting a moderate 2% growth (predominately Band 1 - being high care acuity mix). Whilst neutral or moderate growth can be partly attributed to the COPE freeze, it may also be attributed to resident acuity levels plateauing with providers now aligning resident needs with resident funding appropriately.

Observations

Below is a summary of our observations, based not only on the survey results but also our considerable involvement with a significant number of aged services providers nationally - through pricing and cost reviews, systems and governance reviews, financial modelling, external and internal audits and strategic workshops.

- The combined consequence of the COPE freeze, ACFI amendments and ACFI downgrades have had a large effect on financial performance.
- Acuity levels of residents have largely stabilised while any increases have not been reflected through increased ACFI revenue
- A proportion of staff cost growth is due to increasing levels of compliance as well as increased administration burden associated with increased admissions (because of shorter length of stays)
- Accommodation pricing is still low (as compared to medium house and unit prices)
- Additional optional services uptake by providers is slow and often difficult to implement
- Dementia funding is not sufficient for the additional staffing cost in providing dementia care
- Building design is increasingly important in improving financial performance due to staffing and resident movement efficiency

4. FINANCIAL PERFORMANCE ANALYSIS

Survey Results Overview

With results declining, the need to monitor financial performance at a facility level is even more critical. The need to identify and examine revenue and expense categories is crucial to identify opportunities to be more financially sustainable whilst maintaining high levels of resident care. To assist in reviewing the Residential business, the benchmarking is presented in both a Traditional (Care Result + Accommodation Result) and a Contemporary format (refer below for clarification).

The Contemporary format is designed to help illustrate and further unpack the various components within the Residential operating performance to formulate business plans on; for example, reporting the Administration result independently highlights an area whereby efficiency may improve the overall result with limited impacts on resident care if designed well. Table 2 clearly illustrates the 12.4% decline in ACFI (from June 17 to Mar 18), 3.7% decline in the everyday living result and a 5.6% increase in administration - each of these areas will attract different actions to undertake.

Both formats lead to the same Facility Result and the historical analysis at this level will not change.

Contemporary Format

The September 2017 ACFPS report provided commentary on the Contemporary format. Accordingly, the overview analysis section (*Tables 1 and 2*) splits out the **Care Result** into three-line items:

- ACFI Result
- Everyday Living Result
- Administration Result

The overall Facility Result is still the Care Result + Accommodation Result.

The contemporary format line items and their definitions are as follows: -

ACFI RESULT

ACFI & Supplements revenue

Less

Direct Care expenditure (includes allocation of workers compensation premium and quality and education costs to care staff)

PLUS EVERYDAY LIVING RESULT

Basic Daily Fee + Extra or Optional Service fees

Less

Hotel Services (catering, cleaning, laundry), Utilities, Motor Vehicles and regular Property & Maintenance (includes allocation of workers compensation premium & quality and education costs to hotel services staff)

PLUS ADMINISTRATION RESULT

The costs of Administration and Support Services

EQUALS CARE RESULT

Survey Revenue Bands

For the March 2018 residential *Aged Care Financial Performance Survey*, we have kept the adjusted methodology for the revenue bands we adopted in December 2017. The bands are based on the ACFI and Supplements subsidy revenue which includes the means-tested care fee:

- ✓ Band revenue = **Government subsidies (care)** + **Means-tested care fee**

In surveys prior to December 2017 the band revenue was based on following care revenue lines:

- Band revenue Government subsidies (care) + Means-tested care fee + Basic Daily Fee + Extra Services and/or Optional Services fee

Please note that using the new banding arrangements based on ACFI and supplements, we have reduced the number of bands from the previous five (5) to now be four (4) to ensure that there is sufficient differentiation between bands in relation to resident acuity mix.

The bands used for the current and past financial years are shown in the following table:

Table 1: ACFPS Bands - from 2012 to present

	2018 Surveys & Dec-17 Survey	Sept-17 Survey	2016 Surveys	2015 Surveys	2014 Surveys	2012 & 2013 Surveys
Band 1	Over \$185	Over \$235	Over \$220	Over \$210	Over \$210	Over \$195
Band 2	\$170 to \$185	\$220 to \$235	\$205 to \$220	\$190 to \$210	\$190 to \$210	\$175 to \$195
Band 3	\$155 to \$170	\$205 to \$220	\$190 to \$205	\$170 to \$190	\$170 to \$190	\$155 to \$175
Band 4	Under \$155	\$190 to \$205	\$175 to \$190	\$150 to \$170	\$150 to \$170	\$135 to \$155
Band 5	N/A	Under \$190	Under \$175	Under \$150	Under \$150	Under \$135

Facility Results

Table 2: Summary of results for the survey Average (911 facilities at March 2018)

	Metric	Mar-18	Jun-17	Mar-17		Difference YTD
ACFI result	Per bed day	\$32.93	\$37.62	37.26	↓	(\$4.69)
Everyday living result	Per bed day	(\$7.43)	(\$7.16)	(\$6.70)	↓	(\$0.27)
Administration result	Per bed day	(\$32.80)	(\$31.04)	(\$30.50)	↓	(\$1.76)
=						
Care Result	Per bed day	(\$7.30)	(\$0.58)	\$0.06	↓	(\$6.72)
+						
Accommodation Result (capital)	Per bed day	\$11.23	\$9.95	\$9.76	↑	\$1.28
=						
Facility EBT (\$pbd)	Per bed day	\$3.93	\$9.37	\$9.81	↓	(\$5.44)
Facility EBT (\$pbpa)	Per bed pa	\$1,348	\$3,236	\$3,398	↓	(\$1,888)
Facility EBITDA (\$pbpa)	Per bed pa	\$6,884	\$8,397	\$8,616	↓	(\$1,513)

Table 3: Summary of results for the survey First 25% (229 facilities at March 2018)

	Metric	Mar-18	Jun-17	Mar-17		Difference YTD
ACFI result	Per bed day	\$54.39	\$59.08	\$58.91	↓	(\$4.69)
Everyday living result	Per bed day	(\$3.30)	(\$3.27)	(\$3.70)	↓	(\$0.03)
Administration result	Per bed day	(\$27.70)	(\$27.45)	(\$26.60)	↓	(\$0.25)
=						
Care Result	Per bed day	\$23.39	\$28.36	\$28.61	↓	(\$4.97)
+						
Accommodation Result (capital)	Per bed day	\$10.89	\$8.89	\$9.05	↑	\$2.00
=						
Facility EBT (\$pbd)	Per bed day	\$34.28	\$37.25	\$37.66	↓	(\$2.97)
Facility EBT (\$pbpa)	Per bed pa	\$12,048	\$13,102	\$13,325	↓	(\$1,055)
Facility EBITDA (\$pbpa)	Per bed pa	\$17,574	\$18,285	\$18,526	↓	(\$711)

Brief commentary

- ◆ For the nine months to March 2018, the *Average* Care Result has continued to decrease due to:
 - Neutral movement in ACFI revenue - remains at the same level as at June 2017 at \$171.84 pbd
 - Increase in care labour costs of 4% or \$4.92 pbd from June 2017; over half of this increase is attributed to additional costs and hours worked in both care management and Allied Health staffing; these increases are signalling the additional focus of providers on compliance, oversight and governance, coupled with appropriate pain management under the ACFI tool
 - Increase of 5.2% or \$1.85 prpd in Administration & Support Services since June 2017 which is largely associated with increased corporate recharges (cost of shared services)
- ◆ The *First 25%* Care Result has experienced similar trends:
 - ACFI revenue has had a 1.9% increase since June 2017; predominately within Band 1
 - Increase in care labour costs of 7.3% or \$7.72 pbd from June 2017; like that in the survey average a quarter of this increase is attributed to both Care Management and Allied Health costs. The largest contributor to this increase however is the additional other care staff costs which are 5% higher than the expected EBA increases - this could relate to the continuing alignment of resident acuity levels to staffing requirements
 - Facilities in the *First 25%* have managed to slightly improve revenue and control the costs of administration and support services
 - ACFI revenue has increased from \$173.48 pbd to \$176.95 pbd since June 2017
 - Further focus on increasing additional service fees which has more than doubled from June 2017 to \$2.56 pbd in March 2018
- ◆ The Accommodation Result (capital) for both the survey *Average* and *First 25%* has increased in the nine months to March 2018 predominately due to greater significant refurbishments supplements and lower expenditure on refurbishment

- ◆ Decreases in EBT and EBITDA for both the survey *Average* and the *First 25%* is due to steady ACFI revenue and whilst increased revenue within Accommodation, this revenue is not enough to offset the increased direct care costs and administration expenditure

Table 4: Headline KPI's for survey Average and survey First 25%

KPI	Survey Average				Survey First 25%			
	Mar-18	June-17	Mar-17		Mar-18	June-17	Mar-17	
EBT per resident per annum	\$1,348	\$3,236	\$3,398	↓	\$12,048	\$13,102	\$13,325	↓
EBITDA per resident per Annum	\$6,884	\$8,397	\$8,616	↓	\$17,574	\$18,285	\$18,526	↓
Occupancy	94.06%	94.64%	94.61%	↓	96.30%	96.37%	96.66%	↓
Direct Care Costs as a % of ACFI + Basic Daily Fee	60.82%	58.95%	58.93%	↑	52.27%	50.02%	49.97%	↑
Average ACFI per bed Day	\$172.00	\$171.85	\$166.59	↑	\$176.95	\$173.48	\$168.36	↑
Care staff wages as % of ACFI	75.08%	72.28%	74.10%	↑	64.33%	61.17%	62.53%	↑

Brief commentary

- ◆ The EBT and EBITDA per resident per annum for both the survey *Average* and the survey *First 25%* have decreased due to the reduced Care Result
- ◆ The Survey *First 25%* occupancy rate is slightly less than June 2017 but has dropped 0.3% from 96.6% in December 2017. It will be of interest to see the impacts of residential occupancy as the Home Care packages prioritisation queues numbers progress
- ◆ The Survey *Average* occupancy has decreased compared to both June 2017 and December 2017 results by 0.5% and 0.3% respectively
- ◆ The Direct Care Cost ratio (as a % of ACFI + BDF) and care staff wages as a percentage of ACFI continue to increase and is a direct result of increasing total care hours and care staff costs

Table 5: Analysis of total facility revenue and facility expenses (Care plus Accommodation) for survey Average and survey First 25% from June 2017 to March 2018

	Mar-18	Jun-17	Difference \$pbd	Difference %
Survey Average				
Facility revenue	\$253.11	\$249.18	\$3.93	1.6%
Facility expenses	\$249.18	\$239.81	\$9.37	3.9%
EBT result	\$3.93	\$9.37	(\$5.44)	(58.1%)
Survey First 25%				
Facility revenue	\$257.65	\$248.77	\$8.88	3.6%
Facility expenses	\$223.37	\$211.52	\$11.85	5.6%
EBT result	\$34.28	\$37.25	(\$2.97)	(8.0%)

Analysis of Operating Losses by Facility

The effect of the reduced facility performance due to the COPE freeze, amendments to the ACFI scoring matrix, ACFI downgrades and increased costs has resulted in many facilities moving into an increasingly financially vulnerable position.

Table 6: Analysis of facilities making EBT and EBITDA losses

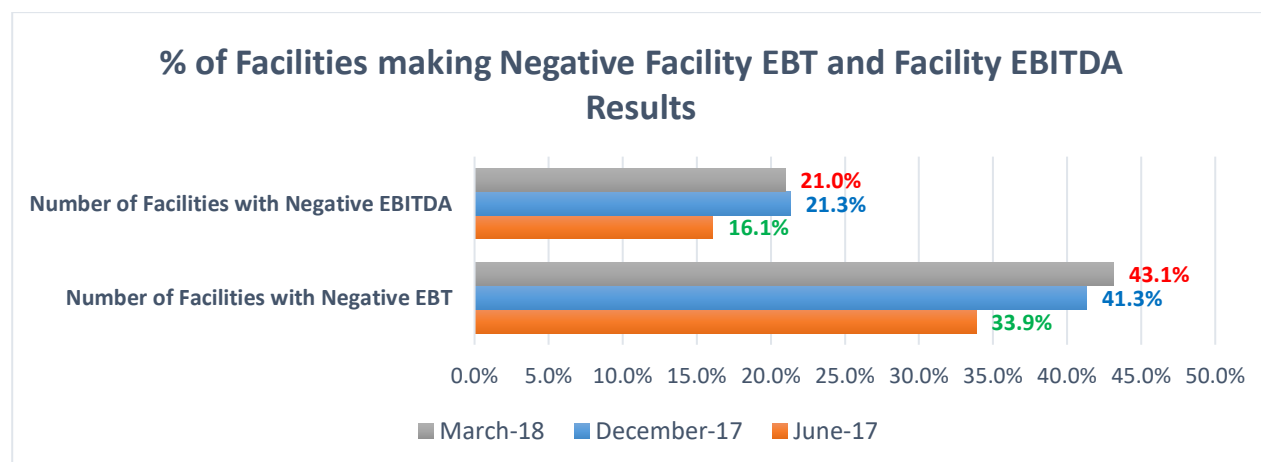


Table 7: Analysis of facilities making EBT losses (by remoteness)

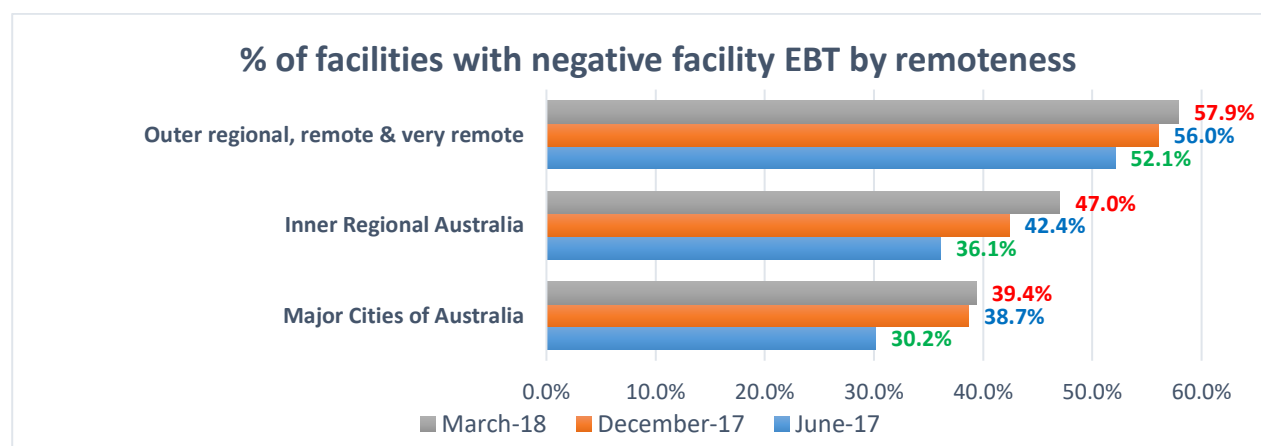
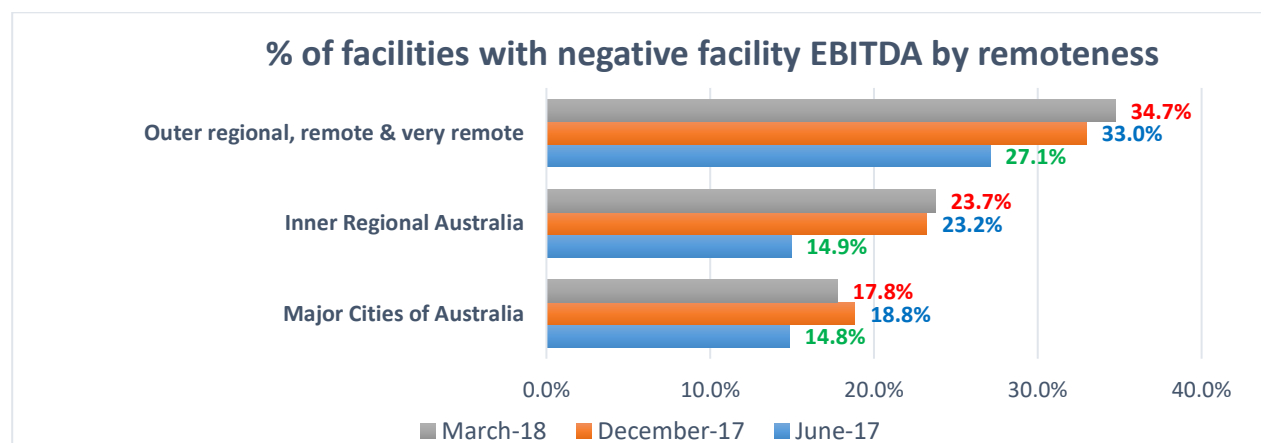


Table 8: Analysis of facilities making EBITDA losses (by remoteness)



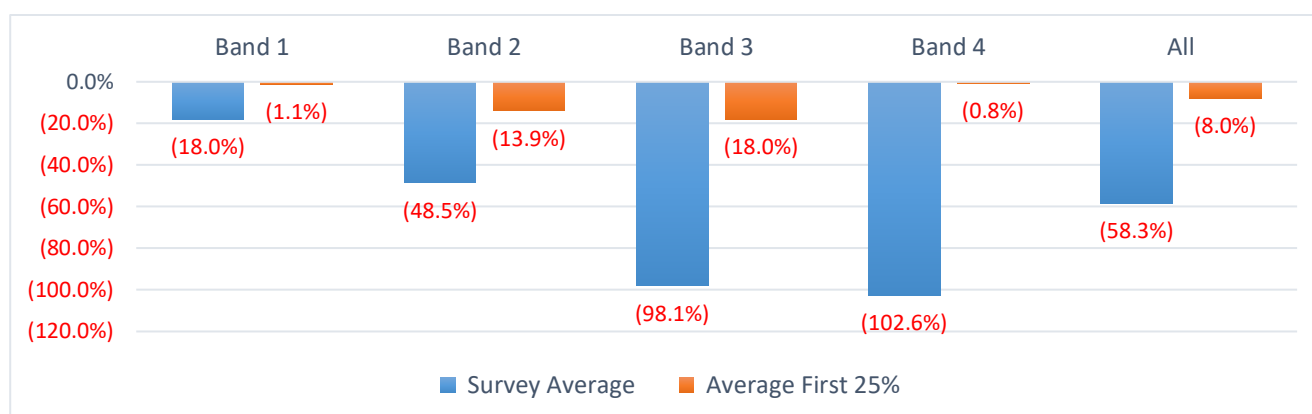
Brief commentary

- ◆ The total percentage of facilities making an EBITDA loss has increased since June 2017 by 4.9%, from 16.1% to 21% of facilities of the total participation number (911 facilities)
- ◆ The total percentage of facilities making an EBT loss has increased further since June 2017 by 9.2%, from 33.9% to 43.1% of facilities in the total participation number
- ◆ Tables 7 and 8 graph the number of facilities making an EBT and EBITDA loss as a percentage of total number of facilities in their respective geographic location (remoteness). In relation to outer regional/remote/very remote facilities, 58% of facilities in this geographic area have made an EBITDA loss
- ◆ 47% of facilities located in inner regional made an EBT loss and 24% made an EBITDA loss
- ◆ Similarly, of the facilities located in major cities, some 39% of these made an EBT loss and 18% made an EBITDA loss

EBT and EBITDA

The sector primarily uses EBITDA¹ as a measure of financial performance. EBITDA is defined as earnings before interest, tax, depreciation and amortisation. However, this measure doesn't consider depreciation, and as this is a significant expense for residential aged care facilities, it is recommended that EBT (earnings before tax) should also be given equal consideration when assessing financial performance.

Figure 1: Percentage change for survey Average and survey First 25% from June 2017 to March 2018



Brief commentary

- ◆ The survey Average for all bands have experienced a decrease in EBT and EBITDA with Bands 3 and 4 experiencing the greatest decrease
- ◆ For the survey First 25% all bands except Band 4 have experienced a decrease in EBT and EBITDA (due to higher government supplements being received) and Band 3 has experienced the greatest decrease (due to an increase in the corporate administration recharge)
- ◆ Facility EBT is significantly lower than the Facility EBITDA due to depreciation expense, which is a significant component of residential aged care facility operations coupled with an increase in significant refurbishments being undertaken.

¹ Earnings before interest, tax, depreciation and amortisation (EBITDA) is a measure of an organisation's operating performance. Essentially, it's a way to evaluate an organisation's performance without having to factor in financing decisions, accounting decisions or tax environments.

Table 9: EBT for survey Average and survey First 25% as at June 2017 and March 2018

Facility EBT \$pbpa	Survey Average	Survey Average	% change	Survey First 25%	Survey First 25%	% change
	Mar-18	Jun-17		Mar-18	Jun-17	
Band 1	\$3,039	\$3,708	(18.0%)	\$14,335	\$14,497	(1.1%)
Band 2	\$1,838	\$3,567	(48.5%)	\$10,797	\$12,547	(13.9%)
Band 3	\$51	\$2,713	(98.1%)	\$9,154	\$11,162	(18.0%)
Band 4	(\$74)	\$2,886	(102.6%)	\$13,735	\$13,839	(0.8%)
Band 5	N/A	\$2,623	N/A	N/A	\$14,469	N/A
All	\$1,348	\$3,236	(58.3%)	\$12,048	\$13,102	(8.0%)

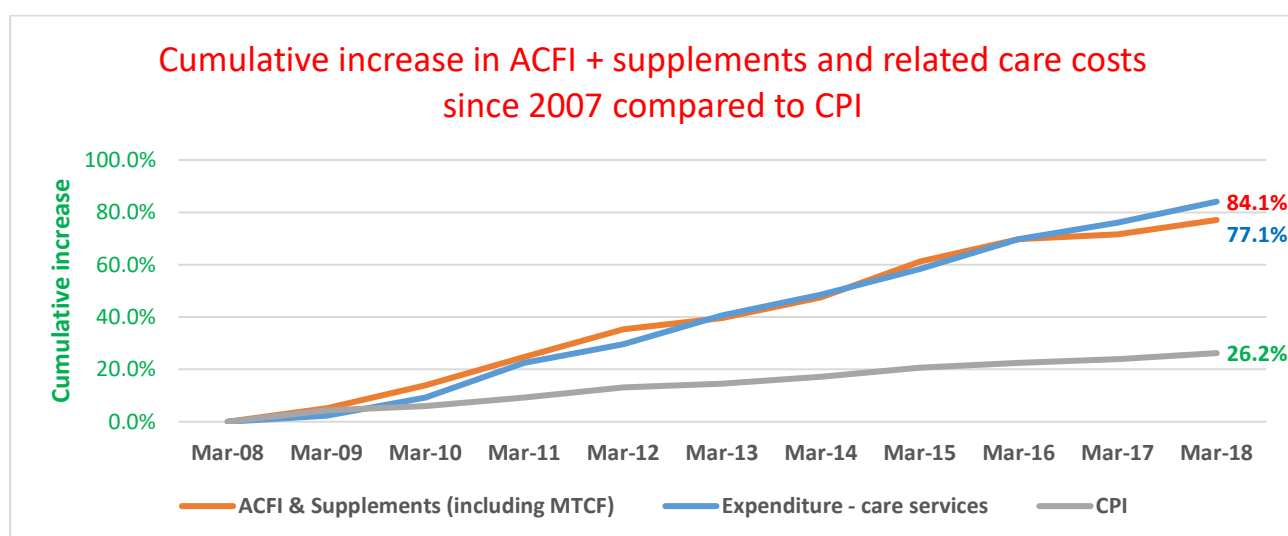
Table 10: EBITDA for survey Average and survey First 25% as at June 2017 and March 2018

Facility EBT \$pbpa	Survey Average	Survey Average	% change	Survey First 25%	Survey First 25%	% change
	Mar-18	Jun-17		Mar-18	Jun-17	
Band 1	\$8,616	\$8,870	(2.9%)	\$19,002	\$19,062	(0.3%)
Band 2	\$7,440	\$8,710	(14.6%)	\$16,902	\$17,755	(4.8%)
Band 3	\$5,460	\$7,922	(31.1%)	\$15,465	\$17,127	(9.7%)
Band 4	\$5,464	\$8,098	(32.5%)	\$19,260	\$19,048	1.1%
Band 5	N/A	\$7,616	N/A	N/A	\$19,333	N/A
All	\$6,884	\$8,397	(18.0%)	\$17,574	\$18,285	(3.9%)

ACFI Analysis

We have included a trend graph (refer *Figure 2* below) which compares the cumulative increase in ACFI since 2008 (and the RCS equivalent from 2007) to the cumulative increase in Direct Care expenditure for the March time periods.

Figure 2: Cumulative increase in ACFI and Direct Care Costs over time (March time periods)



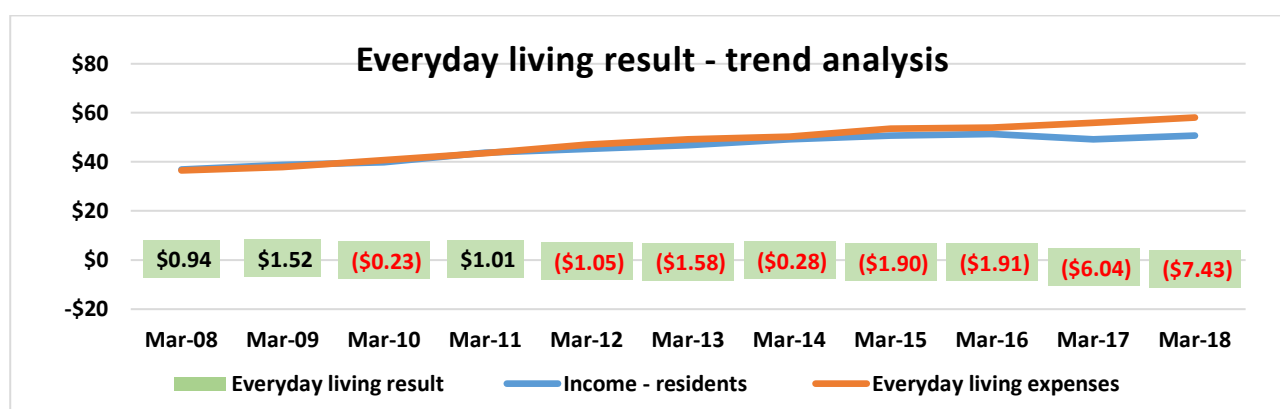
	March 2008 \$ pbd	March 2018 \$pbd	Cumulative Increase
ACFI & Supplements (including Means-tested care fee)	\$97.13	\$172.00	77.1%
Expenditure - Direct Care services	\$73.75	\$135.76	84.1%

Brief Commentary

- ◆ ACFI and supplements (including the means-tested care fee component) has increased cumulatively by 77.1% since 2007
- ◆ Direct Care expenditure (staff care costs + allied health + medical expenses + pastoral) has increased by 84.1% in the same time, which is directly related to increased resident acuity
- ◆ The combination of the COPE freeze and plateauing of resident acuity mix means facilities are not offsetting increased staffing costs, and CPI increases on medical supplies means that the gap between ACFI and direct care costs will continue to widen

Everyday Living Analysis

Figure 3: Everyday Living Result trend analysis since 2007 (March time periods)



	2008	2012	2015	2016	2017
	\$ pbd	\$ pbd	\$ pbd	\$ pbd	\$ pbd
Basic daily fee	\$31.52	\$40.25	\$47.49	\$48.25	\$49.09
Other resident income	\$5.40	\$5.01	\$3.89	\$1.07	\$1.57
Income - residents	\$36.92	\$45.26	\$51.38	\$49.32	\$50.66
Hotel services	\$26.76	\$32.87	\$37.82	\$39.26	\$40.61
Utilities	\$3.33	\$5.20	\$5.92	\$6.22	\$6.76
Maintenance costs (regular) and motor vehicles	\$5.88	\$8.24	\$9.55	\$9.87	\$10.09
Allocation of W/Comp and QA to hotel services	\$0.57	\$0.76	\$0.69	\$0.66	\$0.63
Everyday living expenses	\$36.54	\$47.07	\$53.98	\$56.02	\$58.09
Everyday Living Result	\$0.94	(\$1.05)	(\$1.91)	(\$6.04)	(\$7.43)

Brief Commentary

- ◆ Other resident income has reduced since 2008 due to extra service places being converted to normal wings (rooms) and a slower than expected uptake of additional (optional) service fees
- ◆ The cumulative increase in everyday living revenue (by majority being the Basic Daily Fee) has been far less than the increase in the everyday living costs
- ◆ Utilities has risen at a far greater rate than CPI in this period
- ◆ The ability for providers to charge for additional (optional) services is difficult when a large percentage of residents are supported

Accommodation Result Analysis

A summary of the Accommodation Results is included in *Table 11* below.

Table 11: Accommodation Results summary (December 2016 to March 2018)

	Survey Average			Survey First 25%		
	Mar-18	June-17	Dec-16	Mar-18	June-16	Dec-16
	\$ pbd	\$ pbd	\$ pbd	\$ pbd	\$ pbd	\$ pbd
Resident fees (DAPs/charges/retentions)	13.43	12.53	12.70	12.38	11.53	11.35
Accommodation supplements	16.48	14.92	14.68	16.09	13.94	13.83
Accommodation income	29.91	27.45	27.38	28.47	25.47	25.18
Depreciation - building	10.83	10.13	10.05	10.14	9.90	9.29
Depreciation - equipment	5.29	4.82	4.64	5.58	4.84	4.53
Refurbishment	0.26	0.39	0.40	0.35	0.45	0.60
Other accommodation costs	2.29	2.16	2.14	1.51	1.39	1.42
Accommodation expense	18.68	17.50	17.23	17.58	16.58	15.84
Accommodation Result	\$11.23	\$9.95	\$10.15	\$10.89	\$8.89	\$9.34

Building Depreciation

We have focused in past years on building depreciation and whether it is sufficient. When surveyed, more than 60% of providers have stated that their major refurbishment policy is 15 years or less, however more than 52% of facilities are depreciated over 40+ years.

If we assume that the average depreciated (WDV) building cost per bed is \$175,000 and a more reflective depreciation rate is over 25 years (4%) then the building depreciation charge would be \$19.18 per bed day (\$7,000 per bed per annum).

In relation to a new residential build at a cost of \$280,000 per bed, the depreciation charge at 4% per annum would be \$30.68 per bed day (\$11,200 per bed per annum).

Brief commentary

- ◆ The survey *Average* accommodation result is \$11.23 per bed day which equates to \$4,099 per bed per annum
- ◆ If we assume that the average depreciated (WDV) building value is \$175,000 per bed, this represents a return on assets employed (ROA) of 2.3% per annum
- ◆ If the building depreciation was adjusted to reflect an effective life of 25 years (4% per annum) then the accommodation result would be \$2.88 per bed day or \$1,052 per bed per annum, resulting in a ROA of 0.6% per annum
- ◆ The ROA would be negative for all new residential buildings on this basis

Care Staffing Metrics

Care staffing metrics include care staff costs and care staff hours. The ability to efficiently and appropriately align staffing levels to funding and facility design while meeting the care needs of the residents, leads to improvements in the facility's financial performance.

Table 12: Care staffing metrics for survey Average and survey First 25%

	Average			First 25%		
	Mar-18	Jun-17		Mar-18	Jun-17	
Care staff costs as % of total care expenses	58.59%	58.51%	↑	58.08%	57.26%	↑
Costs by type - \$ pbd						
Care management	9.30	7.46	↑	8.12	7.08	↑
Registered nurses	21.21	20.52	↑	17.98	16.34	↑
Enrolled & licensed nurses	11.79	12.60	↓	7.97	9.42	↓
Other unlicensed nurses & personal care staff	76.06	74.54	↑	71.16	65.99	↑
Allied health & lifestyle	7.09	5.95	↑	6.28	5.45	↑
Agency staff	3.69	3.16	↑	2.33	1.84	↑
Total care labour costs	129.14	124.22	↑	113.84	106.12	↑
Hours by type - hours worked per resident per day						
Care management	0.16	0.12	↑	0.11	0.11	-
Registered nurses	0.38	0.37	↑	0.32	0.29	↑
Enrolled & licensed nurses	0.31	0.26	↑	0.26	0.19	↑
Other unlicensed nurses & personal care staff	2.10	2.05	↑	1.97	1.84	↑
Allied health & lifestyle	0.14	0.12	↑	0.16	0.11	↑
Imputed agency care hours implied	0.02	n/a		0.03	n/a	
Total Care Hours	3.11	2.91	↑	2.84	2.53	↑

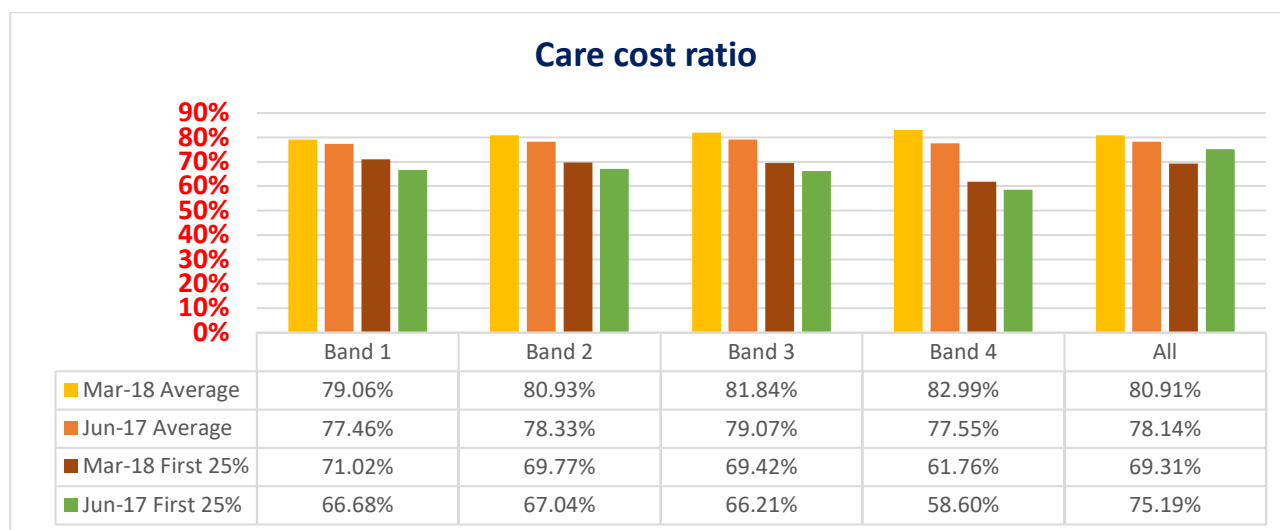
Brief commentary

- ◆ The allocation is consistent with the Nurses and Midwifery Board of Australia, and accordingly AIN and TAFE qualified staff have been included with the "Other unlicensed nurses and personal care staff" classification
- ◆ Total labour costs have increased for both the survey *Average* and *First 25%* since June 2017, by 3.9% and 7.3% respectively
- ◆ Total care hours have increased for both the survey *Average* and for the *First 25%* by 6.8% and 12.2% respectively, and are now at 3.11 hours and 2.84 hours worked per resident per day respectively

Direct Care Costs as a percentage of ACFI Revenue

The direct care costs as a percentage of ACFI revenue is measured by the total costs of care delivery divided by the total ACFI revenue (ACFI subsidy, MTCF, ACFI supplements) and is a key driver of the Care Result. A high care cost ratio is likely to lead to a low Care Result and vice versa.

Figure 4: Care cost ratio across bands for March 2018 and June 2017 adjusted



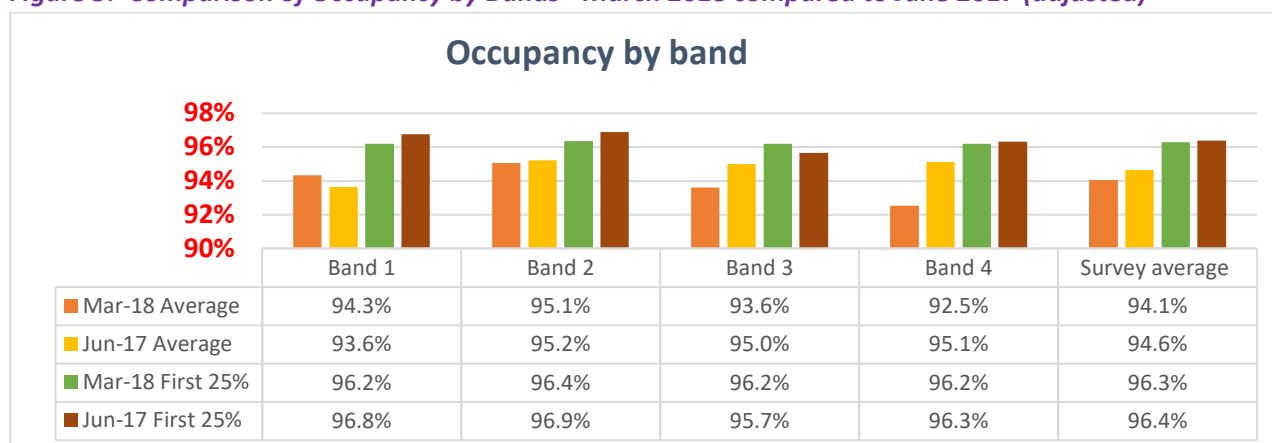
Brief commentary

- ◆ The direct care costs as a percentage of ACFI revenue has increased for the survey *Average* by 2.8%
- ◆ For the survey *First 25%* the ratio has increased for each of the bands, however the percentage figure for “All” is distorted due to the higher number of facilities being in bands 1 and 2. Accordingly, we suggest that the direct comparison at Band level is more appropriate in this instance
- ◆ This overarching analysis indicates that the Care revenue (ACFI plus supplements) has not increased at same rate of cost of care which is as reflected in the ACFI Analysis commentary.

Occupancy

Financial performance is heavily influenced by a facility’s occupancy levels. Maintaining high occupancy levels enables the facility to spread its fixed costs across maximum funding levels.

Figure 5: Comparison of Occupancy by Bands - March 2018 compared to June 2017 (adjusted)



Brief commentary

- ◆ Slight increase in survey *Average* occupancy in Band 1 while the remainder of the Bands experienced declining occupancy (of note being Bands 3 and 4) - consumers waiting for Home Care packages could be playing an important role in residential occupancy
- ◆ The survey *First 25%* occupancy levels have remained static
- ◆ The occupancy differences may be marginal in some cases when looking at survey *Average* and the survey *First 25%*, but there is a significant 5.7% difference between the *First 25%* (96.3%) and *Fourth 25%* (90.6%) which shows that there are several facilities struggling with occupancy
- ◆ The effects of the large national prioritisation queue in home care (over 104,000 consumers) on residential occupancy has yet to be fully determined

5. DETAILED ANALYSIS

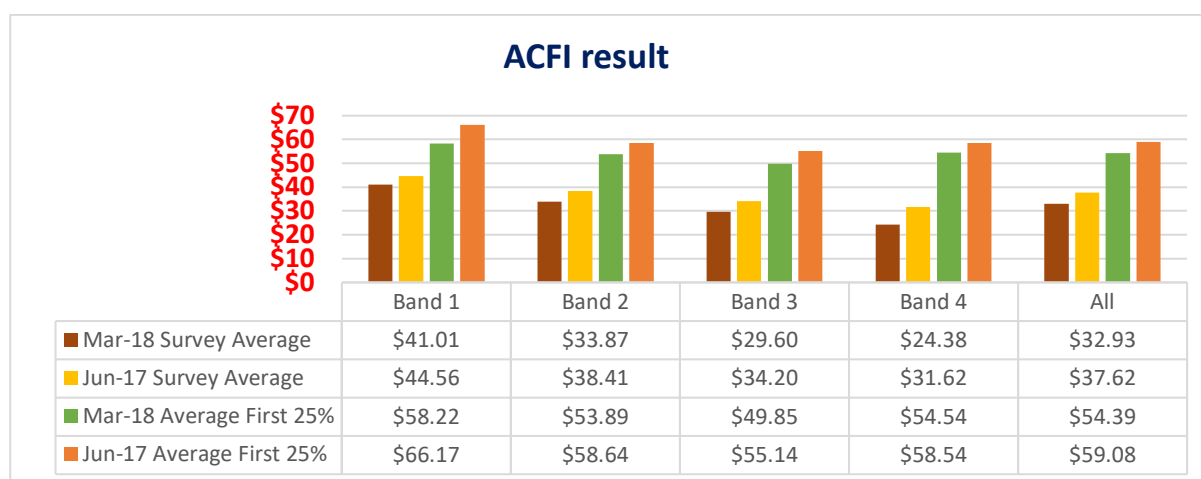
Care Result

The Care Result is comprised of the ACFI result, the Everyday Living Result and the Administration Result. These are separately analysed below.

ACFI Result

The ACFI Result is calculated as ACFI plus supplements revenue plus means-tested care fee, less total care expenditure - and includes an allocation of workers compensation and quality and education costs.

Figure 6: ACFI results by Band for March 2018 and June 2017 adjusted (contemporary format)



Revenue from ACFI and supplements is an important factor in the care cost ratio and an important financial KPI for Facility Managers. The following table summarises the ACFI KPIs for the survey *Average* and survey *First 25%*. Any commonwealth grant funding has been excluded from this measure of ACFI.

Table 13: ACFI metrics for survey Average and survey First 25%

	Survey Average				Survey First 25%			
	Mar-18	June-17	Dec-16		Mar-18	June-17	Dec-16	
Average ACFI & supplements per bed Day	\$172.00	\$171.85	\$171.13	↑	\$176.95	\$173.48	\$173.52	↑
Care staff wages as % of ACFI & supplements	74.8%	72.3%	71.3%	↑	64.2%	61.2%	60.2%	↑

Brief commentary

- ◆ ACFI subsidies have remained static in real dollar terms for the survey Average (911 facilities)
- ◆ ACFI subsidies for the survey *First 25%* has increased due to several facilities increasing their resident acuity mix - the shift from bands 3 and 4 for the *First 25%* was greater than that for the overall survey
- ◆ In net ACFI Result for both the survey *Average* and the survey *First 25%* has reduced by \$4.69 per bed day.

Everyday Living Result

The Everyday Living Result is calculated as resident revenue from the Basic Daily Fee and extra or optional service fees (including fees for additional services) less hotel services (catering, cleaning, laundry), utilities, motor vehicles and property maintenance and includes allocation of workers compensation and quality and education costs to hotel services.

Included in **Chapter 4** is an analysis and commentary in relation to everyday living services. Provided below is a number of specific trend graphs in relation to components of everyday living services.

Figure 7: Everyday Living results by Band for March 2018 and June 2017 (contemporary format)

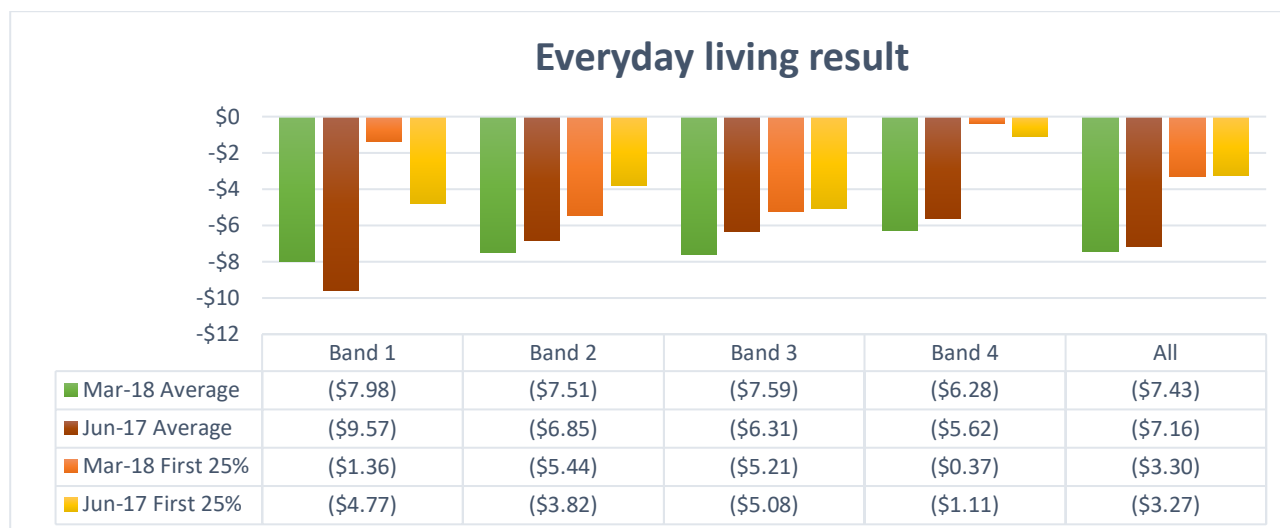


Figure 8: Trend in Hotel Services since March 2008

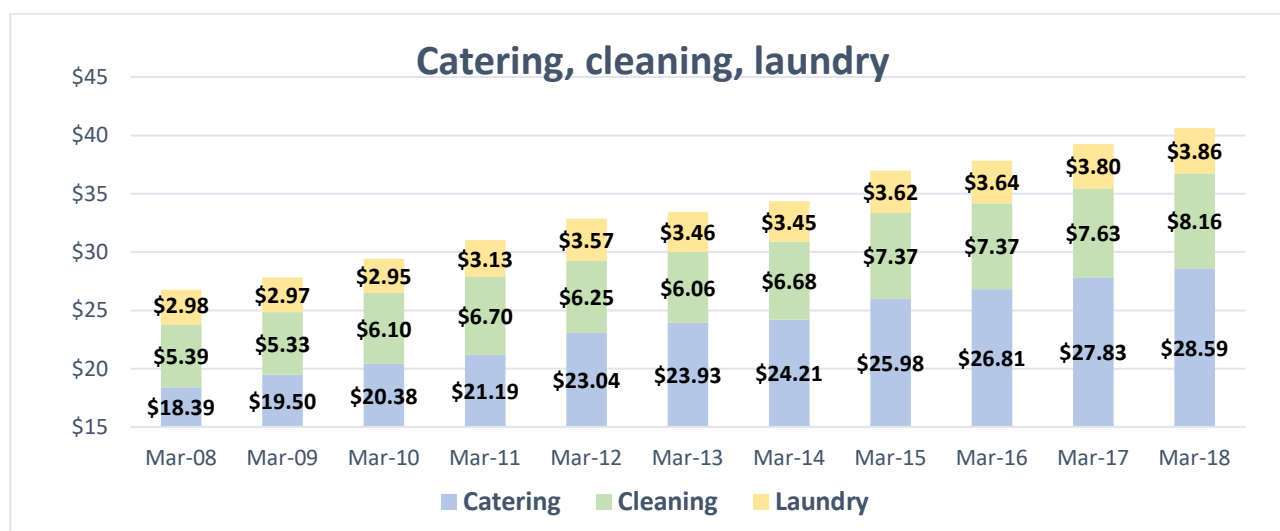
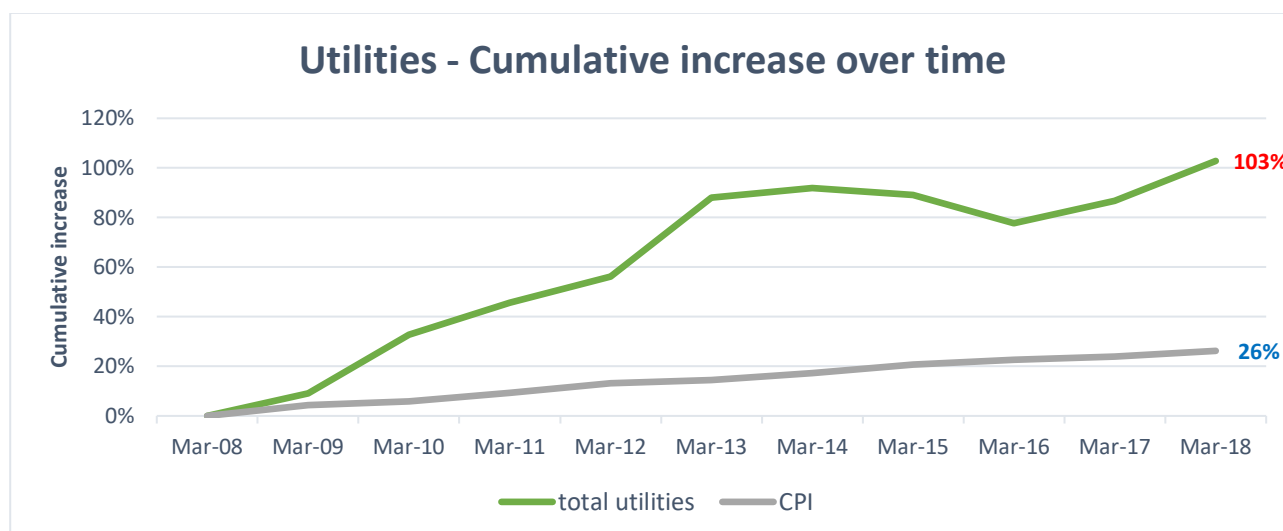


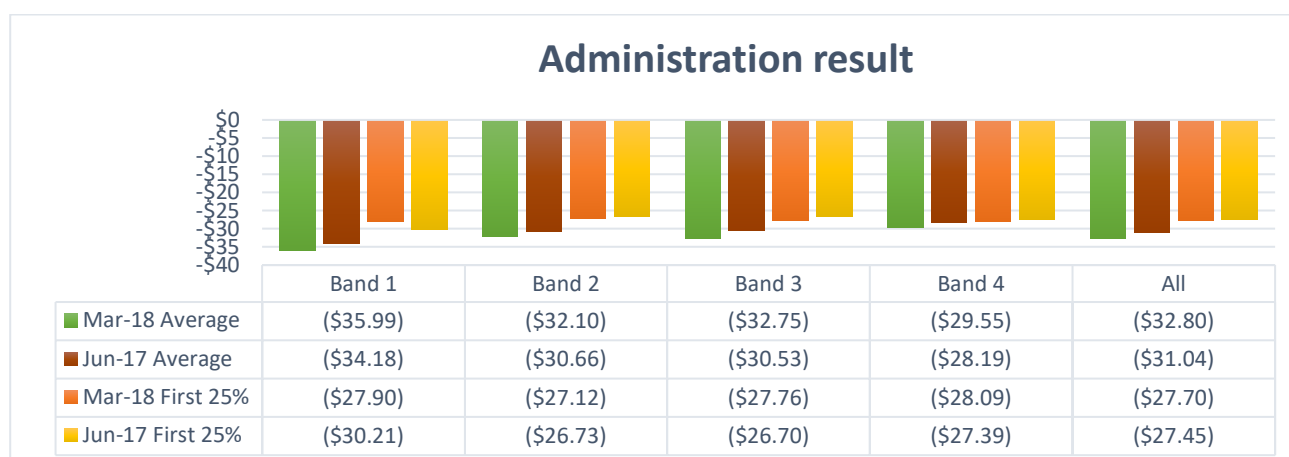
Figure 9: Trend in utilities



Administration Result

The Administration Results includes the costs of administration and support services and excludes the allocation of workers compensation and quality and education costs made to the ACFI Result and Everyday Living Result.

Figure 10: Administration results by Band for March 2018 and June 2017 (contemporary format)



Brief commentary

- ◆ The survey *Average* cost for administration and support services (Administration Result) is \$32.80 pbd
- ◆ Adequate margin needs to be generated in both the ACFI and Everyday Living result to cover the costs of administration

Care Result

The Care Result is the net result of providing care to the residents and it the total of the three results above

$$\text{Care Result} = \text{ACFI Result} + \text{Everyday Living Result} + \text{Administration Result}.$$

Across the Bands, the reduction in Care Result since June 2017 (with figures adjusted to reflect new band definitions) can be seen in the figure below.

Figure 11: Distribution of the Care Results for the Survey Average March 2018 and June 2017

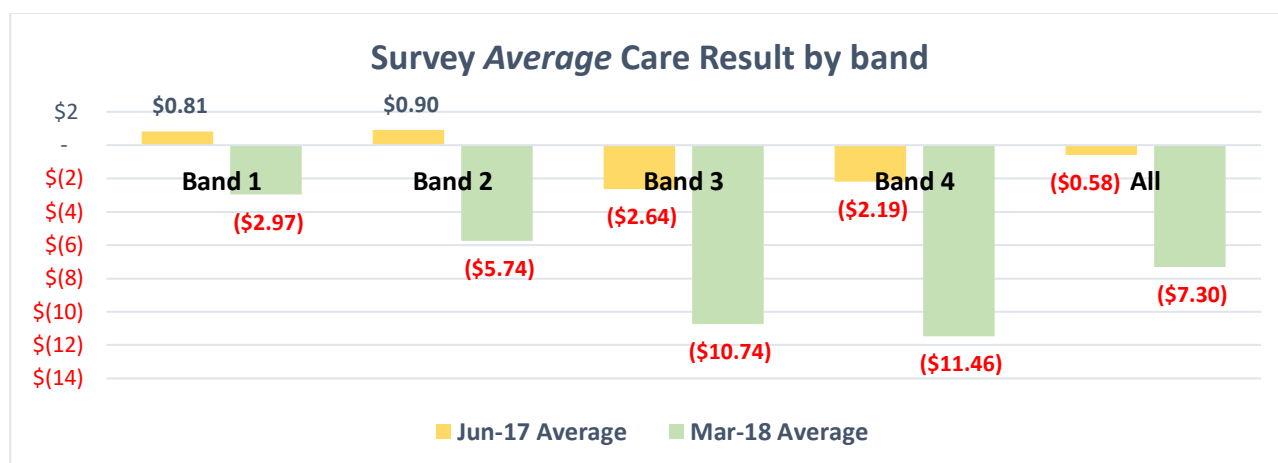
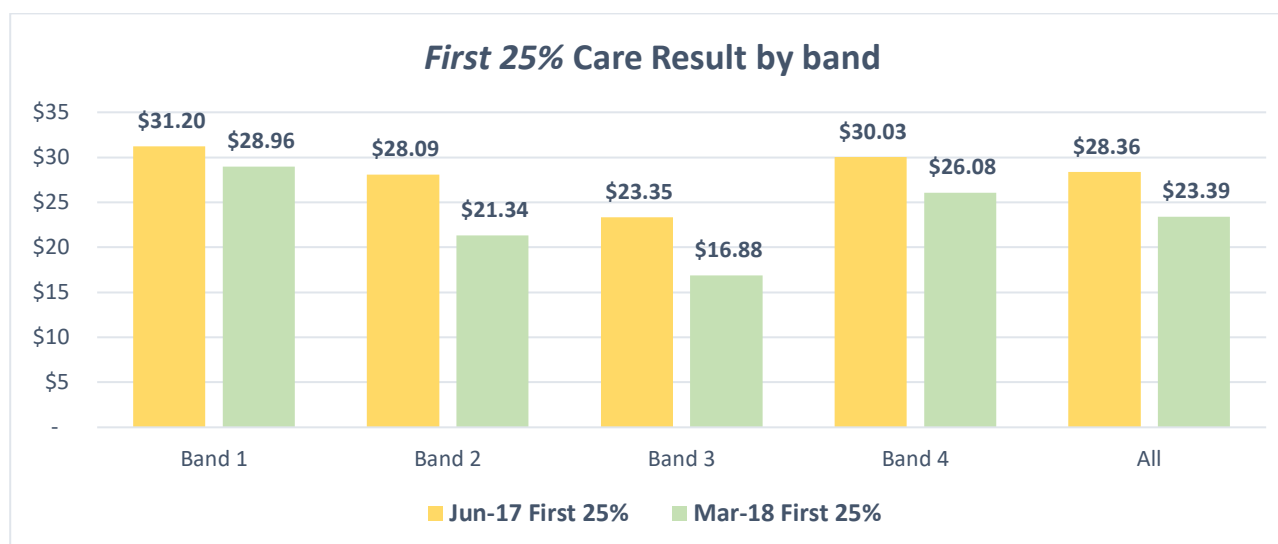


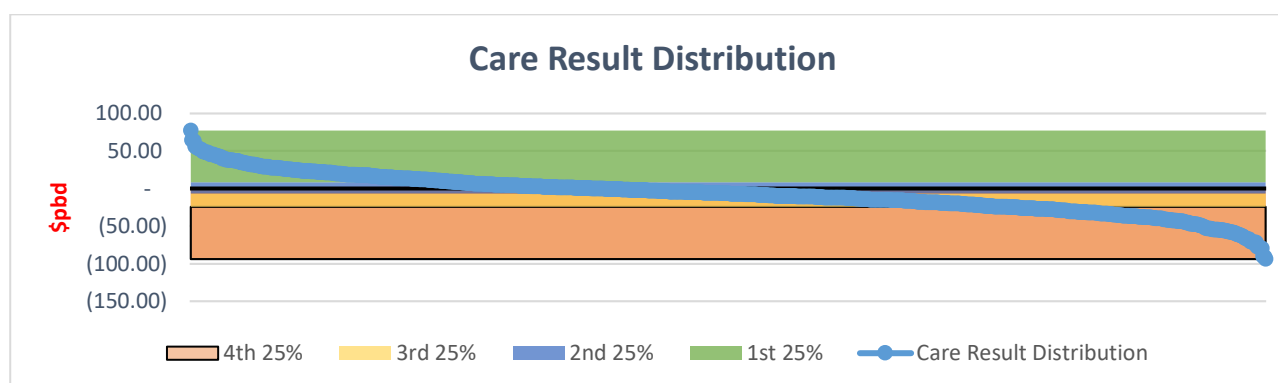
Figure 12: Distribution of the Care Results for the survey First 25% March 2018 and June 2017



Care Result Distribution

The distribution of the Care Results for the 911 facilities in the survey is shown in the figure below. The Care Result appears to be normally distributed with the top facility reporting a Care Result of \$77.05 per bed day and the worst reported a Care Result deficit of (\$93.78) per bed day.

Figure 13: Distribution of the Care Results for the 911 facilities in the March 2018 survey



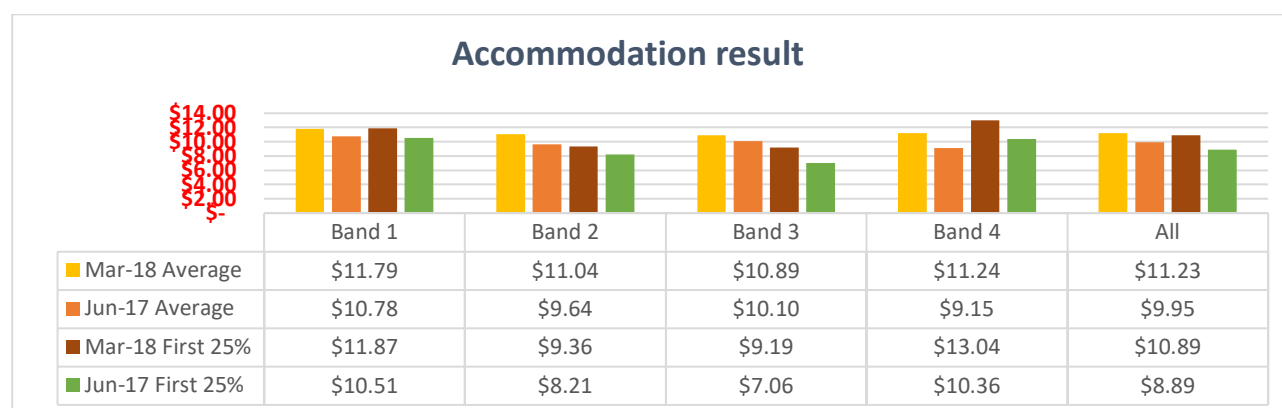
The ranges for each 25% is set out below. Facilities with a Care result of more than \$8.08 per bed day are included in the *First 25%*.

Survey - ALL			
Quartile	Bottom range	Top range	Number of Facilities
1st 25%	\$8.19	\$77.05	228
2nd 25%	(\$6.83)	\$8.08	228
3rd 25%	(\$24.17)	(\$6.93)	227
4th 25%	(\$93.78)	(\$24.34)	228
Major Cities			
Quartile	Bottom range	Top range	Number of Facilities
1st 25%	\$12.00	\$77.05	149
2nd 25%	(\$4.31)	\$11.96	150
3rd 25%	(\$18.52)	(\$4.31)	149
4th 25%	(\$79.55)	(\$18.62)	149
Inner Regional			
Quartile	Bottom range	Top range	Number of Facilities
1st 25%	\$4.19	\$51.60	55
2nd 25%	(\$10.42)	\$4.14	55
3rd 25%	(\$25.06)	(\$10.42)	54
4th 25%	(\$90.36)	(\$26.14)	55
Rural & Remote			
Quartile	Bottom range	Top range	Number of Facilities
1st 25%	(\$5.33)	\$63.58	24
2nd 25%	(\$23.74)	(\$5.63)	24
3rd 25%	(\$37.92)	(\$24.02)	23
4th 25%	(\$93.78)	(\$38.11)	24

Accommodation Result

Accommodation Result is the net result of accommodation revenue (DAPs/DACs/Accommodation supplements) and expenses related to capital items such as depreciation, property rental and refurbishment costs. It no longer includes costs associated with recurrent repairs and maintenance and motor vehicles.

Figure 14: Accommodation Result by Bands survey Average and survey First 25% for Mar-18 and Jun-17



Accommodation Pricing

Figure 15: Average Refundable Accommodation Deposit taken in Mar-18 and Jun-17 by State

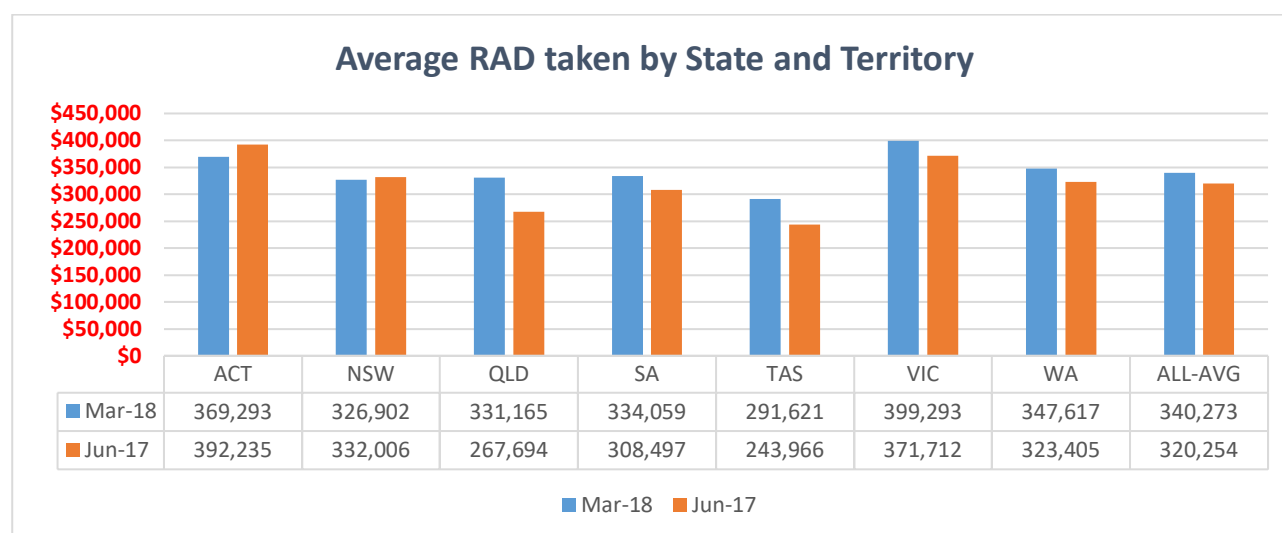
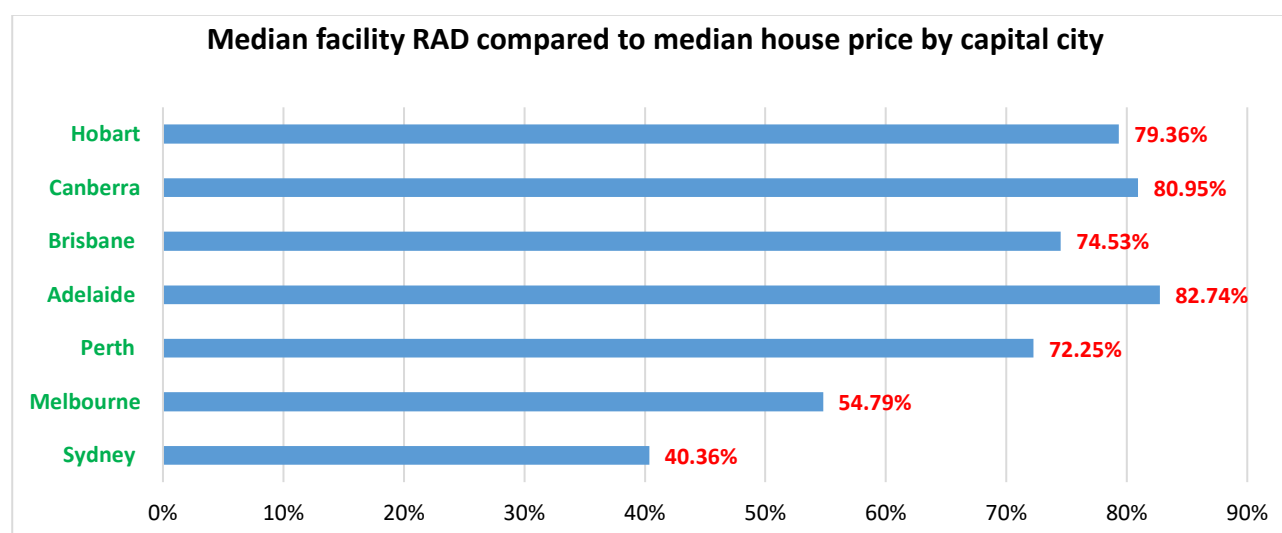


Figure 16: Median facility RAD compared to median house price for capital cities



Brief commentary

- ◆ The average RAD taken for Mar-18 is for Full RAD payments only. The average RAD taken for Jun-17 includes Full and Part RAD payments
- ◆ The average RAD taken differs by state and often reflects the demographics of the local area of the facilities and the average house and unit price
- ◆ Decrease in average RAD taken for NSW and ACT and increases for all other states and the overall survey average - this may be due to excluding the Part RADs and it will be interesting to what the Jun-18 data will tell us
- ◆ The average RAD taken in the nine months to March 2018 has increased by around \$20,019. At \$340,273, this is still well below the average national median house price of \$686,700

6. DATA TABLES

Contemporary Format

Table 14: Detailed results for survey Average compared to survey First 25% (Mar-18 compared to Jun-17)

	Survey Average Mar-18	Survey Average Jun-17	Survey First 25% Mar-18	Survey First 25% Jun-17
Number of facilities	911	957	228	239
ACFI				
Revenue	\$172.54	\$172.08	\$177.23	\$173.49
Expenses				
Direct care costs	\$135.76	\$130.71	\$119.80	\$111.70
Allocation of workers compensation	\$2.85	\$2.69	\$2.34	\$1.98
Allocation of quality and education expenses	\$1.00	\$1.06	\$0.71	\$0.73
Total expenditure	\$139.61	\$134.46	\$122.84	\$114.41
ACFI Result	\$32.93	\$37.62	\$54.39	\$59.08
Everyday Living				
Revenue	\$50.66	\$49.65	\$51.95	\$49.81
Expenses				
Hotel services	\$40.61	\$39.96	\$38.64	\$37.10
Utilities	\$6.76	\$6.21	\$6.33	\$5.91
Allocation of workers compensation	\$0.46	\$0.45	\$0.38	\$0.35
Allocation of quality and education expenses	\$0.16	\$0.18	\$0.12	\$0.13
Motor vehicles and property maintenance	\$10.09	\$10.00	\$9.78	\$9.60
Total expenditure	\$58.09	\$56.81	\$55.25	\$53.08
Everyday Living Result	(\$7.43)	(\$7.16)	(\$3.30)	(\$3.27)
Administration				
Administration expenses	\$37.27	\$35.42	\$31.24	\$30.64
Allocation of workers compensation to ACFI & Everyday living	(\$3.32)	(\$3.14)	(\$2.72)	(\$2.33)
Allocation of quality and education to ACFI & Everyday living	(\$1.16)	(\$1.24)	(\$0.82)	(\$0.86)
Administration Result	(\$32.80)	(\$31.04)	(\$27.70)	(\$27.45)
CARE Result	(\$7.30)	(\$0.58)	\$23.39	\$28.36
Accommodation				
Accommodation revenue	\$29.91	\$27.45	\$28.47	\$25.47
Accommodation expenses	\$18.68	\$17.50	\$17.58	\$16.58
ACCOMMODATION Result	\$11.23	\$9.95	\$10.89	\$8.89
FACILITY Result per bed day	\$3.93	\$9.37	\$34.28	\$37.25
Facility EBT per bed per annum	\$1,348	\$3,236	\$12,048	\$13,102
Facility EBITDA per bed per annum	\$6,884	\$8,397	\$17,574	\$18,285
KPIs				
Occupancy	94.1%	94.6%	96.3%	96.4%
Direct care costs as % ACFI	80.9%	78.1%	69.3%	65.9%
Supported ratio	44.5%	45.4%	42.7%	43.0%
Average bond/RAD held	\$313,022	\$279,513	\$326,465	\$291,179
Average RAD taken during period	\$348,019	\$320,220	\$353,198	\$352,619

Table 15: Detailed March 2018 results for First 25% compared to other quartiles

	Survey <i>First 25%</i>	Survey <i>All excluding first 25%</i>	Survey <i>All excluding first 50%</i>	Survey <i>Fourth 25%</i>
	Mar-18	Mar-18	Mar-18	Mar-18
Number of facilities	228	683	455	228
ACFI				
Revenue	\$177.23	\$171.11	\$169.78	\$168.63
Expenses				
Direct care costs	\$119.80	\$140.64	\$145.48	\$152.82
Allocation of workers compensation	\$2.34	\$3.01	\$3.07	\$2.97
Allocation of quality and education expenses	\$0.71	\$1.08	\$1.16	\$1.28
Total expenditure	\$122.84	\$144.74	\$149.71	\$157.07
ACFI Result	\$54.39	\$26.37	\$20.07	\$11.56
Everyday Living				
Revenue	\$51.95	\$50.26	\$50.23	\$50.41
Expenses				
Hotel services	\$38.64	\$41.21	\$42.09	\$44.10
Utilities	\$6.33	\$6.89	\$7.03	\$7.42
Allocation of workers compensation	\$0.38	\$0.49	\$0.50	\$0.48
Allocation of quality and education expenses	\$0.12	\$0.18	\$0.19	\$0.21
Motor vehicles and property maintenance	\$9.78	\$10.19	\$10.15	\$10.40
Total expenditure	\$55.25	\$58.96	\$59.95	\$62.60
Everyday Living Result	(\$3.30)	(\$8.70)	(\$9.72)	(\$12.19)
Administration				
Administration expenses	\$31.24	\$39.12	\$40.70	\$43.41
Allocation of workers compensation to ACFI & Everyday living	(\$2.72)	(\$3.50)	(\$3.57)	(\$3.45)
Allocation of quality and education to ACFI & Everyday living	(\$0.82)	(\$1.26)	(\$1.35)	(\$1.49)
Administration Result	(\$27.70)	(\$34.36)	(\$35.78)	(\$38.47)
CARE Result	\$23.39	(\$16.68)	(\$25.44)	(\$39.10)
Accommodation				
Accommodation revenue	\$28.47	\$30.35	\$31.12	\$31.20
Accommodation expenses	\$17.58	\$19.02	\$18.95	\$18.89
ACCOMMODATION Result	\$10.89	\$11.33	\$12.17	\$12.31
FACILITY Result per bed day	\$34.28	(\$5.35)	(\$13.27)	(\$26.80)
Facility EBT per bed per annum	\$12,048	(\$1,825)	(\$4,487)	(\$8,867)
Facility EBITDA per bed per annum	\$17,574	\$3,713	\$1,093	(\$3,425)
KPIs				
Occupancy	96.3%	93.4%	92.7%	90.7%
Direct care costs as % ACFI	69.3%	84.6%	88.2%	93.1%
Supported ratio	42.7%	45.2%	45.4%	44.7%
Average bond/RAD held	\$326,465	\$308,043	\$302,229	\$305,881
Average RAD taken during period	\$353,198	\$346,351	\$343,416	\$353,323

7. GLOSSARY

Accommodation Result

Accommodation Result is the net result of accommodation revenue (DAPs/DACs/Accommodation supplements) and expenses related to capital items such as depreciation, property rental and refurbishment costs. It no longer includes costs associated with recurrent repairs and maintenance and motor vehicles.

ACFI revenue

Aged Care Funding Instrument (ACFI) revenue includes the subsidy received from the Commonwealth and the means-tested care fee component levied to the resident. ACFI revenue includes the additional care supplement subsidies and some grant (not capital funding).

ACFI Result

ACFI Result represents the net result from revenue and expenses directly associated with care. It includes ACFI and Supplements (including means-tested care fee) revenue less total care expenditure, and this includes an allocation of workers compensation and quality and education costs.

Administration Result

Administration Results includes the costs of administration and support services and excludes the allocation of workers compensation and quality and education costs to ACFI and Everyday Living.

Averages

All *averages* are calculated using the total of the raw data submitted for any one-line item and then dividing that total by the total occupied bed days for the facilities in the group. For example, the average for contract catering across all facilities would be the total amount submitted for that line item divided by the total occupied bed days for all facilities in the survey.

Average by line item

This measure is *averaged* across only those facilities that provide data for that line item. All other measures are *averaged* across all the facilities in the particular group. The *average* by line item is particularly useful for line items such as contract catering, cleaning and laundry, property rental, extra service revenue and administration fees as these items are not included by everyone

Benchmark

We consider the benchmark to be the *average* of the *First 25%* in the group of facilities being examined. For example, if we are examining the results for facilities in Band 1, then the benchmark would be the *average* of the *First 25%* of the facilities in Band 1.

Care Result

This is the element of the facility result that includes the direct care expenses and everyday living costs and administration and support costs. It is calculation as ACF result + Everyday Living result + Administration result.

Dollars per bed day

This is the common measure used to compare items across facilities. The denominator used in this measure is the number of occupied bed days for any facility or group of facilities.

EBITDA

This measure represents earnings before Interest (including investment revenue), Taxation, Depreciation and Amortisation. The calculation excludes interest (and investment) revenue as well as interest expense on borrowings.

The main reason for this is to achieve some consistency in the calculation. Different organisations allocate interest and investment revenue differently at the “facility level”. To ensure that the measure is consistent across all organisations we exclude this revenue stream.

EBIT

Earnings Before Interest (including investment revenue) and Taxation. This is a measure that excludes those variables relating to the tax status and financial position of an entity but recognises the consumption of capital in the form of depreciation and amortisation.

EBT

Earnings Before Tax. This may also be referred to as the Facility Result.

Facility EBITDA

The starting point for this calculation is the Facility Result which is a combination of the Care and Accommodation results. It excludes all “provider revenue and expenditure” including fundraising revenue, investment revenue from other than interest, capital grants and sundry revenue. It also excludes those items excluded from the EBITDA calculation above. This measure is more consistent across the facilities because it excludes all those items which are generally allocated at the facility level on an inconsistent and arbitrary basis depending on the policies of the individual provider.

*** The previous metric of Provider EBITDA is no longer included in the reporting as it is not considered to be a key indicator of facility performance.*

Everyday Living Result

Revenue from Basic Daily Fee plus Extra or Optional Service fees less Hotel Services (catering, cleaning, laundry), Utilities, Motor Vehicles and regular Property & Maintenance (includes allocation of workers compensation premium and quality and education costs to hotel services staff)

Facility Result

Combination of the Care and Accommodation Results. It excludes revenue from fundraising, investments, sundry revenue and fair value adjustments.

Location - City

Facilities have been designated as being city based according to the designation by the Department of Health in their listing of aged care services. Those that were designated as being a “Major City of Australia” have been designated City.

Location - Regional

Facilities have been designated as being regionally based according to the designation by the Department of Health in their listing of aged care services. Those that were designated as being an “Inner Regional”, “Outer Regional” or “Remote” have been designated as Regional.

APPENDIX A

Extract from Quality of Care Principles 2014

1 Hotel services - for all care recipients who need them

The following table specifies the hotel services that must be provided for all care recipients who need them.

Hotel services—to be provided for all care recipients who need them		
Item	Column 1 Service	Column 2 Content
1.1	Administration	General operation of the residential care service, including documentation relating to care recipients.
1.2	Maintenance of buildings and grounds	Adequately maintained buildings and grounds.
1.3	Accommodation	Utilities such as electricity and water.
1.4	Furnishings	Bedside lockers, chairs with arms, containers for personal laundry, dining, lounge and recreational furnishings, draw-screens (for shared rooms), wardrobe space and towel rails. Excludes furnishings a care recipient chooses to provide.
1.5	Bedding	Beds and mattresses, bed linen, blankets, and absorbent or waterproof sheeting.
1.6	Cleaning services, goods and facilities	Cleanliness and tidiness of the entire residential care service. Excludes a care recipient's personal area if the care recipient chooses and is able to maintain this himself or herself.
1.7	Waste disposal	Safe disposal of organic and inorganic waste material.
1.8	General laundry	Heavy laundry facilities and services, and personal laundry services, including laundering of clothing that can be machine washed. Excludes cleaning of clothing requiring dry cleaning or another special cleaning process, and personal laundry if a care recipient chooses and is able to do this himself or herself.
1.9	Toiletry goods	Bath towels, face washers, soap, toilet paper, tissues, toothpaste, toothbrushes, denture cleaning preparations, mouthwashes, moisturiser, shampoo, conditioner, shaving cream, disposable razors and deodorant.
1.10	Meals and refreshments	(a) Meals of adequate variety, quality and quantity for each care recipient, served each day at times generally acceptable to both care recipients and management, and generally consisting of 3 meals per day plus morning tea, afternoon tea and supper; (b) Special dietary requirements, having regard to either medical need or religious or cultural observance; (c) Food, including fruit of adequate variety, quality and quantity, and non-alcoholic beverages, including fruit juice.
1.11	Care recipient social activities	Programs to encourage care recipients to take part in social activities that promote and protect their dignity, and to take part in community life outside the residential care service.
1.12	Emergency assistance	At least one responsible person is continuously on call and in reasonable proximity to render emergency assistance.

StewartBrown Aged Care Executive Team



Stuart Hutcheon | Managing Partner

Stuart Hutcheon is the head of our Audit and Assurance Division, but also provides consulting services to a diverse client base. He has had considerable experience with both commercial and not-for-profit organisations. This experience covers all areas of professional services including auditing, management accounting, budgeting, salary packaging and FBT advice.

Prior to joining StewartBrown Stuart held positions in commerce and undertook various medium-term secondments in various financial accounting roles. He has been a partner since 2004.

Stuart holds a Bachelor of Commerce and is a Chartered Accountant, Registered Company Auditor and Registered SMSF Auditor.



Grant Corderoy | Senior Partner

Grant is the head of our expanded Consulting division. He specialises in a range of services for his clients including undertaking complex accounting assignments, system reviews, management consulting, specialised audits and general business advice. He also has considerable experience in advising clients on the sale and purchases of businesses, business valuations and due diligence.

Grant has over 40 years' experience in the profession and was previously responsible for the Audit and Aged Care Division which he established in 1990. A partner in the firm since 1995, he has significant professional expertise within the not-for-profit sector and has a lengthy client list including many national aged care providers and community service providers.

Grant has tertiary business qualifications and is an Affiliate of Chartered Accountants Australia and New Zealand.



David Sinclair | Partner

David is Partner with StewartBrown specialising in providing services and advice to the aged care and community services businesses with a focus on the not-for-profit sector. Until recently, David managed the StewartBrown Aged Care Financial Performance Survey. David now leads the internal audit team and jointly leads the consulting team in conjunction with Senior Partner Grant Corderoy. David holds a Bachelor of Economics, is a Chartered Accountant, an Associate Member of the Institute of Internal Auditors and Member of the Australian Institute of Company Directors.



Tracy Thomas

Senior Manager | Benchmark Services & Business Analysis

Tracy is a Chartered Accountant and Associate Actuary. Since joining StewartBrown in 2016, she has been involved with the Aged Care Financial Performance Survey and now heads the team undertaking the survey. She has worked with several providers of residential aged care and home care on consulting assignments and produced the Corporate Administration Reports and Listed Providers Analysis updates. She specialises in data analysis and financial modelling.



Annette Gough

Senior Manager | Consulting

Annette is a CPA who has joined StewartBrown in the position of Senior Manager within our Consulting division. She has extensive experience in the NFP industry with her most recent role being responsible for budgets, forecasting and reporting for a large not for profit provider. She specialises in business partnering to align the financials and reporting with service delivery. Prior to this, she has held various senior positions within the Commercial sector with a key focus on driving performance.

StewartBrown - Our Knowledge is your success

StewartBrown, Chartered Accountants, was established in 1939 and is one of the leading boutique accountancy firms in Australia combining a full range of professional services with varied corporate assignments. Our professional mission statement is *"we deliver service beyond numbers"*, which reflects the commitment to helping our extensive range of clients to achieve their financial goals.

We offer a depth of technical knowledge and varied professional experience, with many of our senior staff now having well over 10 years' of service with the firm, resulting in our clients benefitting from continuity and accountants who really understand their business.

What a boutique firm offers

Whilst StewartBrown provides a range of professional services, our "point of difference" is our ability to engage in assignments of a complex nature by providing a varied mix of experience and corporate skills. Examples of recent consulting assignments include:-

- Contract accounting
- Payroll processing and billing processing
- Financial modelling and unit costing analysis
- Strategic planning facilitation
- ITSC Project management
- Governance reviews
- Organisation restructures
- Risk management reviews
- Due diligence
- Work-flow building design
- FBT and GST reviews
- Detailed forecasting modelling

Audit and assurance services

Complementing our consulting services is our dynamic Audit division. StewartBrown adopts a risk based audit approach which is performed strictly in accordance with Australian Auditing Standards. Our engagements involve a detailed analysis of the client's business and systems of internal control to ensure we fully understand how the client operates and identify areas that pose the greatest risk of being materially misstated in the financial statements.

Our detailed testing procedures are then tailored to meet the risks identified and also ensure an efficient and effective audit is performed.

What we offer our audit clients are a mix of experience and knowledge well beyond that of most other firms. Our audit staff all have regular exposure to consulting and secondment assignments which significantly enhances the "value add" we bring to our audit clients.

Specialty in the aged care, community and disability sectors

StewartBrown is widely regarded as being a leading specialist within the aged care, community and disability sectors. Our client base includes many large national providers in addition to independent stand-alone providers, faith-based and community providers, culturally specific providers, as well as government and statutory bodies.

Our commitment to these important social sectors each year involve 30+ plus speaking engagements at Conferences, sector briefings, workshops, department briefings, organisation presentations and community consultations.

Integrity + Quality + Clarity

These terms which appear on our logo are more than aspirations, they appear for a very important reason - they encapsulate the professional standards that we strive to continually maintain and ensure best practice.

CONTACT US

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