



Positive Ageing Service Review **Community Engagement Options paper**

Note that this is a detailed background paper; please refer to the *Positive Ageing service review Discussion Paper* for fast facts and a feedback questionnaire

EXECUTIVE SUMMARY

Fast Facts:

- The Australian Government is changing how aged care and disability services are delivered
- By 2020 Councils will no longer automatically be the provider of aged and many disability services
- If there are appropriate alternatives Council won't need to provide a competing service
- Council will not leave our community without a needed service
- Council is planning for the future and wants to know what our community thinks

The Australian Government is changing the way aged and disability services will be delivered in the future.

The government plans to increase consumer choice to ensure services are efficient and cost effective.

The changes will come into effect by 2020 and will mean Councils won't automatically be the provider of aged and disability services in their area.

If there are suitable not-for-profit or private organisations that can deliver aged services Council won't need to also provide such services.

Surf Coast Shire Council is investigating how the changes could impact on the services it provides.

One thing Council has already committed to is that we will not leave the community without a much needed service. Appropriate services must be available.

Surf Coast Shire Council has budgeted to subsidise aged and disability services by \$1.35M in 2017/18.

That is a significant cost for ratepayers especially given rate capping limits how much revenue Council can raise through rates.

Before deciding on the best option for the future we would like to hear from our community.

If there are appropriate alternatives should Council still provide a competing service?

Would our community still prefer Council services even if other providers are available for less?

These are some of the issues we are considering as part of our investigation.

About this review

This review is being undertaken to:

- assist Council to understand the social and economic perspectives of the positive ageing services it provides, and
- identify the service model that will best ensure that older people and people with a disability, continue to have access to affordable, high quality services in the future

Review Part 1

In October 2017, Council:

- received and endorsed the Positive Ageing Service Review Research Paper marking the completion of Part 1 of the project
- authorised the commencement of Part 2 of the project – the exploration of options regarding Council's future role in supporting older people and people with a disability, and
- endorsed the success criteria that will be used to identify and assess possible options

Review Part 2

The report methodology for Part 2 of the Project utilizes the endorsed success criteria to analyse the following possible service delivery options against each of the Positive Ageing activities:

	Options			
	Status quo	Retain and modify	Sub-contract	Relinquish
Sub-options	<ul style="list-style-type: none">• Business as usual without the review	<ul style="list-style-type: none">• Renegotiate Enterprise Agreement• Full cost recovery• Shared service• Joint venture• Grow the service	<ul style="list-style-type: none">• NGO• Community group	<ul style="list-style-type: none">• 30/6/2019 (expiry of current funding agreement)• 30/6/2020 (expiry of funding agreement extension)

Chapter 19 summarises the results of the options analysis as follows:

Chapter	Activity	Best match with the success criteria	BI principles	Council Plan, PA strategy	Service outcome	Transition
7	Assessment	Relinquish				
8	CHSP (PC, DA, and respite)	Relinquish				
9	CHSP (property maintenance)	Relinquish				
10	Delivered meals (CHSP and HACC PYP)	Relinquish				
11	Home care packages	Relinquish				
12	Veterans home care	Relinquish				
13	NDIS	Relinquish				
14	Brokered services	Relinquish				
15	Musical mornings	Retain and modify				
16	Café style support	Retain and modify				
17	Senior citizens centres	Retain and modify				
18	Special projects	Relinquish				

Section 3 identifies three possible scenarios that provide insight into how the indicated options may be implemented, and to assist with consultation:

Possible implementation scenario	Match with success criteria	Risk	Financial implications
Remain a service provider			
Extended exit plan			
Compressed exit plan			

The reformed aged care environment of the future, featuring choice and competition, will lead to local government not being a competitive service provider. Evidence shows that an extended exit plan:

- achieves a high match with the adopted success criteria
- features a low overall level of risk (with no high risk items)

- eliminates Council's \$1.35M subsidy of above market wages and overheads
- promotes market development (the market provides quality services), and
- maximises valuable planning and transition time

Chapter 27 recommends that:

1. community feedback be sought regarding all aspects of the review
2. this Options Paper be publicly released to inform community consultation, and
3. community feedback and submissions be considered in the development of a Preferred Option Paper, and before any decision is made regarding Council's future role

Receipt and endorsement of this Options Paper at the 27 February 2018 Council meeting will mark the completion of Part 2 of the review and the commencement of Part 3.

Review Part 3

Part 3 of the review will comprise:

- public release of this Options Paper inviting comment
- community consultation
- receipt of submissions and feedback, and
- the development of a Preferred Option Paper (incorporating community feedback)

The Preferred Option Paper is scheduled to be referred to the May 2018 Council meeting where a decision will be sought.

Note that Council will lose its power to influence outcomes when the current funding agreements begin to expire in 2019.

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Section 1 - INTRODUCTION

1. INTRODUCTION

The Federal Government's aged care reform agenda and the State Government's Fair Go Rates System (rate capping) are the key drivers to Council undertaking this review.

Individualized funding, choice and competition are key features of the reform agenda that will fundamentally change the way that aged and disability services are delivered in the future. In the new paradigm; local government will:

- not automatically be a designated service provider, and
- be just another (costly) service provider in a market of many

Funding agreements that currently identify Council as a service provider begin to expire in 2019. When that happens, it's likely that the Australian Government will either market test services on a regional scale, or introduce individual funding to clients. Council will not be competitive in either scenario and won't have a say on future arrangements.

Like most councils, Surf Coast Shire Council is keen to understand how it can respond to these changes so that people continue to receive the important services they need.

Council's Business Improvement team has been tasked with reviewing Positive Ageing services and has produced a Research Paper delivering a comprehensive baseline assessment and review of the external environment, and this Options Discussion Paper which explores possible future service delivery options and scenarios for each Positive Ageing activity.

Public consultation is the next critical part of the review, and submissions received will inform the development of a preferred option.

2. BACKGROUND

a. Dyson report

In 2016, Council engaged Dyson Consulting Group to provide a baseline service assessment, cost analysis, and social and economic benefits analysis. The Dyson Consulting Group Aged Care Reform Research Project Final Report (the Dyson report) was received in March 2017 and concluded that:

- financial viability is a challenge due to a number of factors including the inefficiency of Council's Enterprise Agreement, high overheads, and the employment of Community Care Workers at higher levels than the market
- Council needs to explore the various means by which financial viability might be addressed
- increasing service volumes will exacerbate the deficit because of staffing costs
- there are opportunities to more clearly demonstrate the value of Positive Ageing services, and
- shared services may provide opportunities, but administrative efficiencies will not be sufficient to offset high (relative to other providers) salary rates

b. Positive Ageing service review – Confidential research paper

In 2017, the Business Improvement team produced the Positive Ageing Service Review research paper (the Research Paper), including:

- further analysis of positive ageing activities
- client, volunteer and staff survey data and analysis
- G21 Council benchmarking data and analysis
- market scan data and analysis, and
- Commonwealth and State government commentary

At the 24 October 2017 ordinary Council meeting, Council:

1. received and endorsed the Research Paper, marking the completion of Part 1 of the project
2. authorised the commencement of Part 2 of the project – exploring Council's future options for supporting older people and people with a disability (this report), and
3. endorsed a set of success criteria, to be used in the development and assessment of those future options

c. Research Paper - executive summary

The following key findings have been compiled from the Research Paper and the Dyson report:

	Key findings
 <p>HISTORY</p>	<ul style="list-style-type: none"> • Council has a long history of funding and providing aged and disability care services • Council is a trusted provider of a complex range of aged and disability care services
 <p>SERVICE RESPONSIBILITY</p>	<ul style="list-style-type: none"> • The Federal and State governments are responsible for aged and disability care (local government is not) • The Positive Ageing Strategy commits Council to planning well for its older citizens, but does not specify how services are to be delivered • In the new paradigm, local government will be just another service provider (in a market of many)
 <p>GROWTH</p>	<ul style="list-style-type: none"> • The growing and ageing population adds to the imperative to change how aged and disability care is provided
 <p>ACTIVITY ANALYSIS</p>	<ul style="list-style-type: none"> • Council currently subsidises each positive ageing activity it provides • Connection with the cohort is the primary benefit of Council providing aged and disability care services • Socialisation programs (such as musical mornings and café style support) may not exist without Council
 <p>OPERATIONAL EFFICIENCY</p>	<ul style="list-style-type: none"> • The local government sector is a costly service provider • Council budgeted to subsidise the positive ageing program by \$1.353M in 2016/17 (actual = \$1.030M), and by \$1.347M in 2017/18 (all including overheads)
 <p>SURVEY</p>	<ul style="list-style-type: none"> • Client, volunteer and staff surveys consistently tell us that quality is important and provided this is met, who provides the service is less important • Staff are proud of the service they provide
 <p>BENCHMARK</p>	<ul style="list-style-type: none"> • Councils that have relinquished service provision typically retain a leadership role, no longer contribute a subsidy, and report a high level of community satisfaction with NGO providers

Key findings	
 <p>MARKET</p>	<ul style="list-style-type: none"> • Federal reforms are creating an increasingly competitive market place, as planned (less evident in the Surf Coast Shire) • The aged and disability care market is currently 'thin' in the Surf Coast Shire, but keen to expand
 <p>GOVERNMENT</p>	<ul style="list-style-type: none"> • The DOH and NDIA are confident that markets will successfully develop without intervention • On one hand government departments are not fixed to Councils being service providers, but on the other hand Councils are viewed as providers of last resort • Government departments endorse Council's review methodology

These findings provide clarity and understanding and:

- a. encourage the assessment of options associated with Council retaining service provision
- b. validate the exploration of options associated with Council relinquishing service provision, and
- c. prompt the question, 'what is Council's future role in supporting older people and people with disabilities in the Surf Coast Shire'?

d. Positive Ageing review - Success criteria

The following success criteria were adopted at the 24 October 2017 ordinary Council meeting and are used in this report to develop and assess future options for the Positive Ageing activities currently provided by Council:

POSITIVE AGEING SERVICE REVIEW – SUCCESS CRITERIA

Business improvement principles

- cost savings, improved quality, risk reduction
- financial savings benefit whole community
- improve efficiency, focus on core business
- the community isn't left without access to a critical service
- Council may not need to be a provider where an appropriate market exists
- address services that should be the responsibility of others



Service outcome

- quality support is available for older people and people with a disability to maximise their independence at home and in the community

Council Plan and PA strategy

- older people are supported to live independent and meaningful lives
- high quality services are available to the community
- easy for older citizens to access what they need
- use knowledge to respond to the needs of older citizens
- older citizens are connected with the community
- plan ahead for services and programs to adapt to change

Transition

- service continuity
 - service system sustainability
 - smooth transition to new arrangements
-

3. REVIEW MILESTONES

The following table sets out the key milestones of this service review:

Milestone	Date
Council meeting - Options Paper, commence community engagement	February 2018
Proposed CHSP funding extension issued – decision point	March 2018
Council meeting - Preferred option (incorporating community feedback)	April 2018
Council meeting - Implementation Plan	June 2018
Barwon HCP Program Alliance MOU expiry date	July 2018
Current CHSP funding agreement expiry date	30 June 2019
RAS funding agreement expiry date	30 June 2019
Temporary staff employment contracts expiry date	30 June 2019
NRCP funding agreement expiry date	30 June 2020
Proposed CHSP funding agreement extension expiry date	30 June 2020
DVA contract expiry date	30 November 2020
Transition to new arrangements	From July 2018

It's been discussed and agreed that an extended transition period to any new arrangements will assist with a smooth changeover; therefore it's critical that the above timetable be adhered to.

4. ASSESSMENT METHODOLOGY

The following methodology will be used to identify and assess future options against the various Positive Ageing activities:

1. Confirm Positive Ageing activities (Chapter 5)
2. Identify options for consideration against each Positive Ageing activity (Chapter 6)
3. Assess future options for each Positive Ageing activity against the previously adopted success criteria (Chapter 2). The following codes indicate the level of match with the criteria (Chapters 7 to 18):

Legend:

	= High match with adopted success criteria
	= Medium match with adopted success criteria
	= Low match with adopted success criteria

4. Identify the financial implications associated with each option (Chapters 7 to 18), and
5. Identify the preferred future delivery option for each Positive Ageing activity

5. POSITIVE AGEING ACTIVITIES

The research paper analyses Council's Positive Ageing services by the following activity types:

- Assessment
- CHSP and HACC PYP (personal care, domestic assistance and respite)
- CHSP and HACC PYP (property maintenance)
- CHSP and HACC PYP (delivered meals)
- Home care packages
- Veterans home care
- NDIS
- Brokered services
- Musical mornings
- Café style support
- Senior citizens centres
- Special projects

Chapters 7 to 18 identify and analyse various service delivery options for each of these activities.

6. OPTIONS IDENTIFICATION

a. Introduction

The following table identifies possible future options for the Positive Ageing activities currently provided by Council:

	Options			
	Status quo	Retain and modify	Sub-contract	Relinquish
Sub-options		<ul style="list-style-type: none"> Renegotiate Enterprise Agreement Full cost recovery Shared service Joint venture Grow the service 	<ul style="list-style-type: none"> NGO Community group 	<ul style="list-style-type: none"> 30/6/2019 (expiry of current funding agreement) 30/6/2020 (expiry of funding agreement extension)

But there's no point in assessing options that are not viable; the following sections examine the various options and sub-options and identify those that are suitable for detailed assessment.

b. Status quo

The status quo is defined as business as usual without the review; it assumes that Council continues to be reactive and subsidise Positive Ageing services, and that routine adjustments continue to be made to improve efficiency.

In the current reform environment, doing nothing is not a responsible option and fails to take advantage of valuable planning and transition time. Note that even if Council does nothing to become more competitive, it must change its systems and workflows to accommodate individual funding and consumer directed care.

The status quo provides a datum for the analysis of options for each activity.

Conclusion – include the status quo as an option for analysis.

c. Retain and modify

The Research Paper finds that local government is a costly service provider; due to higher pay rates, in-direct costs and overheads than NGO providers, and lower productivity. This directly affects Council's competitiveness and its ability to remain a service provider without significant subsidy.

The following 'retain and modify' sub-options could improve Council's competitiveness, but only 'renegotiating the Enterprise Agreement' and 'full cost recovery fees and charges' are considered to be realistic and viable alternatives.

Renegotiate Enterprise Agreement

According to the project charter, changes to the Enterprise Agreement are out of scope, but renegotiating the EA has the potential to improve competitiveness and allow Council to remain a service provider.

A reduction of almost 30% would be necessary to compete with NGOs that are typically underpinned by the Social, Community, Home Care and Disability Services Industry modern Award 2010 (SCHADS); but based on experience it's thought that a 3-year wage freeze is the most that could realistically be achieved.

Regardless of what can be negotiated now, it's likely that pay scales would again creep up with subsequent enterprise agreements to perpetuate the disparity.

This option is a possibility, but would only be progressed at the instruction and with the full support of staff and the Union.

Conclusion – include renegotiating the EA as an option for analysis.

Full cost recovery fees and charges

Full cost recovery fees and charges refers to setting fees and charges to recoup all costs (including direct and in-direct costs, and overheads) associated with providing the activity. Full cost recovery will eliminate subsidies and encourage market growth, but conversely will make Council provided services less affordable and Council less competitive. The Research Paper shows that full cost recovery will require a substantial unit cost increase – in the order of \$25/hour for support services.

Conclusion – include full cost recovery fees and charges as an option for analysis.

Shared service

In this context, shared service would apply to the sharing of 'back office' activities (such as management, administration, rostering, training, recruitment) most likely between participating G21 Councils, assessment and front-line care workers would continue to be employed locally.

Shared services can provide savings through economies of scale, but to reap the maximum benefit and to compete with the private sector requires best practice, including:

- a. harmonised systems
- b. simplified workflows
- c. contemporary technology
- d. lean structures, and
- e. competitive industrial instruments

Unfortunately none of the G21 Councils currently demonstrate best practice in service delivery, and therefore 'shared service' is not a realistic option.

Conclusion – do not include shared services as an option for analysis.

Joint venture

A Joint Venture, with a lean staffing structure, utilising disruptive applications, and underpinned by the SCHADS Award would be the most effective way for Councils to remain involved in service provision in the longer term. To avoid accusations of sham contracting, a Joint Venture would require the participation of several partners. G21 Councils would be obvious joint venture partners, but their interest in the concept is untested.

Joint Ventures come with a certain level of risk, including that they can only be awarded service responsibility following a successful market test, conducted either by Council or by the Commonwealth (requiring Council to relinquish the service first).

A Joint Venture is most relevant in the absence of alternative providers, and is not appropriate in an emerging and growing market. A Joint Venture is therefore not considered to be an appropriate option.

Conclusion – do not include Joint Venture as an option for analysis.

Grow the service

'Growing the service' is not considered to be a realistic or appropriate option for Council provided support services, for the following reasons:

- Council currently subsidises each support service it provides, growth in any activity would directly increase Council's service subsidy, and
- Council's role should be to work with the Commonwealth and State governments to grow and encourage emerging markets, rather than try to compete with them

'Growing the service' may be an option for community development and advocacy activities.

Conclusion – include growing the service as an option for analysis regarding community development and advocacy activities

d. Sub-contract

Sub-contracting refers to Council market testing and sub-contracting service provision to an external provider. Activities could be packaged and market tested in several ways to achieve best value including, in its entirety, progressively, by funding type, by activity, or by locality.

Sub-contracting takes advantage of the more efficient industrial instruments utilized by NGOs and is most relevant whilst block funding exists, and therefore must be considered either as a:

1. short-term option, most logically from 1 July 2018 to the expiration of the CHSP agreement on 30 June 2019, or
2. bridging strategy to assist in the establishment of external providers in the local market, leading to relinquishing service provision

Sub-contracting is not appropriate for certain community development activities, but will be assessed as a service delivery option for Positive Ageing support services and assessment.

Conclusion – include sub-contracting as an option for analysis regarding certain support services.

e. Relinquish service provision

A sudden and complete withdrawal from service provision would undoubtedly represent the worst outcome for clients and staff, including:

- failure to meet program objectives
- sudden and complete disconnect from the older people and people with a disability cohort
- insufficient time to plan for a transition to new arrangements, or to grow local markets, and
- abandonment of loyal and hard-working staff

Similarly, doing nothing but wait and see what happens with the disappearance of block funding would be a grossly wasted transition opportunity.

The Research Paper finds that the local provider market is currently weak, but that all agencies contacted are very keen to have the opportunity to grow and provide services in the Surf Coast Shire.

Relinquish services on 30 June 2019

30 June 2019 marks the expiration of the current CHSP funding agreement and is therefore a natural date to relinquish service provision.

Relinquish services on 30 June 2020

If the current funding agreement extension offers are accepted (including unknown terms and conditions), then 30 June 2020 becomes a second option to relinquish service provision.

Depending on if and when the decision is made, both of the above dates provide extended transition periods that would allow Council to carefully plan its exit from service delivery so that:

- any impact on clients and staff could be minimised, and

- emerging markets are encouraged to establish and grow

Conclusion – include ‘Relinquish service provision on 30 June 2019’ and ‘Relinquish service provision on 30 June 2020’ as options for analysis.

f. Application of options

The status quo, retain and modify (including renegotiate the Enterprise Agreement and introduce full cost recovery fees and charges), sub-contracting, and relinquishing services are identified as viable future options, worthy of analysis.

The following table lists the options that will be assessed for each Positive Ageing activity:

Chapter	Activity	Status quo	Retain and modify	Sub-contract	Relinquish
7	Assessment	Yes	EA	Yes	2019, 2020
8	CHSP and HACC PYP (personal care, domestic assistance and respite)	Yes	EA, FCR	Yes	2019, 2020
9	CHSP and HACC PYP (property maintenance)	Yes	EA, FCR	No	2019, 2020
10	CHSP and HACC PYP (delivered meals)	Yes	EA, FCR	Yes, meals	2019, 2020
11	Home care packages	Yes	EA, FCR	Yes	2019, 2020
12	Veterans home care	Yes	EA, FCR	No	2019, 2020
13	NDIS	Yes	No	No	2019
14	Brokered services	Yes	No	No	2019, 2020
15	Musical mornings	Yes	EA, FCR	Yes	2019, 2020
16	Café style support	Yes	EA, FCR	Yes	2019, 2020
17	Senior citizens centres	Yes	No	No	No
18	Special projects	Yes	No	No	No

Further explanation is provided in the relevant chapter.

Section 2 – OPTIONS ANALYSIS

7. ASSESSMENT

a. Service snapshot

The following service snapshot is extracted from the Positive Ageing Service Review research paper:

Description

Council is a registered rural Regional Assessment Service (RAS) for the CHSP and an Assessment and Care Coordination service for the under 65 cohort. The aims of Assessment are to ensure that CHSP and HACCC PYP services respond to client's (and carer's needs), and to support clients in retaining or regaining skills that will enable them to continue living independently in the community.

The positive ageing team is structured so that Assessment is separate from service delivery, this minimises any potential for a conflict of interest and maximises impartiality and client outcomes. Council's assessment team contributes to the successful attainment of the CHSP and HACCC PYP objectives (assisting clients to remain in their home/community for as long as possible, increased independence and quality of life).

The RAS is funded by the Commonwealth, Assessment and Care Coordination is funded by the State Government, both are subsidized by Council. It's unclear how assessment and care coordination will operate in the aged care reform space.

Community benefits

The benefits to the community of Council being an assessment provider include:

- a strong connection with the aged and people with a disability cohort
- an independent, impartial assessment service, and
- enhanced ability to advocate on behalf of the aged and disabled cohort

Financial analysis

The following table illustrates the construction of the 2017/18 assessment service cost, which is used to calculate unit rates:

Direct labour costs – costs directly associated with delivering the frontline service, including support workers, travel, and materials	In-direct costs - time spent on non-frontline tasks including supervision, coordination, training and meetings, etc	Overhead costs - back office costs other than direct and indirect, including HR, payroll, risk, governance, IT, insurance, legal fees, repairs, utilities, etc	Cost (\$)
259,336	8,451	80,569	348,356

The following tabulation shows a decrease in unit cost and unit subsidy in 2016/17, reflecting staffing changes that have been made to improve efficiency:

Assessment	Target (funded) hours	Delivered (actual) hours	Cost	Revenue	Subsidy	Unit cost	Unit funding	Unit subsidy
2016/17 Dyson forecast	1,791	4,368	401,958	176,230	225,728	92	98	52
2016/17 actual	1,791	4,368	287,347	173,230	114,117	66	97	26
2017/18 budget	2,312	4,368	348,356	177,244	171,112	80	77	39

The 2017/18 adopted budget figures are accurate and result in a unit cost of \$80/hour and a unit subsidy of \$39/hour.

Conclusion

Assessment services are highly subsidised by Council, but offer an effective connection with the aged and disabled cohort.

b. What we know about the next few years

The following tabulation sets out what we know about the next few years, and what's likely to happen if we continue with business as usual:

	2017/18 and environment	2018/19	2019/20	2020/21
Facts	<ul style="list-style-type: none"> The Regional Assessment Service (RAS) is funded by the Commonwealth (via the DHHS), and subsidised by Council Assessment and care coordination is funded by the State government and subsidised by Council The RA service agreement is due to expire on 30 June 2019, and the DHHS have planned to commence their exit in January 2018 There's talk of a one year extension to the RAS funding agreement (similar to the CHSP), but nothing has materialised at the time of writing Future Assessment and Care coordination funding and operational arrangements are unclear Council's Assessment workload is currently divided between CHSP (80%) and HACC PYP (20%) Assessment services connect Council with the aged and under 65 with a disability cohorts Council cannot provide a RAS without subsidy 	<ul style="list-style-type: none"> Geelong City and Colac Otway Shire Council Officers are keen to continue to provide a RAS 	<ul style="list-style-type: none"> If an extension to the current agreement is offered and accepted, then it's likely to align with the CHSP extension and expire on 30 June 2020 	
What will happen if we don't conduct the review and continue with business as usual	An announcement regarding the future of the RAS must be made in 2017/18	<p>Regional Assessment Services are likely to remain block funded</p> <p>If the current agreement is not extended, then the RAS is likely to be packaged on a regional scale and market tested in early 2019</p> <p>A consortium of Councils (led by Geelong City) may tender to provide the RAS (this can only be successful as a Joint Venture)</p>	<p>Council will be uncompetitive in a market test</p> <p>Aged Care Assessment Services (ACAS) may be merged with the RAS</p>	Council will continue its subsidy if it remains an assessment service provider

c. Options identification

Chapter 6 identifies the following options for analysis against the Assessment service currently provided by Council:

Options			
Status quo	Retain and modify (investigate renegotiating the EA)	Sub-contract	Relinquish (investigate relinquishing on 30 June 2019 and 30 June 2020)

Fees are not charged so full cost recovery is not identified as an option.

d. Options analysis

In this section, future options for the delivery of Assessment services are analysed against the adopted success criteria with the following results:

Assessment	Service delivery options (refer to chapter 8)			
	Status quo	Retain and modify	Sub-contract	Relinquish
Success criteria (refer to chapter 2)				
Business Improvement				
Council Plan and strategies				
Service outcomes				
Transition				

The following paragraphs provide a brief narrative regarding the analysis of options against the adopted success criteria:

Business Improvement principles

Relinquishing service delivery achieves a high match with Council's Business Improvement principles by providing financial savings, reducing risk, focusing on core business, addressing services that are the responsibility of others, and encouraging market growth and therefore guaranteeing services in the medium to long term.

Council Plan and Positive Ageing Strategy

All options achieve a high match with the relevant objectives of the Council Plan and Positive Ageing Strategy including supporting older people to live independent and meaningful lives, high quality services are available to the community, easy for older citizens to access what they need, using knowledge to respond to the needs of older

citizens, connecting older citizens with the community, and planning ahead for services and programs to adapt to change.

Service outcome

Council is a respected provider of quality services and therefore the Status Quo, and Retain and Modify options, achieve a high match with the service outcomes criteria.

Relinquishing service delivery and sub-contracting both achieve a medium match with the Service Outcome criteria (quality support is available for frail and older residents to maximize their independence at home and in the community). NGOs provide quality supports and consistently meet program objectives (the Research Paper indicates that NGOs can meet or exceed Council's quality).

Transition

Making an early decision to relinquish service delivery achieves a high match with the 'transition' criteria by providing an extended period that will allow for careful planning, a smooth transition to new arrangements, and long term service continuity. Council's withdrawal from service delivery will also foster market growth, initiate competition, and guarantee service system sustainability with efficient providers.

Sub-contracting may be used as a transition tool and also achieves a high match.

Conclusion

Relinquishing responsibility for assessment services achieves the best match with the adopted success criteria. Refer to Appendix 1 for a more detailed analysis.

e. Financial implications

This section analyses the financial implications associated with each of the identified options.

Assumptions

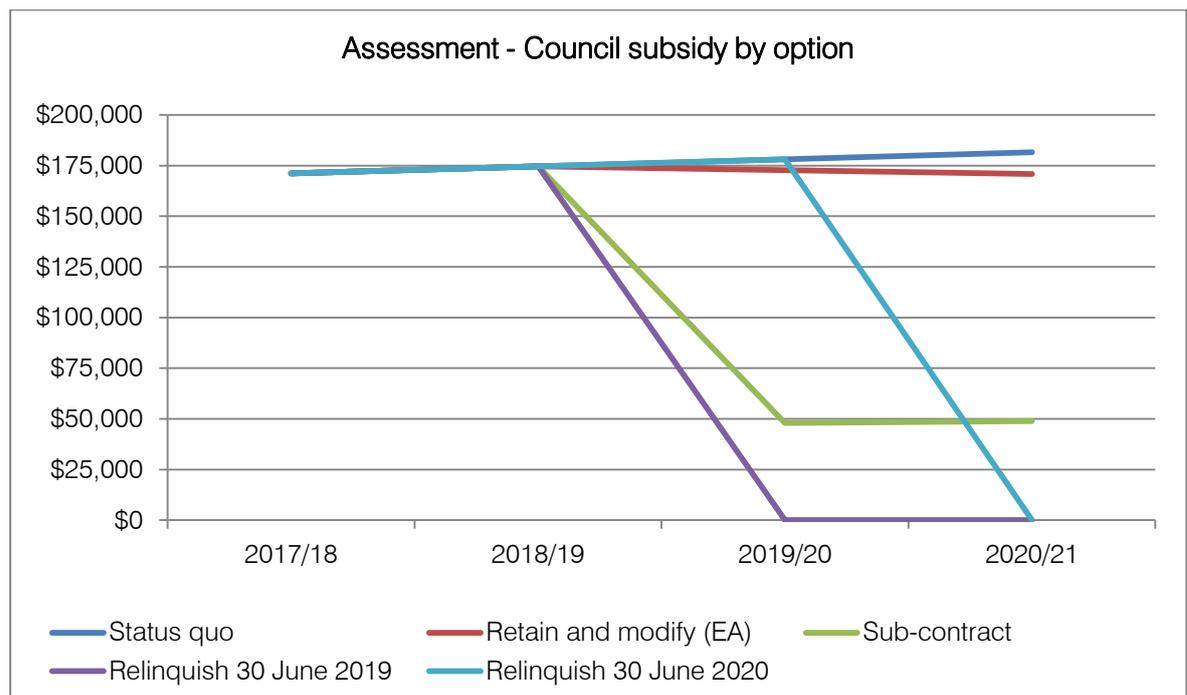
The financial implications associated with each option are based on the following assumptions:

Option	Assumptions
Status quo	<ul style="list-style-type: none"> • 2017/18 budget datum • Agreement is extended to expire on 30 June 2020 • 2.0% wage growth annually
Retain and modify (renegotiate EA)	<ul style="list-style-type: none"> • Agreement is extended to expire on 30 June 2020 • One year to renegotiate the EA (1 July 2018 to 30 June 2019) • New EA to take effect on 1 July 2019 • Wage freeze from 1 July 2019 (affecting direct costs only) – assumes that

Option	Assumptions
	wage reductions won't be achievable <ul style="list-style-type: none"> • \$0 redundancies (due to all Assessment staff being on temporary employment contracts)
Sub-contract	<ul style="list-style-type: none"> • Agreement is extended to expire on 30 June 2020 • One year to market test and award contract (1 July 2018 to 30 June 2019) • Transition service to new provider on 1 July 2019 • Staff employed under SCHCADS Award 2010 • Staff employed at Level 7 (39% less than current EA Band 6A) • In-direct costs remain the same • Overheads at 15% of total costs (currently 23%) • Profit margin at 10% of direct costs • Contract management at 5% of total cost • \$0 redundancies (due to current temporary employment contracts)
Relinquish to the Commonwealth	<ul style="list-style-type: none"> • One year to negotiate terms with the Commonwealth and identify and appoint alternative providers • Relinquish service to the Commonwealth on 30 June 2019 (note that the funding agreement requires Council to continue to provide the service until another provider is appointed) • \$0 redundancies (due to temporary employment contracts)

Financial comparison

The following chart compares Council’s theoretical subsidy of each Assessment service delivery option:



The residual liabilities associated with each option post 2020/21 are:

	Recurrent subsidy	Redundancy liability
Status quo	\$181,585	\$0
Renegotiate EA	\$170,899	\$0
Relinquish 30 June 2020	\$0	\$0
Sub-contract	\$48,944	\$0
Relinquish 30 June 2019	\$0	\$0

Total savings

The following table quantifies the financial savings associated with each assessment service option:

	2019/20 saving	2020/21 saving	Total saving to 30 June 2020
Status quo	\$0	\$0	\$0
Renegotiate EA	\$5,290	\$10,687	\$15,977
Relinquish 30 June 2020	\$0	\$181,585	\$181,585
Sub-contract	\$130,041	\$132,642	\$262,683
Relinquish 30 June 2019	\$178,025	\$181,585	\$359,610

Relinquishing assessment services on 30 June 2019 realises significant recurrent savings.

f. Conclusion

The RAS and HACC PYP Assessment and Care Coordination service agreements are due to expire on 30 June 2019; there's talk of an extension to 30 June 2020 but at the time of writing nothing has materialized and the State government has commenced planning their exit. When the current agreements (and any extensions) eventually expire, it's likely that Aged Care Assessment Services (ACAS) will be merged with the RAS and market-tested on a regional scale. Council will be uncompetitive in a market test, recognizing this and planning a controlled exit will yield the best outcomes.

Relinquishing responsibility for assessment services achieves the best match with the adopted success criteria, and realizes significant recurrent savings.

8. CHSP and HACC PYP (personal care, domestic assistance and respite)

a. Service snapshot

The following service snapshot is extracted from the Positive Ageing Service Review research paper:

Service recap

The CHSP aims to support frail, vulnerable, older people (HACC PYP aims to support people under 65 with a disability), to live as independently as possible, in their own home and community, for as long as they can and wish to do so through the provision of timely, entry-level home support services. The CHSP and the HACC PYP also aim to support the carers of clients.

The positive ageing team provides personal care, domestic assistance and respite care services under the CHSP and the HACC PYP that are critical to the successful attainment of the program aims.

Community benefits

Staff believe that the benefits to the community of Council providing these services include:

- accessibility - Council offers a 'one stop shop' with a seamless transition across services and funding sources
- trust - clients have confidence in Council as a service provider (reliable, care enough to follow up, clients are never at risk, well trained carers, etc)
- connection - vulnerable clients are connected to other areas of Council, and
- rapport - there is an established, strong rapport between clients and Council

Financial analysis

The following table illustrates the construction of the 2017/18 CHSP and HACC PYP cost, which is used to calculate unit rates:

Direct labour costs – costs directly associated with delivering the frontline service, including support workers, travel, and materials	In-direct costs - time spent on non-frontline tasks including supervision, coordination, training and meetings, etc	Overhead costs - back office costs other than direct and indirect, including HR, payroll, risk, governance, IT, insurance, legal fees, repairs, utilities, etc	Cost (\$)
884,577	433,279	192,516	1,510,372

The following table sets out unit rates. Financial analysis confirms CHSP and HACC PYP unit costs at \$81/hour with a unit subsidy of \$27 per hour of service delivered (the variance in unit subsidy is due to the difference between forecast and actual units delivered).

CHSP, HACC PYP, NRCP (personal care, domestic assistance, respite)	Target (funded) hours	Delivered (actual) hours	Cost	Revenue	Subsidy	Unit cost	Unit funding	Unit subsidy
2016/17 Dyson forecast	19,552	19,922	1,646,553	989,550	657,003	83	51	33
2016/17 actual	19,552	16,729	1,344,026	1,069,379	274,647	80	55	16
2017/18 budget	18,694	18,694	1,510,372	1,004,088	506,284	81	54	27

Conclusion

The CHSP and HACC PYP accounts for almost half of the aged and disability care services that Council currently provides. The unit subsidy and volume translate to a significant annual contribution.

The most significant benefits to the community of Council being a CHSP and HACC PYP provider appear to be trust (and the sense of security that clients feel with Council as the service provider) and connection (vulnerable clients are connected to Council). But there's nothing to stop these benefits being established and developed with other providers over time.

b. What we know about the next few years

The following tabulation sets out what we know about the next few years, and what's likely to happen if we continue with business as usual:

	2017/18 and environment	2018/19	2019/20	2020/21
Facts	<ul style="list-style-type: none"> • A one year extension to the federal block funding agreement has been announced (to 30 June 2020), but the decision to accept the extension can't be made until early 2018 when the terms and conditions are announced • It's possible to increase the co-payment fee charged to clients, the schedule provided by the department is recommended only • The CHSP allows variances and reallocations of funding of up to 20% per service type • Council is the sole provider of CHSP, PYP and NRCP services in the municipality • The Commonwealth requires a provider to continue to provide services until an alternative is found • The State requires 90 days' notice from a provider to relinquish services • The Tune report recommends the introduction of five levels of Home Care Packages, commencing at Level 1 with CHSP type support • Demand for Personal Care and Domestic Assistance is increasing • Demand for respite is low and agreement targets aren't met 	<ul style="list-style-type: none"> • The current federal funding agreement for the delivery of the CHSP expires on 30 June 2019 • Temporary staff contracts expire on 30 June 2019 • These activities attract Council's largest total subsidy (\$506,000), and will continue to do so until addressed 	<ul style="list-style-type: none"> • If accepted, the one-year federal funding extension commences on 1 July 2019 and expires on 30 June 2020 • The NRCP funding agreement expires on 30 June 2020 • If the NRCP is discontinued, clients will be able to access respite services via another service (NDIS, CHSP or VHC) 	
What will happen if we don't conduct the review and continue with business as usual	Council budgets to incrementally increase client co-contribution fees each year for the remainder of the agreement (moving towards full cost recovery)	<p>The terms and conditions of the one-year federal funding extension are likely to be agreed to and the offer accepted</p> <p>Fee increases will allow Council to reduce its service subsidy</p> <p>The staff roster is balanced by natural attrition and non-renewal of temporary employment contracts</p>	<p>The emergence of viable alternative providers will force the application of Competitive Neutrality principles which will further increase Council's fees and charges. This will create a virtuous cycle in the marketplace, encouraging further growth</p> <p>Further fee increases will close the gap to full cost recovery</p>	CHSP services are either market tested by the Federal government on a regional scale, or individual funding is introduced (as recommended in the Tune report). Council will not be competitive in either scenario

c. Options identification

Chapter 6 identifies the following options for analysis against the CHSP and HACC PYP services currently provided by Council:

Options			
Status quo	Retain and modify (investigate renegotiating the EA; and charging full cost recovery fees)	Sub-contract	Relinquish (investigate relinquishing on 30 June 2019 and 30 June 2020)

d. Options analysis

In this section, future options for the delivery of CHSP and HACC PYP services are analysed against the adopted success criteria with the following results:

CHSP services	Service delivery options (refer to chapter 8)			
Success criteria (refer to chapter 2)	Status quo	Retain and modify	Sub-contract	Relinquish
Business Improvement				
Council Plan and strategies				
Service outcomes				
Transition				

The following paragraphs provide a brief narrative regarding the analysis of options against the adopted success criteria:

Business Improvement principles

Relinquishing service delivery achieves a high match with Council's Business Improvement principles by providing financial savings, reducing risk, focusing on core business, addressing services that are the responsibility of others, and encouraging market growth and therefore guaranteeing services in the medium to long term.

Council Plan and Positive Ageing Strategy

The status quo, sub-contracting, and relinquishing service delivery achieve a high match with the relevant objectives of the Council Plan and Positive Ageing Strategy including supporting older people to live independent and meaningful lives, high quality services are available to the community, easy for older citizens to access what they need, using knowledge to respond to the needs of older citizens, connecting older

citizens with the community, and planning ahead for services and programs to adapt to change.

Retain and modify achieves a lesser match due to the option of full cost recovery adversely affecting affordability, and therefore access to the service.

Service outcome

Council is a respected provider of quality services and therefore the Status Quo, and Retain and Modify options, achieve a high match with the service outcomes criteria.

Relinquishing service delivery and sub-contracting both achieve a medium match with the Service Outcome criteria (quality support is available for frail and older residents to maximize their independence at home and in the community). NGOs provide quality supports and consistently meet program objectives (the Research Paper indicates that NGOs can meet or exceed Council's quality).

Transition

Making an early decision to relinquish service delivery achieves a high match with the 'transition' criteria by providing an extended period that will allow for careful planning, a smooth transition to new arrangements, and long term service continuity. Council's withdrawal from service delivery will also foster market growth, initiate competition, and guarantee service system sustainability with efficient providers.

Sub-contracting may be used as a transition tool and also achieves a high match.

Conclusion

Relinquishing responsibility for CHSP and HACC PYP services achieves the best match with the adopted success criteria. Refer to Appendix 2 for a more detailed analysis.

e. Financial implications

This section analyses the financial implications associated with each of the identified options.

Assumptions

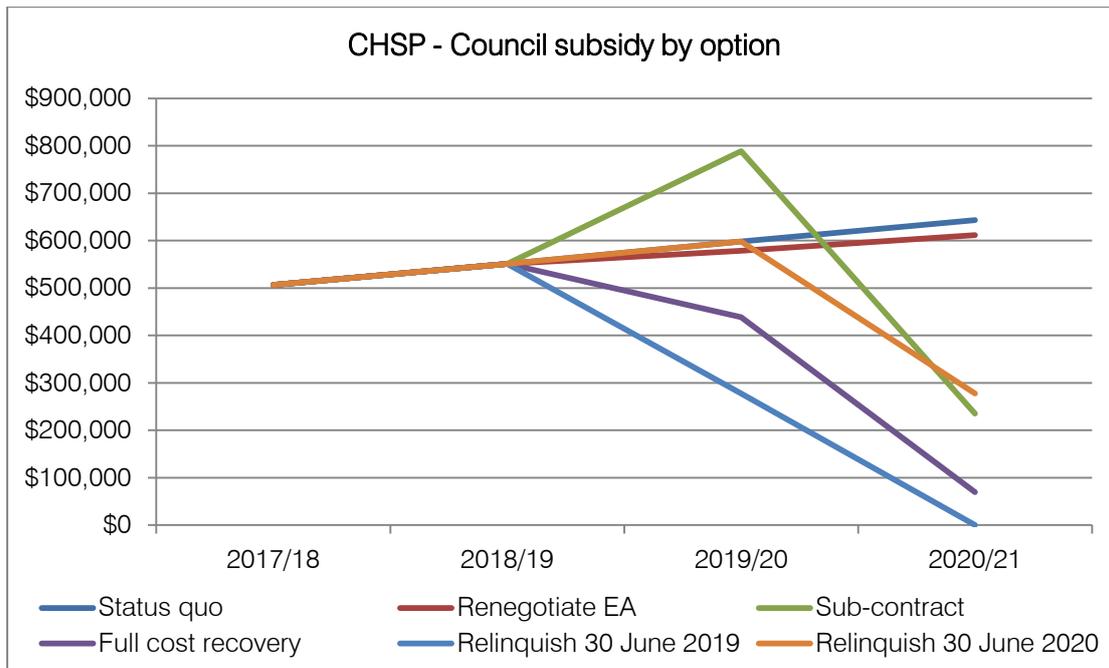
The financial implications associated with each option are based on the following assumptions:

Option	Assumptions
Status quo	<ul style="list-style-type: none"> • 2017/18 budget datum • Agreement is extended to expire on 30 June 2020 • Service grows proportionately with cohort growth (affecting direct costs only) • 2.0% wage growth annually • Cohort growth according to ABS forecasts

Option	Assumptions
Retain and modify (renegotiate EA)	<ul style="list-style-type: none"> • Agreement is extended to expire on 30 June 2020 • One year to renegotiate the EA (1 July 2018 to 30 June 2019) • New EA to take effect on 1 July 2019 • Wage freeze from 1 July 2019 (affecting direct costs only) – assumes that wage reductions won't be achievable • \$0 redundancies
Sub-contract	<ul style="list-style-type: none"> • Agreement is extended to expire on 30 June 2020 • One year to market test and award contract (1 July 2018 to 30 June 2019) • Transition service to new provider on 1 July 2019 • Staff employed under SCHCADS Award 2010 • Staff employed at Level 2 (27% less than current EA Band 2C) • In-direct costs at 20% of total costs (currently 29%) • Overheads at 10% of total costs (currently 13%) • Profit margin at 10% of direct costs • Contract management at 5% of total cost • Redundancies paid in 2019/20
Relinquish to responsible agencies 30 June 2020	<ul style="list-style-type: none"> • One year to negotiate terms with the Commonwealth and the State and identify and appoint alternative providers • Relinquish services on 30 June 2020 • Redundancies paid in 2020/21
Retain and modify (full cost recovery)	<ul style="list-style-type: none"> • Agreement is extended to expire on 30 June 2020 • Full cost recovery fees are phased in over 2 years, commencing in 2019/20 • 10% demand reduction in 2019/20, 25% in 2020/21 (due to increasing fees) • 10% redundancies paid in 2019/20, 25% in 2020/21 (proportionate to assumed demand reduction)
Relinquish to responsible agencies 30 June 2019	<ul style="list-style-type: none"> • One year to negotiate terms with the Commonwealth and the State and identify and appoint alternative providers • Relinquish service on 30 June 2019 • Redundancies paid in 2019/20

Financial comparison

The following chart depicts and compares Council's theoretical subsidy of each CHSP and HACC PYP service delivery option:



The residual liabilities associated with each option post 2020/21 are:

	Recurrent subsidy	Redundancy liability
Status quo	\$643,179	\$277,645
Renegotiate EA	\$611,352	\$277,645
Sub-contract	\$234,963	\$0
Relinquish 30 June 2020	\$0	\$0
Full cost recovery	\$0	\$180,469
Relinquish 30 June 2019	\$0	\$0

Total savings

The following table quantifies the financial savings associated with each CHSP and HACC PYP service option:

	2019/20 saving	2020/21 saving	Total saving to 30 June 2020
Status quo	\$0	\$0	\$0
Renegotiate EA	\$19,440	\$31,827	\$51,267
Sub-contract	-\$190,862	\$408,216	\$217,354
Relinquish 30 June 2020	\$0	\$365,534	\$365,534
Full cost recovery	\$159,255	\$573,768	\$733,023
Relinquish 30 June 2019	\$320,224	\$643,179	\$963,403

Significant savings may be achieved by either relinquishing CHSP and HACC PYP services on 30 June 2019, or by retaining the service and introducing full cost recovery. But unfortunately, Council's efficiency and productivity will make full cost recovery an unsustainable long term solution in the new competitive environment.

Quantifying full cost recovery

Full cost recovery is an identified option for the CHSP and HACC PYP. To achieve FCR, Council would need to either:

- if block funding remains, negotiate an additional \$500,000 per annum from the Government (highly improbable), or increase client co-payments by \$27/hour, or
- if individualised fund is introduced, charge \$81/hour, an increase of \$27/hour

FCR will make Council uncompetitive and the service unaffordable.

f. Conclusion

The CHSP and HACC PYP service agreements are due to expire on 30 June 2019. A one-year CHSP funding extension has been offered and if accepted, will commence on 1 July 2019 and expire on 30 June 2020. When the agreement eventually expires, CHSP services will either be market tested by the Federal government on a regional scale, or individual funding introduced (as recommended in the Tune report). Council will not be competitive in either scenario, recognizing this and planning a controlled exit will yield the best outcomes.

Relinquishing responsibility for CHSP and HACC PYP services achieves the best match with the adopted success criteria. Negotiating with the Commonwealth and State to relinquish services on 30 June 2019 realizes significant recurrent savings.

9. CHSP and HACC PYP (property maintenance)

a. Service snapshot

The following service snapshot is extracted from the Positive Ageing Service Review research paper:

Service recap

Council provides property maintenance services that are an essential component of the CHSP and the HACC PYP. The aim of the property maintenance service is to minimize hazards so that clients can live safely in their homes; the support is not a home beautification or improvement service.

Community benefits

Staff believe that the benefits to the community of Council providing property maintenance services include:

- affordability
- direct feedback loop - frontline workers advise officers of concerns regarding client welfare, and
- security - Council workers have passed police checks

Financial analysis

The following table illustrates the construction of the 2017/18 property maintenance cost, which is used to calculate unit rates:

Direct labour costs – costs directly associated with delivering the frontline service, including support workers, travel, and materials	In-direct costs - time spent on non-frontline tasks including supervision, coordination, training and meetings, etc	Overhead costs - back office costs other than direct and indirect, including HR, payroll, risk, governance, IT, insurance, legal fees, repairs, utilities, etc	Cost (\$)
76,149	37,299	16,113	129,561

The following table sets out unit rates. Analysis shows that Council has forecast to contribute \$24,000 to property maintenance in 2017/18, representing a service subsidy of about \$22/hour.

The observed variation in unit costs is due to the discrepancies between target and actual hours delivered. The 2017/18 unit cost is based on delivering target hours and will improve if more than target hours are actually delivered.

CHSP (property maintenance)	Target (funded) hours	Delivered (actual) hours	Cost	Revenue	Subsidy	Unit cost	Unit funding	Unit subsidy
2016/17 Dyson forecast	1,321	1,321	102,130	94,720	7,410	77	72	6
2016/17 actual	1,321	1,751	111,959	81,403	30,556	64	62	17
2017/18 budget	1,088	1,088	129,561	105,204	24,357	119	97	22

February 2018

Conclusion

Of the aged and disability care services that Council provides, it contributes the least to property maintenance (approximately \$24,000/annum). This is due to the relatively low annual volume.

The stated benefits to the community of Council being a property maintenance provider are not considered to be unique and may apply equally to other providers.

Clients are dissatisfied that the support offered by Council is not a home beautification service; there's a competitive external market providing property maintenance/home beautification services.

b. What we know about the next few years

The following tabulation sets out what we know about the next few years, and what’s likely to happen if we continue with business as usual:

	2017/18 and environment	2018/19	2019/20	2020/21
Facts	<ul style="list-style-type: none"> • A one year extension to the federal block funding agreement has been announced (to 30 June 2020), but the decision to accept the extension can't be made until early 2018 when the terms and conditions are announced • Property maintenance within CHSP and HACC PYP is not well funded (clients are encouraged to access other funding sources) • It's possible to increase the co-payment fee charged to clients, the schedule provided by the department is recommended only • There is currently (and always has been) a higher demand than can be serviced • The Tune report recommends the introduction of five levels of Home Care Packages, commencing at Level 1 with CHSP type support • There are currently many property maintenance providers in the marketplace 	<ul style="list-style-type: none"> • The current federal funding agreement for the delivery of the CHSP expires on 30 June 2019 • Temporary staff contracts expire on 30 June 2019 	<ul style="list-style-type: none"> • If accepted, the one-year federal funding extension commences on 1 July 2019 and expires on 30 June 2020 	
What will happen if we don't conduct the review and continue with business as usual	Council budgets to incrementally increase client co-contribution fees each year for the remainder of the agreement (moving towards full cost recovery)	The terms and conditions of the one-year federal funding extension are likely to be agreed to and the offer accepted Fee increases will allow Council to either reduce its subsidy or deliver more service	The existence of alternative providers will force the application of Competitive Neutrality principles which will further increase Council's fees and charges Further fee increases may cap demand and increase complaints	CHSP and HACC PYP services are either market tested by the Federal government on a regional scale, or individual funding is introduced (as recommended in the Tune report). Council will not be competitive in either scenario

c. Options identification

Chapter 6 identifies the following options for analysis against the property maintenance services currently provided by Council:

Options		
Status quo	Retain and modify (investigate renegotiating the EA; and charging full cost recovery fees)	Relinquish (investigate relinquishing on 30 June 2019 and 30 June 2020)

Sub-contracting is not considered as a property maintenance option due to the existing strong market and therefore the ability of clients and responsible agencies to engage directly with external providers without Council as the middle-man.

d. Options analysis

In this section, future options for the delivery of property maintenance services are analysed against the adopted success criteria with the following results:

Property maintenance	Service delivery options (refer to chapter 8)		
	Status quo	Retain and modify	Relinquish
Success criteria (refer to chapter 2)			
Business Improvement			
Council Plan and strategies			
Service outcomes			
Transition			

The following paragraphs provide a brief narrative regarding the analysis of options against the adopted success criteria:

Business Improvement principles

Relinquishing service delivery achieves a high match with Council's Business Improvement principles by providing financial savings, reducing risk, focusing on core business, addressing services that are the responsibility of others, and encouraging market growth and therefore guaranteeing services in the medium to long term.

Council Plan and Positive Ageing Strategy

The status quo and relinquishing service delivery achieve a high match with the relevant objectives of the Council Plan and Positive Ageing Strategy including supporting older people to live independent and meaningful lives, high quality services are available to

the community, easy for older citizens to access what they need, using knowledge to respond to the needs of older citizens, connecting older citizens with the community, and planning ahead for services and programs to adapt to change.

Retain and modify achieves a lesser match due to the option of full cost recovery adversely affecting affordability, and therefore access to the service.

Service outcome

Council is a respected provider of quality services and therefore the Status Quo, and Retain and Modify options, achieve a high match with the service outcomes criteria.

Relinquishing service delivery achieves a medium match with the Service Outcome criteria (quality support is available for frail and older residents to maximize their independence at home and in the community). NGOs provide quality supports and consistently meet program objectives (the Research Paper indicates that NGOs can meet or exceed Council's quality).

Transition

Making an early decision to relinquish service delivery achieves a high match with the 'transition' criteria by providing an extended period that will allow for careful planning, a smooth transition to new arrangements, and long term service continuity. Council's withdrawal from service delivery will also foster market growth, initiate competition, and guarantee service system sustainability with efficient providers.

Conclusion

Relinquishing responsibility for property maintenance services achieves the best match with the adopted success criteria. Refer to Appendix 2 for a more detailed analysis.

e. Financial implications

This section analyses the financial implications associated with each of the identified options.

Assumptions

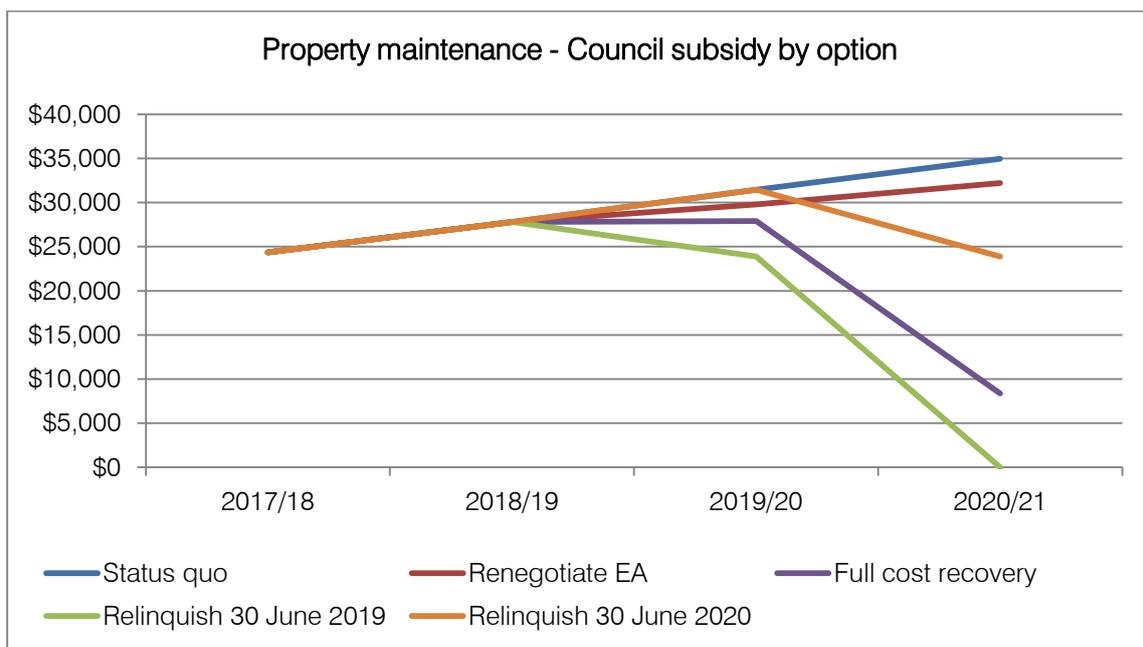
The financial implications associated with each option are based on the following assumptions:

Option	Assumptions
Status quo	<ul style="list-style-type: none"> • 2017/18 budget datum • Agreement is extended to expire on 30 June 2020 • Service grows proportionately with cohort growth (affecting direct costs only) • 2.0% wage growth annually • Cohort growth according to ABS forecasts

Option	Assumptions
Retain and modify (renegotiate EA)	<ul style="list-style-type: none"> • Agreement is extended to expire on 30 June 2020 • One year to renegotiate the EA (1 July 2018 to 30 June 2019) • New EA to take effect on 1 July 2019 • Wage freeze from 1 July 2019 (affecting direct costs only) – assumes that wage reductions won't be achievable • \$0 redundancies
Relinquish to responsible agencies 30 June 2020	<ul style="list-style-type: none"> • One year to negotiate terms with the Commonwealth and State and identify and appoint alternative providers • Relinquish service on 30 June 2020 • Redundancies paid in 2020/21
Retain and modify (full cost recovery)	<ul style="list-style-type: none"> • Agreement is extended to expire on 30 June 2020 • Full cost recovery fees are phased in over 2 years, commencing in 2019/20 • 10% demand reduction in 2019/20, 25% in 2020/21 (due to increasing fees) • 10% redundancies paid in 2019/20, 25% in 2020/21 (proportionate to assumed demand reduction)
Relinquish to responsible agencies 30 June 2019	<ul style="list-style-type: none"> • One year to negotiate terms with the Commonwealth and State and identify and appoint alternative providers • Relinquish service on 30 June 2019 • Redundancies paid in 2019/20

Financial comparison

The following chart compares Council's theoretical subsidy of each property maintenance service delivery option:



The residual liabilities associated with each option post 2020/21 are:

	Recurrent subsidy	Redundancy liability
Status quo	\$34,965	\$23,901
Renegotiate EA	\$32,225	\$23,901
Relinquish 30 June 2020	\$0	\$0
Full cost recovery	\$0	\$15,536
Relinquish 30 June 2019	\$0	\$0

Total savings

The following table quantifies the financial savings associated with each property maintenance service option:

	2019/20 saving	2020/21 saving	Total saving to 30 June 2020
Status quo	\$0	\$0	\$0
Renegotiate EA	\$1,674	\$2,740	\$4,413
Relinquish 30 June 2020	\$0	\$11,064	\$11,064
Full cost recovery	\$3,549	\$28,990	\$32,539
Relinquish 30 June 2019	\$7,563	\$34,965	\$42,528

Worthwhile savings may be achieved by either relinquishing property maintenance services on 30 June 2019, or by retaining the service and introducing full cost recovery.

Quantifying full cost recovery

Full cost recovery is an identified option for property maintenance. To achieve FCR, Council would need to either:

- if property maintenance remains block funded, negotiate an additional \$25,000 per annum from the Government (highly improbable), or increase client co-payments by \$22/hour, or
- if individualised funding is introduced, charge \$119/hour, an increase of \$22/hour

FCR will make Council uncompetitive and the service unaffordable.

f. Conclusion

The CHSP and HACC PYP service agreements are due to expire on 30 June 2019. A one-year CHSP funding extension has been offered and if accepted, will commence on 1 July 2019 and expire on 30 June 2020. When the agreement eventually expires, CHSP services will either be market tested by the Federal government on a regional scale, or individual funding introduced (as recommended in the Tune report).

A mature local market for property maintenance services already exists and Council is not cost competitive.

Relinquishing responsibility for property maintenance services achieves the best match with the adopted success criteria. Negotiating with the Commonwealth and State to relinquish services on 30 June 2019 realizes significant recurrent savings.

10. CHSP and HACCP PYP (delivered meals)

a. Service snapshot

The following service snapshot is extracted from the Positive Ageing Service Review research paper:

Service recap

Delivered meals, along with other home support services, aims to assist the elderly and those with disabilities to remain living independently for as long as possible. The people that deliver the meals complement the service by providing social interaction and monitoring the welfare of clients (more important where clients have weaker connections with others such as family and neighbours).

Council also provides centre-based meals at the Anglesea, Lorne and Moriac Senior Citizens Centres.

Community benefits

Staff believe that the benefits to the community of Council providing delivered meals include:

- affordability
- direct feedback loop - workers advise officers of concerns regarding client welfare (this is often the only service received)
- dietary needs - meals meet individual dietary needs (nutrition, culture, variety, allergies), and
- volunteers - council may provide better supports and engagement of volunteers

Financial analysis

The following table illustrates the construction of the 2017/18 delivered meals cost, which is used to calculate unit rates:

Direct labour costs – costs directly associated with delivering the frontline service, including support workers, travel, and materials	In-direct costs - time spent on non-frontline tasks including supervision, coordination, training and meetings, etc	Overhead costs - back office costs other than direct and indirect, including HR, payroll, risk, governance, IT, insurance, legal fees, repairs, utilities, etc	Cost (\$)
181,084	88,698	44,389	314,171

The following table sets out unit rates. Analysis shows that Council contributes substantially to delivered meals (about \$20 per 3 course meal), and that the meals are expensive (about \$35 per 3 course meal).

Meals (CHSP and HACC PYP)	Target (funded) meals	Delivered (actual) meals	Cost	Revenue	Subsidy	Unit cost	Unit funding	Unit subsidy
2016/17 Dyson forecast	17,796	9,196	352,600	218,580	134,020	38	12	15
2016/17 actual	17,796	8,998	298,302	130,382	167,920	33	7	19
2017/18 budget	16,885	16,885	314,171	175,658	138,513	19	10	8

The discrepancy in the 2017/18 unit costs and unit subsidies is because target meals have been used to calculate both rates. The number of meals actually delivered is likely to be half the target, which will have the effect of raising the unit rate and unit subsidy to \$38 and \$16 respectively.

Conclusion

Most of the stated benefits are not reliant on Council as a service provider; delivered meals are expensive.

b. What we know about the next few years

The following tabulation sets out what we know about the next few years, and what's likely to happen if we continue with business as usual:

	2017/18 and environment	2018/19	2019/20	2020/21
Facts	<ul style="list-style-type: none"> The demand for delivered meals is decreasing due to increased choice A one year extension to the federal block funding agreement has been announced (to 30 June 2020), but the decision to accept the extension can't be made until early 2018 when the terms and conditions are announced It's possible to increase the co-payment fee charged to clients, the schedule provided by the department is recommended only Council has a contract with Community Chef to provide meals, but the contracted minimum spend is not being achieved Council is a Community Chef Shareholder and is therefore partially responsible for its success Council had a contract with Hesse Rural Health to provide meals, but that expired on 30 June 2014 Demand for delivered meals in Lorne is low (3 clients) Volunteers to deliver meals are difficult to recruit, and not always reliable (especially over summer) 	<ul style="list-style-type: none"> The current funding agreements for the delivery of the CHSP and HACC PYP expire on 30 June 2019 	<ul style="list-style-type: none"> If accepted, the one-year federal funding extension commences on 1 July 2019 and expires on 30 June 2020 Council's contract with Community Chef to provide meals expires on 18 September 2019 	
What will happen if we don't conduct the review and continue with business as usual	<p>The demand for delivered meals will continue to decline, but Council is locked into a minimum spend contract with Community Chef</p> <p>Council will therefore be forced to either renegotiate the Community Chef contract, budget for full cost recovery, or maintain its subsidy of the service in 2018/19 (despite decreasing demand)</p>	<p>The terms and conditions of the one-year federal funding extension are likely to be agreed to and the offer accepted</p> <p>Increasing the fee for meals will further reduce demand, creating a vicious cycle</p> <p>Council must negotiate a new (lower) minimum spend with Community Chef (negatively impacting Community Chef)</p>	<p>The existence of viable alternative providers will force the application of Competitive Neutrality principles which will further increase Council's fees and charges. This will create a virtuous cycle in the marketplace, encouraging further growth</p> <p>Reducing demand and increasing fees continue to spiral and force Council out of the market</p>	<p>CHSP services are either market tested by the Federal government on a regional scale, or individual funding is introduced (as recommended in the Tune report). Council will not be competitive in either scenario</p>

c. Options identification

Chapter 6 identifies the following options for analysis against the delivered meals currently provided by Council:

Options			
Status quo	Retain and modify (investigate charging full cost recovery fees)	Sub-contract (meals)	Relinquish (investigate relinquishing on 30 June 2019 and 30 June 2020)

Sub-contracting is included as an option, but in this case it refers to sub-contracting for the provision of meals. Council has an existing contract with Community Chef to provide meals, but is locked into a minimum spend; negotiating this down and sourcing meals locally from Hesse Rural Health and Lorne Community Hospital may provide better value.

d. Options analysis

In this section, future options for delivered meals are analysed against the adopted success criteria with the following results:

Delivered meals	Service delivery options (refer to chapter 8)			
	Status quo	Retain and modify	Sub-contract	Relinquish
Success criteria (refer to chapter 2)				
Business Improvement				
Council Plan and strategies				
Service outcomes				
Transition				

The following paragraphs provide a brief narrative regarding the analysis of options against the adopted success criteria:

Business Improvement principles

Relinquishing service delivery achieves a high match with Council's Business Improvement principles by providing financial savings, reducing risk, focusing on core business, addressing services that are the responsibility of others, and encouraging market growth and therefore guaranteeing services in the medium to long term.

Council Plan and Positive Ageing Strategy

The status quo, sub-contracting, and relinquishing service delivery achieve a high match with the relevant objectives of the Council Plan and Positive Ageing Strategy including supporting older people to live independent and meaningful lives, high quality services are available to the community, easy for older citizens to access what they need, using knowledge to respond to the needs of older citizens, connecting older citizens with the community, and planning ahead for services and programs to adapt to change.

Retain and modify achieves a lesser match due to the option of full cost recovery adversely affecting affordability, and therefore access to the service.

Service outcome

Council is a respected provider of quality services and therefore the Status Quo, and Retain and Modify options, achieve a high match with the service outcomes criteria.

Relinquishing service delivery and sub-contracting both achieve a medium match with the Service Outcome criteria (quality support is available for frail and older residents to maximize their independence at home and in the community). NGOs provide quality supports and consistently meet program objectives (the Research Paper indicates that NGOs can meet or exceed Council's quality).

Transition

Making an early decision to relinquish service delivery achieves a high match with the 'transition' criteria by providing an extended period that will allow for careful planning, a smooth transition to new arrangements, and long term service continuity. Council's withdrawal from service delivery will also foster market growth, initiate competition, and guarantee service system sustainability with efficient providers.

Sub-contracting may be used as a transition tool and also achieves a high match.

Conclusion

Relinquishing responsibility for delivered meals achieves the best match with the adopted success criteria.

Refer to Appendix 2 for a more detailed analysis.

e. Financial implications

This section analyses the financial implications associated with each of the identified options.

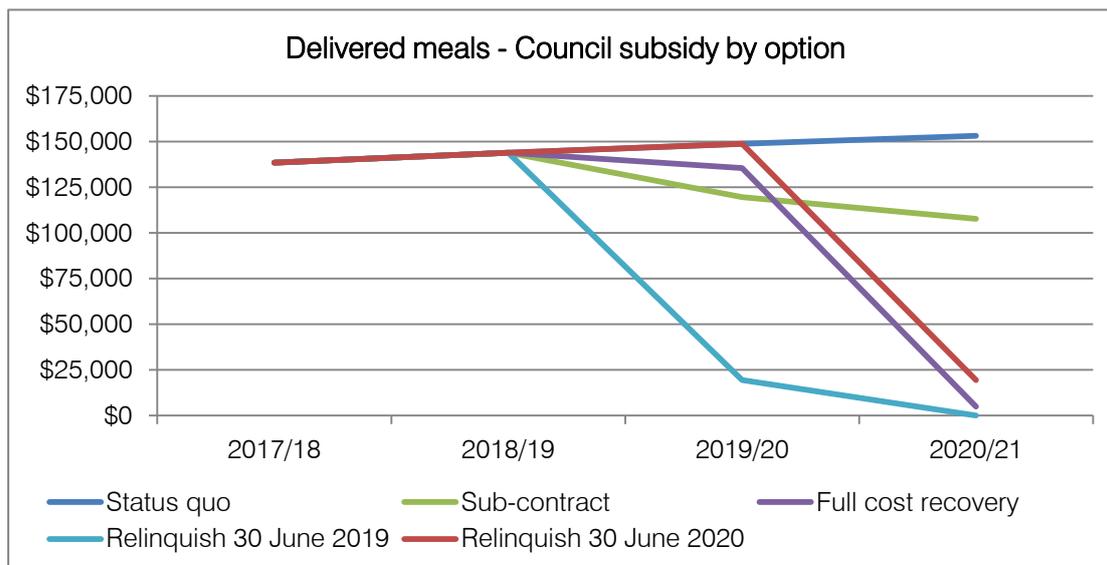
Assumptions

The financial implications associated with each option are based on the following assumptions:

Option	Assumptions
Status quo	<ul style="list-style-type: none"> • 2017/18 budget datum • Agreement is extended to expire on 30 June 2020 • Service demand decreases by 10% pa from 2019/20 • 2.0% wage growth annually • Minimum spend with Community Chef
Sub-contract meals	<ul style="list-style-type: none"> • Agreement is extended to expire on 30 June 2020 • One year to renegotiate, market test, and award and modify contracts (1 July 2018 to 30 June 2019) • Transition to new arrangements on 1 July 2019 • Service demand (and therefore revenue) decreases by 10% pa from 2019/20 • 10% saving due to sub-contracting in 2019/20 and 2020/21 • No redundancies
Relinquish to responsible agencies 30 June 2020	<ul style="list-style-type: none"> • One year to negotiate terms with the Commonwealth and State and identify and appoint alternative providers • Relinquish service on 30 June 2020 • Redundancies paid in 2020/21
Retain and modify (full cost recovery)	<ul style="list-style-type: none"> • Agreement is extended to expire on 30 June 2020 • Full cost recovery fees are phased in over 2 years, commencing in 2019/20 • 10% demand reduction in 2019/20, 25% in 2020/21 (due to increasing fees) • 10% redundancies paid in 2019/20, 25% in 2020/21 (proportionate to assumed demand reduction)
Relinquish to responsible agencies 30 June 2019	<ul style="list-style-type: none"> • One year to negotiate terms with the Commonwealth and State and identify and appoint alternative providers • Relinquish service on 30 June 2019 • Redundancies paid in 2019/20

Financial comparison

The following chart compares Council's theoretical subsidy of the delivered meals options:



The residual liabilities associated with each option post 2020/21 are:

	Recurrent subsidy	Redundancy liability
Status quo	\$153,269	\$19,453
Sub-contract	\$107,710	\$12,644
Relinquish 30 June 2020	\$0	\$0
Full cost recovery	\$0	\$0
Relinquish 30 June 2019	\$0	\$0

Total savings

The following table quantifies the financial savings associated with each delivered meals option:

	2019/20 saving	2020/21 saving	Total saving to 30 June 2020
Status quo	\$0	\$0	\$0
Sub-contract	\$29,107	\$45,559	\$74,665
Relinquish 30 June 2020	\$0	\$133,816	\$133,816
Full cost recovery	\$13,156	\$148,405	\$161,562
Relinquish 30 June 2019	\$129,332	\$153,269	\$282,600

Relinquishing delivered meals on 30 June 2019 achieves significant financial savings.

Quantifying full cost recovery

Full cost recovery is an identified option for delivered meals. To achieve FCR, Council would need to either:

- if delivered meals remain block funded, negotiate an additional \$140,000 per annum from the Government (highly improbable), or increase client co-payments by about \$20/meal, or

- if individualised funding is introduced, charge \$35 per three course meal, an increase of about \$20/meal

FCR will make Council uncompetitive and the service unaffordable.

f. Conclusion

The CHSP and HACC PYP service agreements are due to expire on 30 June 2019. A one-year CHSP funding extension has been offered and if accepted, will commence on 1 July 2019 and expire on 30 June 2020. When the agreement eventually expires, CHSP services will either be market tested by the Federal government on a regional scale, or individual funding introduced (as recommended in the Tune report). Council will not be competitive in either scenario, recognizing this and planning a controlled exit will yield the best outcomes.

Relinquishing responsibility for delivered meals achieves the best match with the adopted success criteria. Negotiating with the Commonwealth and State to relinquish delivered meals on 30 June 2019 realizes significant recurrent savings.

11. HOME CARE PACKAGES

a. Service snapshot

The following service snapshot is extracted from the Positive Ageing Service Review research paper:

Service recap

The aim of Home Care Packages (HCPs) is to support frail, vulnerable, older people with more complex needs to live as independently as possible in their own home and community, for as long as they can and wish to do so, through the provision of timely, mid to high level support services. HCPs are now delivered on a Consumer Directed Care (CDC) basis.

Community benefits

Council is a respected HCP provider and staff believe that recipients choose Council to manage their package and provide home supports (personal care, domestic assistance and respite care services) for the following reasons:

- case management - Council rarely refuses a client and usually exceeds minimum standards
- relationships - case managers have strong relationships with service provision teams, and know clients and understand their needs
- continuity of care - Council offers a 'one stop shop' with a seamless transition across services and funding sources (clients have often previously received CHSP services from Council)
- trust - clients have often had a long term, familiar relationship with Council and highly value the reliability and consistency of care they've received
- premium service - Council provides a premium service, and
- value - Council's current price schedule offers clients value for money

Financial analysis

The following table illustrates the construction of the 2017/18 home care package cost, which is used to calculate unit rates:

Direct labour costs – costs directly associated with delivering the frontline service, including support workers, travel, and materials	In-direct costs - time spent on non-frontline tasks including supervision, coordination, training and meetings, etc	Overhead costs - back office costs other than direct and indirect, including HR, payroll, risk, governance, IT, insurance, legal fees, repairs, utilities, etc	Cost (\$)
271,110	132,794	54,554	458,458

The following table sets out unit rates. The above analysis suggests that Council budgets to deliver more HCP hours than it actually does; and that despite forecasting a

unit cost of \$99/hour and unit subsidy of \$9/hour, the actual rates are likely to be \$134/hour and \$44/hour respectively.

Home Care Packages	Target (funded) hours	Delivered (actual) hours	Cost	Revenue	Subsidy	Unit cost	Unit funding	Unit subsidy
2016/17 Dyson forecast	5,222	5,222	527,968	485,390	42,578	101	93	8
2016/17 actual	5,222	3,678	493,123	331,554	161,569	134	63	44
2017/18 budget	4,608	4,608	458,458	417,577	40,881	99	91	9

Conclusion

Home Care Packages are forecast to receive the least subsidy of the positive ageing services that Council provides, and if the forecasts were correct, the service would almost break even if Council's overheads were excluded from its costs.

The stated benefits of Council being a HCP provider include 'premium service' and 'value for money', which may contradict one another.

b. What we know about the next few years

The following tabulation sets out what we know about the next few years, and what's likely to happen if we continue with business as usual:

	2017/18 and environment	2018/19	2019/20	2020/21
Facts	<ul style="list-style-type: none"> Home Care Packages are individually funded HCPs will be de-regulated in February and consumers will be able to choose their provider from a competitive market Council is a member of the Barwon HCP Program Alliance (with Geelong City, Colac Otway, and Queenscliffe); Geelong City administers the service Alliance partners are commencing reviews of their aged and disability services Administration fees and charges account for much of a client's package payment, leaving little to purchase actual services Clients are not required to contribute to HCPs Council is a provider of choice for some clients The Tune report recommends the introduction of five levels of Home Care Packages, commencing at Level 1 with CHSP type support 	<ul style="list-style-type: none"> The HCP program will integrate with the CHSP Temporary staff contracts expire on 30 June 2019 	<ul style="list-style-type: none"> The MOU with the Barwon HCP Program Alliance expires on 31 July 2018 The results of our Alliance partners service reviews are announced 	
What will happen if we don't conduct the review and continue with business as usual	<p>Council budgets to break even in 2018/19 and therefore charge full cost recovery – equivalent to \$100/hour</p> <p>New providers will begin to emerge</p> <p>Clients will begin to experiment and choose different providers</p>	<p>Full cost recovery will encourage new providers into the marketplace and reduce demand for Council provided services</p> <p>Clients that stay, will do so for perceived better quality, difficulty in changing, or apathy</p> <p>The staff roster is balanced by natural attrition and non-renewal of temporary employment contracts</p>	<p>The emergence of viable alternative providers will force the application of Competitive Neutrality principles which will further increase Council's fees and charges. This will create a virtuous cycle in the marketplace, encouraging further growth</p>	<p>Consumers will choose best value providers</p> <p>Reducing demand and increasing fees continue to spiral and force Council out of the market</p>

c. Options identification

Chapter 6 identifies the following options for analysis against the Home Care Packages currently provided by Council:

Options			
Status quo	Retain and modify (investigate renegotiating the EA; and charging full cost recovery fees)	Sub-contract	Relinquish (investigate relinquishing on 30 June 2019 and 30 June 2020)

d. Options analysis

In this section, future options for the delivery of Home Care Packages are analysed against the adopted success criteria with the following results:

Home care packages	Service delivery options (refer to chapter 8)			
	Status quo	Retain and modify	Sub-contract	Relinquish
Success criteria (refer to chapter 2)				
Business Improvement				
Council Plan and strategies				
Service outcomes				
Transition				

The following paragraphs provide a brief narrative regarding the analysis of options against the adopted success criteria:

Business Improvement principles

Relinquishing service delivery achieves a high match with Council's Business Improvement principles by providing financial savings, reducing risk, focusing on core business, addressing services that are the responsibility of others, and encouraging market growth and therefore guaranteeing services in the medium to long term.

Council Plan and Positive Ageing Strategy

The status quo, sub-contracting, and relinquishing service delivery achieve a high match with the relevant objectives of the Council Plan and Positive Ageing Strategy including supporting older people to live independent and meaningful lives, high quality services are available to the community, easy for older citizens to access what they need, using knowledge to respond to the needs of older citizens, connecting older

citizens with the community, and planning ahead for services and programs to adapt to change.

HCPs already operate in a competitive environment, which contributes to the retain and modify option achieving a lesser match in the areas of accessibility, community connectedness, and planning for change.

Service outcome

Home Care Packages already operate in a competitive environment and are attractive to external providers. NGOs provide quality supports and consistently meet program objectives (the Research Paper indicates that NGOs can meet or exceed Council's quality).

All options have been judged equally against the Service Outcome criteria (quality support is available for frail and older residents to maximize their independence at home and in the community).

Transition

Making an early decision to relinquish service delivery achieves a high match with the 'transition' criteria by providing an extended period that will allow for careful planning, a smooth transition to new arrangements, and long term service continuity. Council's withdrawal from service delivery will also foster market growth, initiate competition, and guarantee service system sustainability with efficient providers.

Sub-contracting may be used as a transition tool and also achieves a high match.

Conclusion

Relinquishing responsibility for Home Care Packages achieves a perfect match with the adopted success criteria.

Refer to Appendix 3 for a more detailed analysis.

e. Financial implications

This section analyses the financial implications associated with each of the identified options.

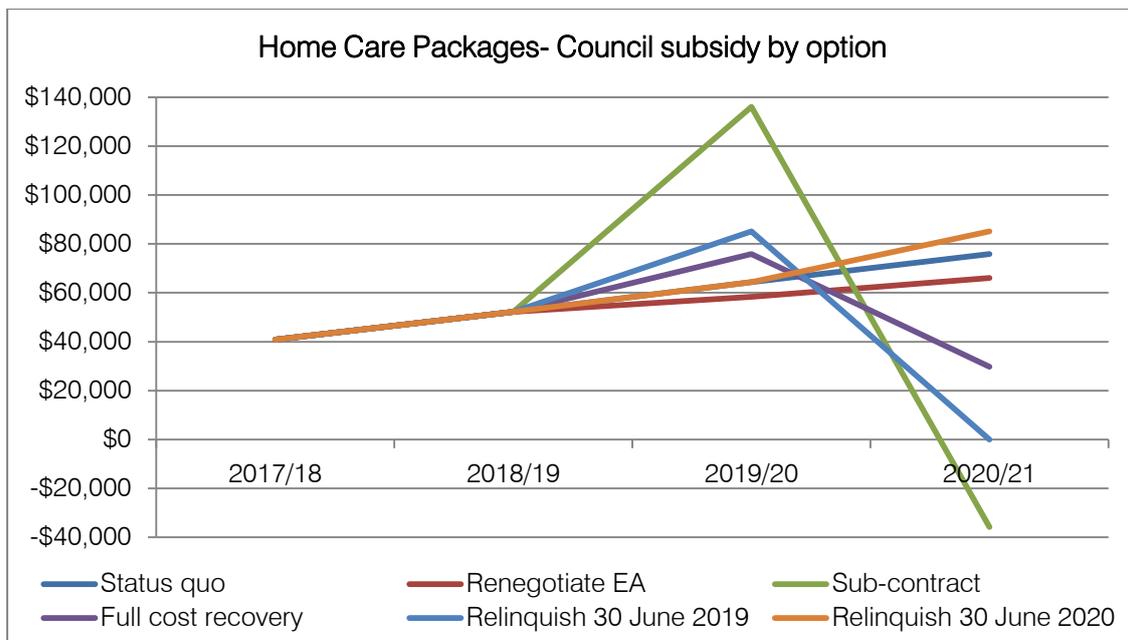
Assumptions

The financial implications associated with each option are based on the following assumptions:

Option	Assumptions
Status quo	<ul style="list-style-type: none"> • 2017/18 budget datum • Service grows proportionately with cohort growth (affecting direct costs only) • 2.0% wage growth annually • Cohort growth according to ABS forecasts
Relinquish service delivery 30 June 2019	<ul style="list-style-type: none"> • Cease as a HCP service provider on 30 June 2019 • Redundancies paid in 2019/20
Retain and modify (renegotiate EA)	<ul style="list-style-type: none"> • One year to renegotiate the EA (1 July 2018 to 30 June 2019) • New EA to take effect on 1 July 2019 • Wage freeze from 1 July 2019 (affecting direct costs only) – assumes that wage reductions won't be achievable • \$0 redundancies
Retain and modify (full cost recovery)	<ul style="list-style-type: none"> • Full cost recovery fees are phased in over 2 years, commencing in 2019/20 • 10% demand reduction in 2019/20, 25% in 2020/21 (due to increasing fees) • 10% redundancies paid in 2019/20, 25% in 2020/21 (proportionate to assumed demand reduction)
Sub-contract	<ul style="list-style-type: none"> • One year to market test and award contract (1 July 2018 to 30 June 2019) • Transition service to new provider on 1 July 2019 • Staff employed under SCHCADS Award 2010 • Staff employed at Level 2 (27% less than current EA Band 2C) • In-direct costs at 20% of total costs (currently 29%) • Overheads at 10% of total costs (currently 13%) • Profit margin at 10% of direct costs • Contract management at 5% of total cost • Redundancies paid in 2019/20
Relinquish service delivery 30 June 2020	<ul style="list-style-type: none"> • Cease as a HCP service provider on 30 June 2020 • Redundancies paid in 2020/21

Financial comparison

The following chart compares Council's theoretical subsidy of each Home Care Package service delivery option:



The residual liabilities associated with each option post 2020/21 are:

	Recurrent subsidy	Redundancy liability
Status quo	\$75,842	\$85,094
Relinquish 30 June 2020	\$0	\$0
Renegotiate EA	\$66,087	\$85,094
Sub-contract	-\$35,748	\$0
Full cost recovery	\$0	\$55,311
Relinquish 30 June 2019	\$0	\$0

Home Care Packages are well funded and have the greatest potential for a zero subsidy; the graph and the above summary show sub-contracting generating a surplus from 2020/21.

Total savings

The following table quantifies the financial savings associated with each Home Care Packages service option:

	2019/20 saving	2020/21 saving	Total saving to 30 June 2020
Status quo	\$0	\$0	\$0
Relinquish 30 June 2020	\$0	-\$9,252	-\$9,252
Renegotiate EA	\$5,958	\$9,755	\$15,713
Sub-contract	-\$71,754	\$111,590	\$39,836
Full cost recovery	-\$11,446	\$54,568	\$43,122
Relinquish 30 June 2019	-\$20,761	\$75,842	\$55,081

Moderate short term savings may be achieved by either relinquishing Home Care Packages on 30 June 2019, sub-contracting, or by introducing full cost recovery.

Quantifying full cost recovery

Full cost recovery is an identified option for Home Care Packages. To achieve FCR, Council would need to charge the equivalent of \$100/hour, an increase of approximately \$10/hour.

FCR will make Council uncompetitive and the service unaffordable.

f. Conclusion

Relinquishing responsibility for Home Care Packages achieves the best match with the adopted success criteria.

But sub-contracting is the most financially attractive option, with the potential to generate a modest recurrent surplus if the current funding arrangements don't change.

12. VETERANS HOME CARE

a. Service snapshot

The following service snapshot is extracted from the Positive Ageing Service Review research paper:

Service recap

Veterans' Home Care (VHC) is designed to assist entitled persons who need a small amount of practical help to continue living independently in their own home. Services include domestic assistance, personal care, respite care, and safety-related home and garden maintenance. VHC is not designed to meet complex or high-level care needs.

Community benefits

Staff believe that continuity of care is the primary benefit to the community of Council providing Veteran's Home Care. Council offers a 'one stop shop' with a seamless transition between VHC and CHSP services.

Financial analysis

The following table illustrates the construction of the 2017/18 Veterans home care cost, which is used to calculate unit rates:

Direct labour costs – costs directly associated with delivering the frontline service, including support workers, travel, and materials	In-direct costs - time spent on non-frontline tasks including supervision, coordination, training and meetings, etc	Overhead costs - back office costs other than direct and indirect, including HR, payroll, risk, governance, IT, insurance, legal fees, repairs, utilities, etc	Cost (\$)
100,947	49,445	24,292	174,684

The following table sets out unit rates. Analysis shows that the unit cost of providing the VHC service is \$88/hour and the unit subsidy \$31/hour (significantly more than the CHSP rates).

Veterans Home Care	Target (funded) hours	Delivered (actual) hours	Cost	Revenue	Subsidy	Unit cost	Unit funding	Unit subsidy
2016/17 Dyson forecast	2,320	2,320	172,746	113,230	59,516	74	49	26
2016/17 actual	2,320	1,829	158,416	110,265	48,151	87	48	26
2017/18 budget	1,993	1,993	174,684	112,892	61,792	88	57	31

Conclusion

Council subsidises the VHC program by about \$60,000 per annum, the relatively low total contribution is due to low volumes.

The stated benefits to the community of Council providing the VHC program are not considered to be unique and may be applied equally to other providers.

b. What we know about the next few years

The following tabulation sets out what we know about the next few years, and what's likely to happen if we continue with business as usual:

	2017/18 and environment	2018/19	2019/20	2020/21
Facts	<ul style="list-style-type: none"> The DVA regularly market tests the VHC program and recently requested Council to submit a tender after not receiving any responses by the closing date Council was awarded the VHC contract in 2017 Council is unable to charge clients a co-payment fee and is locked into a fixed rate The DVA is responsible for the VHC program, yet Council subsidises the service The contract may be terminated with 3 months' notice Council is the sole provider of VHC services in the municipality The demand for VHC services is decreasing 	<ul style="list-style-type: none"> Temporary staff contracts expire on 30 June 2019 		<ul style="list-style-type: none"> The DVA contract to provide VHC services expires on 30 November 2020
What will happen if we don't conduct the review and continue with business as usual	Council budgets to break even in 2018/19 and therefore charge full cost recovery – equivalent to \$90/hour	Council continues to subsidise the VHC program The staff roster is balanced by natural attrition and non-renewal of temporary employment contracts	The steady release of services previously provided by Council will stimulate market growth	The DVA market tests the VHC program, Council doesn't submit a tender, and the contract is awarded to a NGO

c. Options identification

Chapter 6 identifies the following options for analysis against the VHC services currently provided by Council:

Options			
Status quo	Retain and modify (investigate renegotiating the EA; and charging full cost recovery fees)	Sub-contract	Relinquish (investigate relinquishing on 30 June 2019 and 30 June 2020)

d. Options analysis

In this section, future options for the delivery of VHC services are analysed against the adopted success criteria with the following results:

Veterans Home Care	Service delivery options (refer to chapter 8)			
	Status quo	Retain and modify	Sub-contract	Relinquish
Success criteria (refer to chapter 2)				
Business Improvement				
Council Plan and strategies				
Service outcomes				
Transition				

The following paragraphs provide a brief narrative regarding the analysis of options against the adopted success criteria:

Business Improvement principles

Relinquishing service delivery achieves a high match with Council's Business Improvement principles by providing financial savings, reducing risk, focusing on core business, addressing services that are the responsibility of others, and encouraging market growth and therefore guaranteeing services in the medium to long term.

Council Plan and Positive Ageing Strategy

The status quo, sub-contracting, and relinquishing service delivery achieve a high match with the relevant objectives of the Council Plan and Positive Ageing Strategy including supporting older people to live independent and meaningful lives, high quality services are available to the community, easy for older citizens to access what they need, using knowledge to respond to the needs of older citizens, connecting older

citizens with the community, and planning ahead for services and programs to adapt to change.

Retain and modify achieves a lesser match due to the likelihood of full cost recovery breaching the DVA funding agreement and threatening access to the service.

Service outcome

Council is a respected provider of quality services and therefore the Status Quo, and Retain and Modify options, achieve a high match with the service outcomes criteria.

Relinquishing service delivery and sub-contracting both achieve a medium match with the Service Outcome criteria (quality support is available for frail and older residents to maximize their independence at home and in the community). NGOs provide quality supports and consistently meet program objectives (the Research Paper indicates that NGOs can meet or exceed Council's quality).

Transition

Making an early decision to relinquish service delivery achieves a high match with the 'transition' criteria by providing an extended period that will allow for careful planning, a smooth transition to new arrangements, and long term service continuity. Council's withdrawal from service delivery will also foster market growth, initiate competition, and guarantee service system sustainability with efficient providers.

Sub-contracting may be used as a transition tool and a medium term solution, and also achieves a high match.

Conclusion

Relinquishing responsibility for VHC services achieves the best match with the adopted success criteria. Refer to Appendix 4 for a more detailed analysis.

e. Financial implications

This section analyses the financial implications associated with each of the identified options.

Assumptions

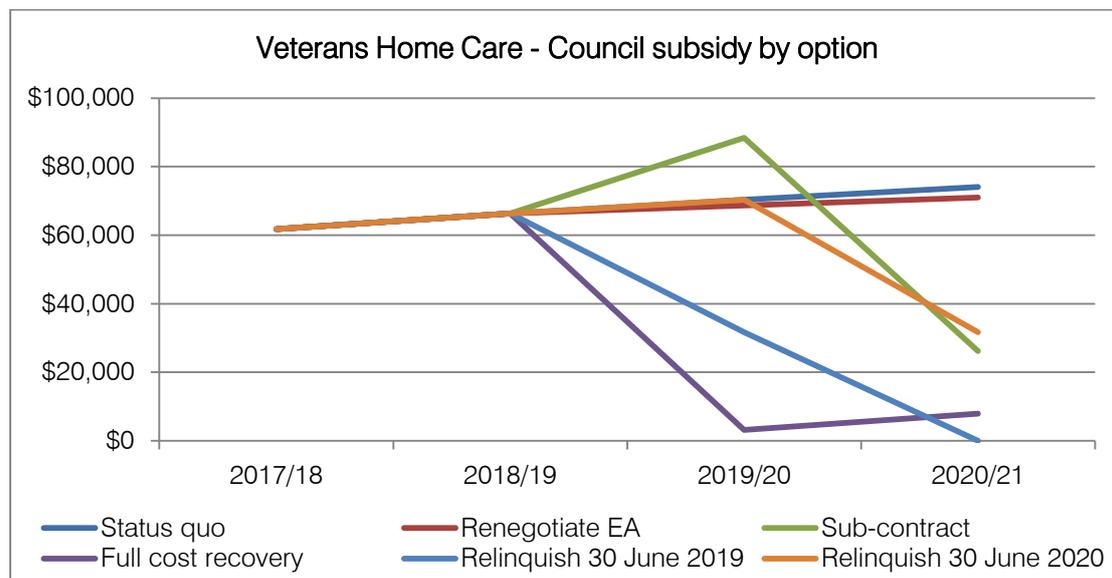
The financial implications associated with each option are based on the following assumptions:

Option	Assumptions
Status quo	<ul style="list-style-type: none"> • 2017/18 budget datum • Agreement expires on 30 November 2020 • 10% decline in demand and funding per annum • 2.0% wage growth annually

Option	Assumptions
Sub-contract	<ul style="list-style-type: none"> • One year to market test and award contract (1 July 2018 to 30 June 2019) • Transition service to new provider on 1 July 2019 • Staff employed under SCHCADS Award 2010 • Staff employed at Level 2 (27% less than current EA Band 2C) • In-direct costs at 20% of total costs (currently 29%) • Overheads at 10% of total costs (currently 13%) • Profit margin at 10% of direct costs • Contract management at 5% of total cost • Redundancies paid in 2019/20
Retain and modify (renegotiate EA)	<ul style="list-style-type: none"> • Agreement expires on 30 November 2020 • One year to renegotiate the EA (1 July 2018 to 30 June 2019) • New EA to take effect on 1 July 2019 • Wage freeze from 1 July 2019 (affecting direct costs only) – assumes that wage reductions won't be achievable • No redundancies
Relinquish to the DVA 30 June 2020	<ul style="list-style-type: none"> • One year to negotiate termination with the DVA and identify and appoint alternative providers • Cease as VHC service provider on 30 June 2020 • Redundancies paid in 2020/21
Relinquish to the DVA 30 June 2019	<ul style="list-style-type: none"> • One year to negotiate termination with the DVA and identify and appoint alternative providers • Cease as VHC service provider on 30 June 2019 • Redundancies paid in 2019/20
Retain and modify (full cost recovery)	<ul style="list-style-type: none"> • Agreement expires on 30 November 2020 • Full cost recovery fees are phased in over 2 years, commencing in 2019/20 • 10% demand reduction in 2019/20, 25% in 2020/21 (due to increasing fees) • 10% redundancies paid in 2019/20, 25% in 2020/21 (proportionate to assumed demand reduction)

Financial comparison

The following chart compares Council's theoretical subsidy of each VHC service delivery option:



The residual liabilities associated with each option post 2020/21 are:

	Recurrent subsidy	Redundancy liability
Status quo	\$74,047	\$74,047
Renegotiate EA	\$71,014	\$74,047
Sub-contract	\$26,169	\$0
Relinquish 30 June 2020	\$0	\$0
Relinquish 30 June 2019	\$0	\$0
Full cost recovery	\$0	\$48,130

Total savings

The following table quantifies the financial savings associated with each VHC service option:

	2019/20 saving	2020/21 saving	Total saving to 30 June 2020
Status quo	\$0	\$0	\$0
Renegotiate EA	\$1,668	\$3,033	\$4,701
Sub-contract	-\$18,032	\$47,878	\$29,846
Relinquish 30 June 2020	\$0	\$42,362	\$42,362
Relinquish 30 June 2019	\$38,659	\$74,047	\$112,706
Full cost recovery	\$67,175	\$66,126	\$133,301

Significant savings may be realised by negotiating with the DVA to either achieve full cost recovery, or relinquish VHC services on 30 June 2019.

Note that the FCR savings shown in the above table do not include redundancy payments.

Quantifying full cost recovery

Full cost recovery is an identified option for Veterans Home Care. To achieve FCR, the Department of Veterans Affairs would need to agree to increase the contractual hourly rate by \$30 to \$88/hour (equating to an increase of approximately \$60,000 per annum).

FCR will make the service unaffordable.

f. Conclusion

The Department of Veteran's Affairs is responsible for the VHC program, yet Council subsidises and delivers the service. The service agreement is due to expire on 30 November 2020, but may be terminated earlier with 3 months' notice.

Relinquishing responsibility for VHC services achieves the best match with the adopted success criteria. Negotiating with the DVA to relinquish services on 30 June 2019 realizes significant recurrent savings.

13. NDIS

a. Service snapshot

The following service snapshot is extracted from the Positive Ageing Service Review research paper:

Service recap

The NDIS aims to give people with disability better access to personalised, high quality and innovative supports and services. A specific focus is to enhance the independence, social and economic participation of people with disability and their carers. The positive ageing team provides personal care, domestic assistance and respite care services under the NDIS that are critical to achieving the scheme's aims.

Community benefits

The rollout of the NDIS is not proceeding smoothly and due to its high administrative complexity and low level of funding, most providers are choosing to not register. Council is a 'safety net' NDIS provider; therefore the clear benefit to clients is the simple availability of an NDIS service (through Council).

Financial analysis

The following table illustrates the construction of the 2017/18 NDIS cost, which is used to calculate unit rates:

Direct labour costs – costs directly associated with delivering the frontline service, including support workers, travel, and materials	In-direct costs - time spent on non-frontline tasks including supervision, coordination, training and meetings, etc	Overhead costs - back office costs other than direct and indirect, including HR, payroll, risk, governance, IT, insurance, legal fees, repairs, utilities, etc	Cost (\$)
111,735	54,729	24,056	190,520

The following table sets out unit rates. The NDIS is individually funded and relatively new, therefore forecasting models are still immature. Last year's actuals show that Council subsidized the NDIS by \$36/hour.

NDIS	Target (funded) hours	Delivered (actual) hours	Cost	Revenue	Subsidy	Unit cost	Unit funding	Unit subsidy
2016/17 Dyson forecast	3,398	3,398	265,458	161,850	103,608	78	48	30
2016/17 actual	3,398	2,987	185,753	78,755	106,998	62	23	36
2017/18 budget	3,600	3,600	190,520	112,711	77,809	53	31	22

Conclusion

Due to its low unit funding and high complexity, the NDIS requires the highest subsidy of the Positive Ageing services provided by Council on behalf of other agencies.

b. What we know about the next few years

The following tabulation sets out what we know about the next few years, and what's likely to happen if we continue with business as usual:

	2017/18 and environment	2018/19	2019/20	2020/21
Facts	<ul style="list-style-type: none"> The Surf Coast Shire has been an NDIS site since the scheme was piloted here in July 2013 Council remains the sole registered NDIS provider currently operating in the municipality The number of Council NDIS clients is forecast to decline from 32 to 14 by 30 June 2018 Due to its low unit funding and high complexity, the NDIS requires the highest subsidy of the PA services provided by Council on behalf of other agencies Council is not accepting new NDIS clients NGOs are able to profitably deliver NDIS services 	<ul style="list-style-type: none"> Temporary staff contracts expire on 30 June 2019 		
What will happen if we don't conduct the review and continue with business as usual	<p>Clients will move to where services are available</p>	<p>The number of Council NDIS clients will continue to decrease</p> <p>The staff roster is balanced by natural attrition and non-renewal of temporary employment contracts</p>	<p>The number of Council NDIS clients will reduce to zero by 30 June 2019</p> <p>Alternative providers will begin to emerge as Council exits this service and others</p>	<p>NGO providers will offer NDIS services in the Surf Coast Shire</p>

c. Options identification

Chapter 6 identifies the following options for analysis against the NDIS services currently provided by Council:

Options		
Status quo	Retain and modify (investigate charging full cost recovery fees)	Relinquish (investigate relinquishing on 30 June 2019 and 30 June 2020)

Neither renegotiating the Enterprise Agreement, nor sub-contracting are considered as NDIS service delivery options for the following reasons:

- the number of Council NDIS clients is forecast to decline from 32 to 14 by 30 June 2018, and to zero by 2019/20
- the scheme is highly complex and poorly funded, and
- only NGOs are able to deliver NDIS services without subsidy

d. Options analysis

In this section, future options for the delivery of NDIS services are analysed against the adopted success criteria with the following results:

NDIS Success criteria (refer to chapter 2)	Service delivery options (refer to chapter 8)		
	Status quo	Retain and modify	Relinquish
Business Improvement			
Council Plan and strategies			
Service outcomes			
Transition			

The following paragraphs provide a brief narrative regarding the analysis of options against the adopted success criteria:

Business Improvement principles

Relinquishing service delivery achieves a high match with Council's Business Improvement principles by providing financial savings, reducing risk, focusing on core business, addressing services that are the responsibility of others, and encouraging market growth and therefore guaranteeing services in the medium to long term.

Council Plan and Positive Ageing Strategy

The status quo and relinquishing service delivery achieve a high match with the relevant objectives of the Council Plan and Positive Ageing Strategy including supporting older people to live independent and meaningful lives, high quality services are available to the community, easy for older citizens to access what they need, using knowledge to respond to the needs of older citizens, connecting older citizens with the community, and planning ahead for services and programs to adapt to change.

Retain and modify achieves a lesser match due to the option of full cost recovery adversely affecting affordability, and therefore access to the service.

Service outcome

Council is a respected provider of quality services and therefore the Status Quo, and Retain and Modify options, achieve a high match with the service outcomes criteria.

Relinquishing service delivery achieves a medium match with the Service Outcome criteria (quality support is available for frail and older residents to maximize their independence at home and in the community). NGOs provide quality supports and consistently meet program objectives (the Research Paper indicates that NGOs can meet or exceed Council's quality).

Transition

Making an early decision to relinquish service delivery achieves a high match with the 'transition' criteria by providing an extended period that will allow for careful planning, a smooth transition to new arrangements, and long term service continuity. Council's withdrawal from service delivery will also foster market growth, initiate competition, and guarantee service system sustainability with efficient providers.

Conclusion

Relinquishing responsibility for NDIS services achieves the best match with the adopted success criteria.

Refer to Appendix 4 for a more detailed analysis.

e. Financial implications

This section analyses the financial implications associated with each of the identified options.

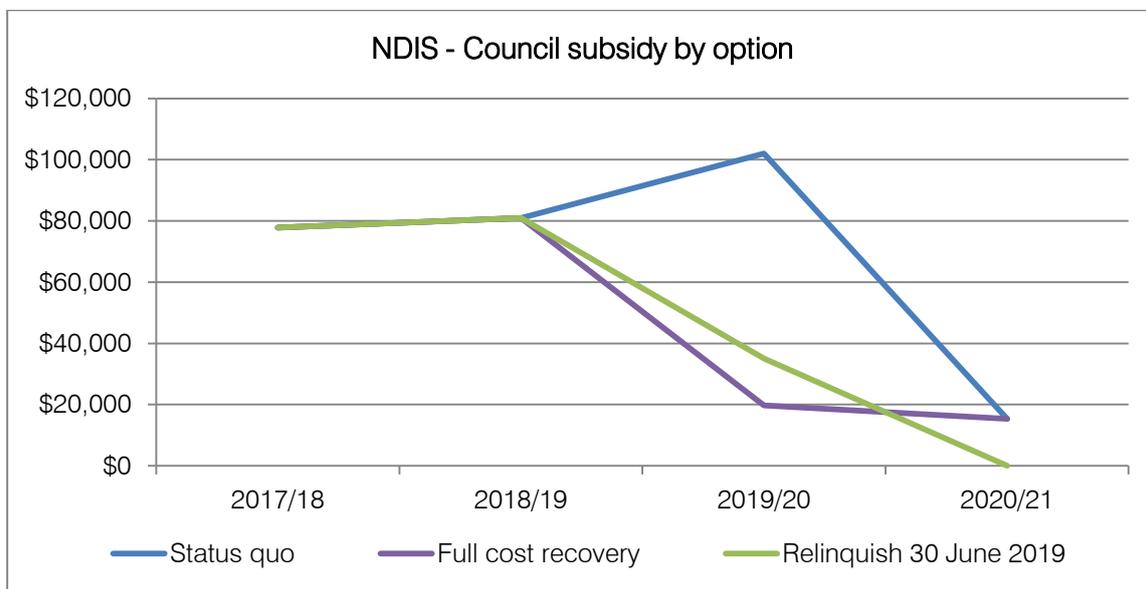
Assumptions

The financial implications associated with each option are based on the following assumptions:

Option	Assumptions
Status quo	<ul style="list-style-type: none"> • 2017/18 budget datum • Demand decline, 14 clients in 2018/19, 7 in 2019/20, zero thereafter • 2.0% wage growth annually • Cease as a service provider on 30 June 2020 • 55% redundancies paid in 2019/20, 45% in 2020/21 (proportionate to assumed demand reduction)
Relinquish to the NDIA 30 June 2019	<ul style="list-style-type: none"> • Demand decline • One year to relinquish to the NDIA, the agreement requires new arrangements to be in place before responsibility can be relinquished • Redundancies paid in 2019/20
Retain and modify (full cost recovery)	<ul style="list-style-type: none"> • Demand decline, 14 clients in 2018/19, 7 in 2019/20, zero thereafter • Full cost recovery fees are introduced in 2019/20 • Cease as a service provider on 30 June 2020 • 55% redundancies paid in 2019/20, 45% in 2020/21 (proportionate to assumed demand reduction)

Financial comparison

The following chart compares Council’s theoretical subsidy of each NDIS service delivery option:



The residual liabilities associated with each option post 2020/21 are:

	Recurrent subsidy	Redundancy liability
Status quo	\$0	\$35,071
Relinquish 30 June 2019	\$0	\$0
Full cost recovery	\$0	\$0

Note that in each option above, Council ceases as a NDIS service provider and therefore all three lines will converge on \$0 in 2021/22.

Total savings

The following table quantifies the financial savings associated with each NDIS service option:

	2019/20 saving	2020/21 saving	Total saving to 30 June 2020
Status quo	\$0	\$0	\$0
Relinquish 30 June 2019	\$66,900	\$15,343	\$82,243
Full cost recovery	\$82,243	\$0	\$82,243

Significant savings may be realised by negotiating with the NDIA to either achieve full cost recovery, or cease NDIS service delivery on 30 June 2019.

Note that full cost recovery will only have effect for one year, due to demand declining to zero by 2020/21.

Quantifying full cost recovery

Full cost recovery is an identified option for the NDIS. To achieve FCR, Council would need to increase its hourly rate by approximately \$36 to the equivalent of \$80/hour.

The NDIA have advised that they will not entertain increased funding. Passing on FCR to clients will make Council uncompetitive and the service unaffordable.

f. Conclusion

The National Disability Insurance Agency is responsible for the NDIS, yet Council provides subsidised services that inhibit competition.

Ceasing to deliver NDIS services achieves the best match with the adopted success criteria. Relinquishing services on 30 June 2019 realizes significant recurrent savings.

14. BROKERED SERVICES

a. Service snapshot

The following service snapshot is extracted from the Positive Ageing Service Review research paper:

Service recap

Council brokers personal care, domestic assistance and respite care services to external clients on behalf of other providers.

Community benefits

Staff believe that the benefits to the community of Council providing brokered services include:

- reliability - Council rarely refuses a request for service; and case managers can rely on consistent and reliable reporting, and
- trust - clients have often had a long term, familiar relationship with Council and highly value the reliability and consistency of care they've received

Financial analysis

The following table illustrates the construction of the 2017/18 brokered service cost, which is used to calculate unit rates:

Direct labour costs – costs directly associated with delivering the frontline service, including support workers, travel, and materials	In-direct costs - time spent on non-frontline tasks including supervision, coordination, training and meetings, etc	Overhead costs - back office costs other than direct and indirect, including HR, payroll, risk, governance, IT, insurance, legal fees, repairs, utilities, etc	Cost (\$)
78,126	38,267	19,518	135,911

The following table sets out unit rates. In 2016/17 and 2017/18, Council forecast a Brokered Services unit cost of \$82/hour and a unit subsidy of about \$35/hour, which would make this one of the most cost inefficient activities that Council provides.

However the 2016/17 actuals suggest the opposite.

Brokered services	Target (funded) hours	Delivered (actual) hours	Cost	Revenue	Subsidy	Unit cost	Unit funding	Unit subsidy
2016/17 Dyson forecast	1,150	1,150	94,163	56,330	37,833	82	49	33
2016/17 actual	1,150	1,342	80,288	67,909	12,379	60	59	9
2017/18 budget	1,651	1,651	135,911	71,840	64,071	82	44	39

Improved budgeting (hours and \$'s) would increase confidence in Brokered Services figures.

Conclusion

Regardless of the quantum, it must be asked, 'why subsidise brokerage agents'?

b. What we know about the next few years

The following tabulation sets out what we know about the next few years, and what’s likely to happen if we continue with business as usual:

	2017/18 and environment	2018/19	2019/20	2020/21
Facts	<ul style="list-style-type: none"> • Council brokers services to external clients on behalf of other providers • Council's rates don't recover costs, meaning that Council effectively subsidises brokerage agents • Council's omni-presence in the marketplace deters other providers 	<ul style="list-style-type: none"> • Temporary staff contracts expire on 30 June 2019 		
What will happen if we don't conduct the review and continue with business as usual	Council budgets to break even in 2018/19 and therefore charge full cost recovery – equivalent to \$90/hour	<p>Full cost recovery will encourage new providers into the marketplace and reduce demand for Council provided services</p> <p>The staff roster is balanced by natural attrition and non-renewal of temporary employment contracts</p>	The emergence of viable alternative providers will force the application of Competitive Neutrality principles which will further increase Council's fees and charges. This will create a virtuous cycle in the marketplace, encouraging further growth	Reducing demand and increasing fees continue to spiral and force Council out of the market

c. Options identification

Chapter 6 identifies the following options for analysis against the brokered services currently provided by Council:

Options		
Status quo	Retain and modify (investigate renegotiating the EA; and charging full cost recovery fees)	Relinquish (investigate relinquishing on 30 June 2019 and 30 June 2020)

Sub-contracting is not considered as an option because Council is already brokering (sub-contracting) its services to a prime agency.

d. Options analysis

In this section, future options for the delivery of brokered services are analysed against the adopted success criteria with the following results:

Brokered services	Service delivery options (refer to chapter 8)		
	Status quo	Retain and modify	Relinquish
Success criteria (refer to chapter 2)			
Business Improvement			
Council Plan and strategies			
Service outcomes			
Transition			

The following paragraphs provide a brief narrative regarding the analysis of options against the adopted success criteria:

Business Improvement principles

Relinquishing service delivery achieves a high match with Council's Business Improvement principles by providing financial savings, reducing risk, focusing on core business, addressing services that are the responsibility of others, and encouraging market growth and therefore guaranteeing services in the medium to long term.

Council Plan and Positive Ageing Strategy

The status quo, sub-contracting, and relinquishing service delivery achieve a high match with the relevant objectives of the Council Plan and Positive Ageing Strategy including supporting older people to live independent and meaningful lives, high quality services are available to the community, easy for older citizens to access what they

need, using knowledge to respond to the needs of older citizens, connecting older citizens with the community, and planning ahead for services and programs to adapt to change.

Retain and modify achieves a lesser match due to the option of full cost recovery adversely affecting affordability, and therefore access to the service.

Service outcome

Council is a respected provider of quality services and therefore the Status Quo, and Retain and Modify options, achieve a high match with the service outcomes criteria.

Relinquishing service delivery achieves a medium match with the Service Outcome criteria (quality support is available for frail and older residents to maximize their independence at home and in the community). NGOs provide quality supports and consistently meet program objectives (the Research Paper indicates that NGOs can meet or exceed Council's quality).

Transition

Making an early decision to relinquish service delivery achieves a high match with the 'transition' criteria by providing an extended period that will allow for careful planning, a smooth transition to new arrangements, and long term service continuity. Council's withdrawal from service delivery will also foster market growth, initiate competition, and guarantee service system sustainability with efficient providers.

Conclusion

Relinquishing responsibility for brokered services achieves the best match with the adopted success criteria. Refer to Appendix 4 for a more detailed analysis.

e. Financial implications

This section analyses the financial implications associated with each of the identified options.

Assumptions

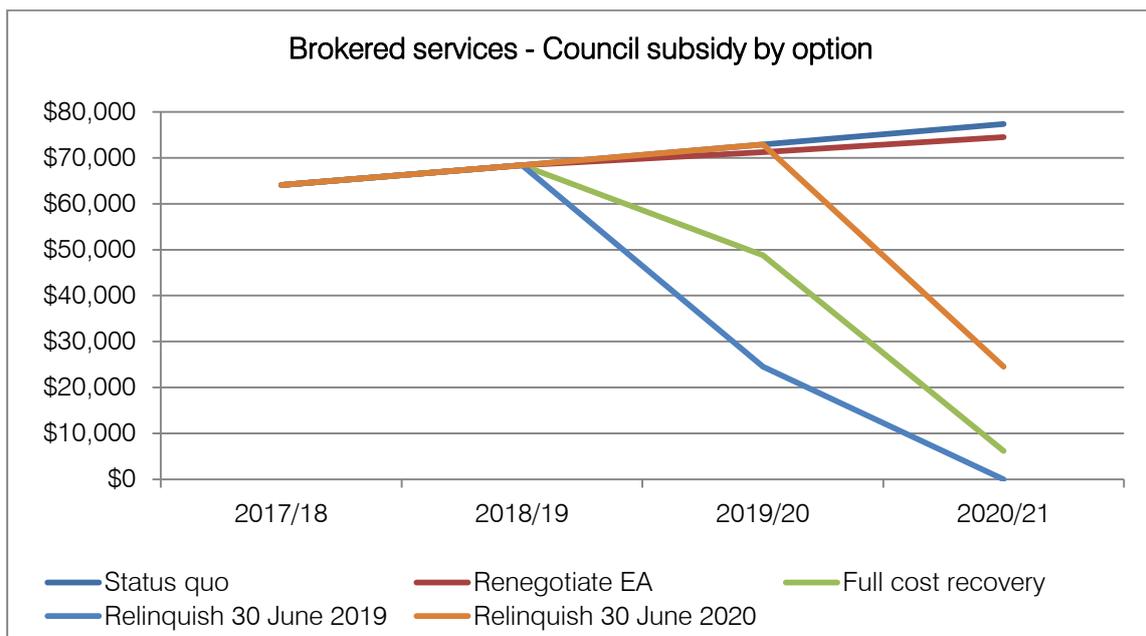
The financial implications associated with each option are based on the following assumptions:

Option	Assumptions
Status quo	<ul style="list-style-type: none"> • 2017/18 budget datum • Service grows proportionately with cohort growth (affecting direct costs only) • 2.0% wage growth annually • Cohort growth according to ABS forecasts

Option	Assumptions
Retain and modify (renegotiate EA)	<ul style="list-style-type: none"> • Agreement is extended to expire on 30 June 2020 • One year to renegotiate the EA (1 July 2018 to 30 June 2019) • New EA to take effect on 1 July 2019 • Wage freeze from 1 July 2019 (affecting direct costs only) – assumes that wage reductions won't be achievable • \$0 redundancies
Relinquish to responsible agencies 30 June 2020	<ul style="list-style-type: none"> • Cease brokering services via external agencies on 30 June 2020 • Redundancies paid in 2020/21
Retain and modify (full cost recovery)	<ul style="list-style-type: none"> • Full cost recovery fees are phased in over 2 years, commencing in 2019/20 • 10% demand reduction in 2019/20, 25% in 2020/21 (due to increasing fees) • 10% redundancies paid in 2019/20, 25% in 2020/21 (proportionate to assumed demand reduction)
Relinquish to responsible agencies 30 June 2019	<ul style="list-style-type: none"> • One year to terminate agreements and hand back to external agencies • Cease brokering services via external agencies on 30 June 2019 • Redundancies paid in 2019/20

Financial comparison

The following chart compares Council's theoretical subsidy of each brokered service delivery option:



The residual liabilities associated with each option post 2020/21 are:

	Recurrent subsidy	Redundancy liability
Status quo	\$77,346	\$24,522
Renegotiate EA	\$74,535	\$24,522
Relinquish 30 June 2020	\$0	\$0
Full cost recovery	\$0	\$15,939
Relinquish 30 June 2019	\$0	\$0

Total savings

The following table quantifies the financial savings associated with each brokered service option:

	2019/20 saving	2020/21 saving	Total saving to 30 June 2020
Status quo	\$0	\$0	\$0
Renegotiate EA	\$1,717	\$2,811	\$4,528
Relinquish 30 June 2020	\$0	\$52,825	\$52,825
Full cost recovery	\$24,127	\$71,216	\$95,343
Relinquish 30 June 2019	\$48,420	\$77,346	\$125,766

Significant savings may be achieved by relinquishing brokered services on 30 June 2019.

Quantifying full cost recovery

Full cost recovery is an identified option for brokered services. To achieve FCR, Council would need to increase its hourly rate by approximately \$20 to the equivalent of \$82/hour.

FCR will make brokered services unaffordable.

f. Conclusion

Council currently subsidises external brokerage agents and inhibits competition.

Ceasing to provide brokered services achieves the best match with the adopted success criteria. Relinquishing services on 30 June 2019 realizes significant recurrent savings.

15. MUSICAL MORNINGS

a. Service snapshot

The following service snapshot is extracted from the Positive Ageing Service Review research paper:

Service recap

Social Support programs aim to reduce social isolation by providing clients with an opportunity to try new activities, meet others, establish links in the community, and improve their overall sense of health and wellbeing.

Musical Mornings is a seasonal social support program featuring live performances at the Geelong Performing Arts Centre. Participants pay a subsidised (by Council) amount to attend.

Community benefits

Staff believe that the benefits to the community of Council providing the musical mornings program include:

- its existence - it's unlikely that the program would exist without Council's involvement
- connection - the program strengthens Council's connection with the aged cohort, creates bonds between clients, and enhances Council's understanding of client abilities and needs, and
- health and wellbeing - the program assists with the distribution of broad social information, and the promotion of Council health and wellbeing activities

Financial analysis

The following table illustrates the construction of the 2017/18 musical mornings cost, which is used to calculate unit rates:

Direct labour costs – costs directly associated with delivering the frontline service, including support workers, travel, and materials	In-direct costs - time spent on non-frontline tasks including supervision, coordination, training and meetings, etc	Overhead costs - back office costs other than direct and indirect, including HR, payroll, risk, governance, IT, insurance, legal fees, repairs, utilities, etc	Cost (\$)
37,282	18,261	7,656	63,199

The following table sets out unit rates. Council has budgeted to subsidise musical mornings by \$31,579 in 2017/18, which equates to \$332 per participant for the season.

Musical mornings	Target (funded) participants	Delivered (actual) participants	Cost	Revenue	Subsidy	Unit cost	Unit funding	Unit subsidy
2016/17 Dyson forecast	95	95	51,100	33,540	17,560	538	353	185
2016/17 actual	95	87	49,564	25,887	23,677	570	272	272
2017/18 budget	95	95	63,199	31,620	31,579	665	333	332

Conclusion

Musical mornings are a very worthy activity, much loved by participants and providing an opportunity for valuable socialization (although it's possible that it's the more able and engaged clients that participate).

Council and participants each pay half - \$333 per program participant per annum.

b. What we know about the next few years

The following tabulation sets out what we know about the next few years, and what's likely to happen if we continue with business as usual:

	2017/18 and environment	2018/19	2019/20	2020/21
Facts	<ul style="list-style-type: none"> • Musical mornings are funded by participants and subsidised by Council (no other external funding is received) • It's possible to increase the co-payment fee charged to clients • Responsibility for Musical mornings has shifted from the Positive Ageing team to Community Health and Development • Local NGOs currently provide similar activities 	<ul style="list-style-type: none"> • Temporary staff contracts expire on 30 June 2019 		
What will happen if we don't conduct the review and continue with business as usual	Council's subsidy of this program could be reduced by reviewing activity costs and increasing client fees (moving towards full cost recovery)	Fee increases will allow Council to reduce its service subsidy The staff roster is balanced by natural attrition and non-renewal of temporary employment contracts	Further fee increases will close the gap to full cost recovery and pique the interest of alternative providers	

c. Options identification

Chapter 6 identifies the following options for analysis against the musical mornings services currently provided by Council:

Options		
Status quo	Retain and modify (investigate renegotiating the EA; and charging full cost recovery fees)	Relinquish (investigate relinquishing on 30 June 2019 and 30 June 2020)

Sub-contracting as such is not considered to be an option, however, the transfer of responsibility for musical mornings to a Community House or group(s) such as Probus, U3A, or Senior Citizens presents as a credible alternative.

d. Options analysis

In this section, future options for the delivery of musical mornings services are analysed against the adopted success criteria with the following results:

Musical mornings	Service delivery options (refer to chapter 8)			
	Success criteria (refer to chapter 2)	Status quo	Retain and modify	Relinquish
Business Improvement				
Council Plan and strategies				
Service outcomes				
Transition				

The following paragraphs provide a brief narrative regarding the analysis of options against the adopted success criteria:

Business Improvement principles

Retaining and modifying community development activities (charging full cost recovery) achieves a high match with Council's Business Improvement principles by providing financial savings, reducing risk, focusing on core business, addressing services that are the responsibility of others, and encouraging market growth and therefore guaranteeing services in the medium to long term.

Relinquishing service delivery only achieves a medium match because community development is core Council business and relinquishing it may threaten access.

Council Plan and Positive Ageing Strategy

All options achieve a high match with the relevant objectives of the Council Plan and Positive Ageing Strategy including supporting older people to live independent and meaningful lives, high quality services are available to the community, easy for older citizens to access what they need, using knowledge to respond to the needs of older citizens, connecting older citizens with the community, and planning ahead for services and programs to adapt to change.

Service outcome

All options achieve a high match with the Service Outcome criteria (quality support is available for frail and older residents to maximize their independence at home and in the community).

Council is a respected provider of quality community development activities and this could continue if responsibility was transitioned to a community group.

Transition

All options achieve a medium match with the Transition criteria.

Relinquishing service delivery would achieve a high match if there was certainty regarding a community group assuming responsibility for the activity.

Conclusion

Retaining and modifying musical mornings (introducing full cost recovery) achieves the best match with the adopted success criteria.

Refer to Appendix 5 for a more detailed analysis.

e. Financial implications

This section analyses the financial implications associated with each of the identified options.

Assumptions

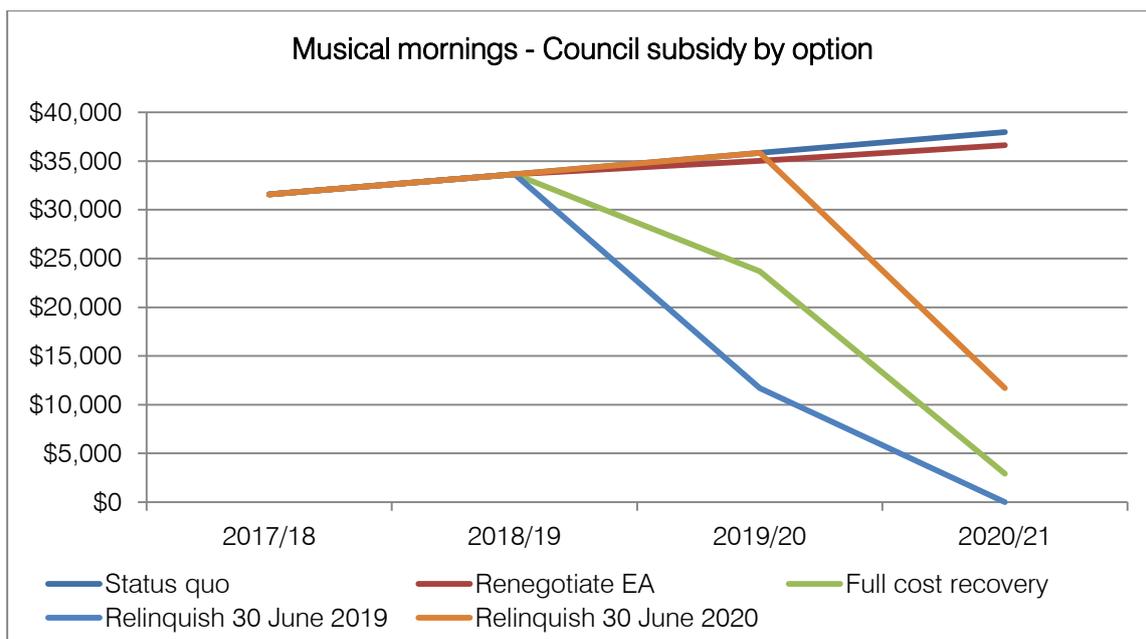
The financial implications associated with each option are based on the following assumptions:

Option	Assumptions
Status quo	<ul style="list-style-type: none"> • 2017/18 budget datum • Service grows proportionately with cohort growth • 2.0% wage growth annually • Cohort growth according to ABS forecasts

Option	Assumptions
Retain and modify (renegotiate EA)	<ul style="list-style-type: none"> • One year to renegotiate the EA (1 July 2018 to 30 June 2019) • New EA to take effect on 1 July 2019 • Wage freeze from 1 July 2019 (affecting direct costs only) – assumes that wage reductions won't be achievable • \$0 redundancies
Relinquish service delivery 30 June 2020	<ul style="list-style-type: none"> • Service won't be relinquished if a provider cannot be confirmed • Handover to the community on 30 June 2020 • Redundancies paid in 2020/21
Retain and modify (full cost recovery)	<ul style="list-style-type: none"> • Full cost recovery fees are phased in over 2 years, commencing in 2019/20 • 10% demand reduction in 2019/20, 25% in 2020/21 (due to increasing fees) • 10% redundancies paid in 2019/20, 25% in 2020/21 (proportionate to assumed demand reduction)
Relinquish service delivery 30 June 2019	<ul style="list-style-type: none"> • Service won't be relinquished if a provider cannot be confirmed • One year to negotiate with community groups and handover responsibility • Handover to the community on 30 June 2019 • Redundancies paid in 2019/20

Financial comparison

The following chart compares Council's theoretical subsidy of the identified musical morning service delivery options:



The residual liabilities associated with each option post 2020/21 are:

	Recurrent subsidy	Redundancy liability
Status quo	\$37,975	\$11,702
Renegotiate EA	\$36,634	\$11,702
Relinquish 30 June 2020	\$0	\$0
Full cost recovery	\$0	\$7,606
Relinquish 30 June 2019	\$0	\$0

Total savings

The following table quantifies the financial savings associated with each musical mornings service option:

	2019/20 saving	2020/21 saving	Total saving to 30 June 2020
Status quo	\$0	\$0	\$0
Renegotiate EA	\$819	\$1,341	\$2,161
Relinquish 30 June 2020	\$0	\$26,274	\$26,274
Full cost recovery	\$12,181	\$35,050	\$47,231
Relinquish 30 June 2019	\$24,151	\$37,975	\$62,126

Significant savings may be achieved by either relinquishing musical mornings services on 30 June 2019, or by retaining the service and introducing full cost recovery.

Quantifying full cost recovery

Full cost recovery is an identified option for musical mornings. To achieve FCR, Council would need to increase the fees for the program by \$332 to \$665/person/annum.

FCR will make the program unaffordable for some.

f. Conclusion

Retaining and modifying musical mornings (introducing full cost recovery) achieves the best match with the adopted success criteria. Relinquishing service delivery on 30 June 2019 realizes significant recurrent savings.

The best outcome is a mix of both, where a community group assumes responsibility for the service and charges full cost recovery (which would be much less than Council's FCR).

Council may also consider whether there are more equitable and inclusive social support programs it could sponsor.

16. CAFÉ STYLE SUPPORT

a. Service snapshot

The following service snapshot is extracted from the Positive Ageing Service Review research paper:

Service recap

The Café Style program aims to maintain and enhance the daily living skills of participants. Evidence shows that staying connected leads to a longer, healthier life. The Café Style program of activities contributes to a participant's physical, social, cultural, emotional and recreational needs and provides opportunities to connect and stay connected with the community.

Community benefits

Staff believe that the benefits to the community of Council providing the Café Style support program include:

- its existence - it's unlikely that the program would exist without Council's involvement
- connection - the program strengthens Council's connection with the aged cohort, creates bonds between clients, and enhances Council's understanding of client abilities and needs, and
- health and wellbeing - the program assists with the distribution of broad social information, and the promotion of Council health and wellbeing activities

Financial analysis

The following table illustrates the construction of the 2017/18 café style support cost, which is used to calculate unit rates:

Direct labour costs – costs directly associated with delivering the frontline service, including support workers, travel, and materials	In-direct costs - time spent on non-frontline tasks including supervision, coordination, training and meetings, etc	Overhead costs - back office costs other than direct and indirect, including HR, payroll, risk, governance, IT, insurance, legal fees, repairs, utilities, etc	Cost (\$)
91,080	28,207	5,689	124,976

The following table sets out unit rates. The 2017/18 budget identifies significant program growth which is not reflected in the budgeted hours. 6,500 contact hours (more than double the 2016/17 figures) would need to be delivered to maintain comparable unit rates.

Café style support	Target (funded) hours	Delivered (actual) hours	Cost	Revenue	Subsidy	Unit cost	Unit funding	Unit subsidy
2016/17 Dyson forecast	2,753	2,753	64,725	54,790	9,935	24	20	4
2016/17 actual	2,753	2,983	59,759	20,302	39,457	20	7	13
2017/18 budget	1,152	1,152	124,976	57,554	67,422	108	50	59

Conclusion

Similar to Musical mornings, Café style support is a very worthy activity, much loved by participants and providing an opportunity for valuable socialization (although it's possible that it's the more able and engaged clients that participate).

b. What we know about the next few years

The following tabulation sets out what we know about the next few years, and what’s likely to happen if we continue with business as usual:

	2017/18 and environment	2018/19	2019/20	2020/21
Facts	<ul style="list-style-type: none"> • Café style support is a CHSP funded activity that is subsidised by Council • A one year extension to the federal block funding agreement has been announced (to 30 June 2020), but the decision to accept the extension can't be made until early 2018 when the terms and conditions are announced • It's possible to increase the co-payment fee charged to clients • Council has budgeted to substantially grow Café style support in 2017/18 • Responsibility for Café style support has shifted from the Positive Ageing team to Community Health and Development • Local NGOs currently provide similar activities 	<ul style="list-style-type: none"> • The current federal funding agreement for the delivery of the CHSP expires on 30 June 2019 • Temporary staff contracts expire on 30 June 2019 	<ul style="list-style-type: none"> • If accepted, the one-year federal funding extension commences on 1 July 2019 and expires on 30 June 2020 	<ul style="list-style-type: none"> •
What will happen if we don't conduct the review and continue with business as usual	It may be possible to reduce Council's subsidy of this program by reviewing activity costs and increasing client co-contribution fees (moving towards full cost recovery)	<p>The terms and conditions of the one-year federal funding extension are likely to be agreed to and the offer accepted</p> <p>Fee increases will allow Council to reduce its service subsidy</p> <p>The staff roster is balanced by natural attrition and non-renewal of temporary employment contracts</p>	Further fee increases will close the gap to full cost recovery and pique the interest of alternative providers	CHSP services are either market tested by the Federal government on a regional scale, or individual funding is introduced (as recommended in the Tune report). Council will not be competitive in either scenario

c. Options identification

Chapter 6 identifies the following options for analysis against the café style support services currently provided by Council:

Options			
Status quo	Retain and modify (investigate renegotiating the EA; and charging full cost recovery fees)	Sub-contract (transition responsibility to a community group)	Relinquish (investigate relinquishing on 30 June 2019 and 30 June 2020)

Sub-contracting is included as an option, but is actually explored as the transitioning of responsibility to a Community House or group(s) such as Probus, U3A, or Senior Citizens.

d. Options analysis

In this section, future options for the delivery of café style support services are analysed against the adopted success criteria with the following results:

Café style support	Service delivery options (refer to chapter 8)			
	Status quo	Retain and modify	Sub-contract	Relinquish
Success criteria (refer to chapter 2)				
Business Improvement				
Council Plan and strategies				
Service outcomes				
Transition				

The following paragraphs provide a brief narrative regarding the analysis of options against the adopted success criteria:

Business Improvement principles

Retaining and modifying (charging full cost recovery) and 'sub-contracting' to the community both achieve a high match with Council's Business Improvement principles by providing financial savings, reducing risk, focusing on core business, addressing services that are the responsibility of others, and encouraging market growth and therefore guaranteeing services in the medium to long term.

Relinquishing service delivery only achieves a medium match because community development is core Council business and relinquishing it may threaten access.

Council Plan and Positive Ageing Strategy

All options achieve a high match with the relevant objectives of the Council Plan and Positive Ageing Strategy including supporting older people to live independent and meaningful lives, high quality services are available to the community, easy for older citizens to access what they need, using knowledge to respond to the needs of older citizens, connecting older citizens with the community, and planning ahead for services and programs to adapt to change.

Service outcome

All options achieve a high match with the Service Outcome criteria (quality support is available for frail and older residents to maximize their independence at home and in the community).

Council is a respected provider of quality community development activities and this could continue if responsibility was transitioned to a community group.

Transition

All options achieve a medium match with the Transition criteria.

Sub-contracting would achieve a high match if there was certainty regarding a community group assuming responsibility for the activity.

Conclusion

Retaining and modifying (introducing full cost recovery), and sub-contracting (to a community group) achieve the best matches with the adopted success criteria. Refer to Appendix 5 for a more detailed analysis.

e. Financial implications

This section analyses the financial implications associated with each of the identified options.

Assumptions

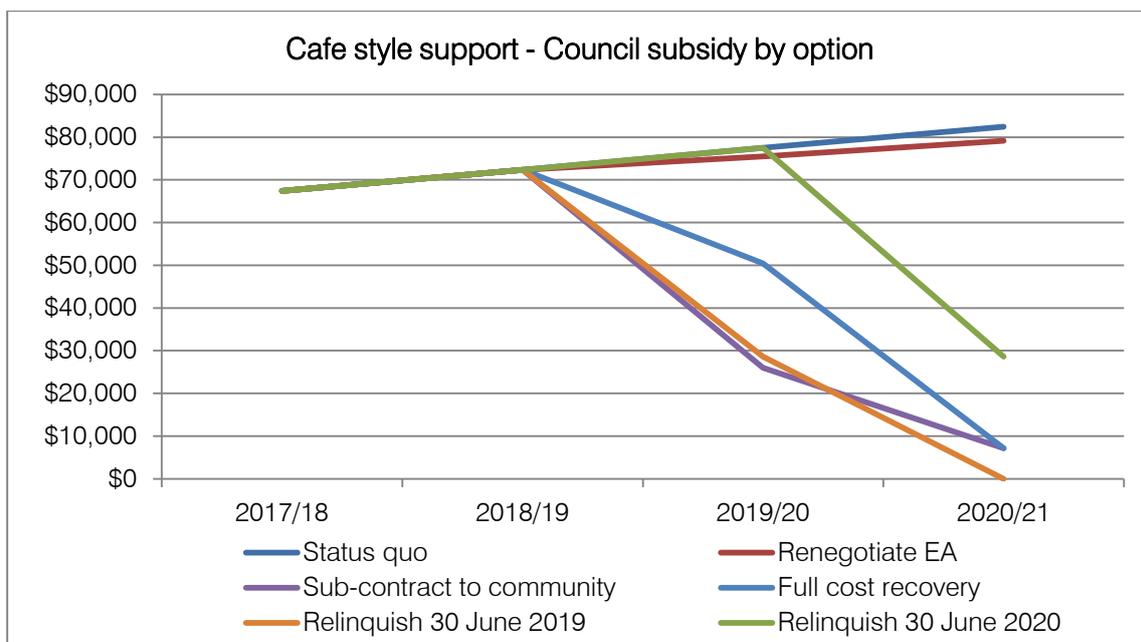
The financial implications associated with each option are based on the following assumptions:

Option	Assumptions
Status quo	<ul style="list-style-type: none"> • 2017/18 budget datum • Agreement is extended to expire on 30 June 2020 • Service grows proportionately with cohort growth • 2.0% wage growth annually • Cohort growth according to ABS forecasts
Retain and modify (renegotiate EA)	<ul style="list-style-type: none"> • Agreement is extended to expire on 30 June 2020 • One year to renegotiate the EA (1 July 2018 to 30 June 2019)

Option	Assumptions
	<ul style="list-style-type: none"> • New EA to take effect on 1 July 2019 • Wage freeze from 1 July 2019 (affecting direct costs only) – assumes that wage reductions won't be achievable • \$0 redundancies
Relinquish to the Commonwealth 30 June 2020	<ul style="list-style-type: none"> • One year to negotiate terms with the Commonwealth and identify and appoint alternative providers • Relinquish service to the Commonwealth on 30 June 2020 • Redundancies paid in 2020/21
Sub-contract (to a community group)	<ul style="list-style-type: none"> • One year to market test and award contract (1 July 2018 to 30 June 2019) • Transition service to new provider on 1 July 2019 • Volunteers administer the program • The wages component of direct costs is eliminated (equating to a 70% reduction in direct costs) • In-direct costs and overheads according to status quo • 70% redundancies paid in 2019/20
Retain and modify (full cost recovery)	<ul style="list-style-type: none"> • Agreement is extended to expire on 30 June 2020 • Full cost recovery fees are phased in over 2 years, commencing in 2019/20 • 10% demand reduction in 2019/20, 25% in 2020/21 (due to increasing fees) • 10% redundancies paid in 2019/20, 25% in 2020/21 (proportionate to assumed demand reduction)
Relinquish to the Commonwealth 30 June 2019	<ul style="list-style-type: none"> • One year to negotiate terms with the Commonwealth and identify and appoint alternative providers • Relinquish service to the Commonwealth on 30 June 2019 • Redundancies paid in 2019/20

Financial comparison

The following chart compares Council's theoretical subsidy of each café style support service delivery option:



The residual liabilities associated with each option post 2020/21 are:

	Recurrent subsidy	Redundancy liability
Status quo	\$82,453	\$28,588
Renegotiate EA	\$79,176	\$28,588
Relinquish 30 June 2020	\$0	\$0
Full cost recovery	\$0	\$18,582
Sub-contract to community	\$7,162	\$8,576
Relinquish 30 June 2019	\$0	\$0

Total savings

The following table quantifies the financial savings associated with each café style support service option:

	2019/20 saving	2020/21 saving	Total saving to 30 June 2020
Status quo	\$0	\$0	\$0
Renegotiate EA	\$2,002	\$3,277	\$5,279
Relinquish 30 June 2020	\$0	\$53,866	\$53,866
Full cost recovery	\$26,997	\$75,306	\$102,303
Sub-contract to community	\$51,447	\$75,292	\$126,739
Relinquish 30 June 2019	\$48,882	\$82,453	\$131,336

Significant savings may be achieved by either relinquishing CHSP services on 30 June 2019, sub-contracting to the community, or by retaining the service and introducing full cost recovery.

Quantifying full cost recovery

Full cost recovery is an identified option for café style support. To achieve FCR, Council would need to either:

- if CHSP remains block funded, negotiate an additional \$40,000 per annum from the Commonwealth (highly improbable), or increase client co-payments by the equivalent of \$15/hour, or
- if CHSP becomes individually funded, charge \$25/hour, an increase of \$15/hour

FCR will make the service unaffordable.

f. Conclusion

The CHSP service agreement is due to expire on 30 June 2019; a one-year funding extension has been offered and if accepted, will commence on 1 July 2019 and expire on 30 June 2020. When the agreement eventually expires, CHSP services will either be market tested by the Federal government on a regional scale, or individual funding introduced (as recommended in the Tune report).

Retaining and modifying (introducing full cost recovery), and sub-contracting (to a community group) achieve the best matches with the adopted success criteria.

Relinquishing service delivery on 30 June 2019, sub-contracting to the community, and introducing full cost recovery, all realize significant recurrent savings.

The best outcome for café style support may be a mix of options; where service responsibility is sub-contracted to a community group that charges full cost recovery.

17. SENIOR CITIZENS CENTRES

a. Service snapshot

The following service snapshot is extracted from the Positive Ageing Service Review research paper:

Service recap

Council owns and maintains five senior citizens centres across the Shire; each centre is administered and operated by a committee of management. Senior Citizens clubs invite people over 55 and people with disabilities and their carers to join and enjoy the range of activities that the clubs offer.

Community benefits

Evidence shows that staying connected leads to a longer, healthier life. Senior Citizen's Clubs contribute to a participant's physical, social, cultural, emotional and recreational needs and provide opportunities to connect and stay connected with the community.

Senior Citizens Centres and their clubs connect Council with the older cohort, and would not exist without Council support.

Financial analysis

The following table illustrates the construction of the 2017/18 Senior Citizens Centres cost, which is used to calculate unit rates:

Direct labour costs – costs directly associated with delivering the frontline service, including support workers, travel, and materials	In-direct costs - time spent on non-frontline tasks including supervision, coordination, training and meetings, etc	Overhead costs - back office costs other than direct and indirect, including HR, payroll, risk, governance, IT, insurance, legal fees, repairs, utilities, etc	Cost (\$)
25,270	26,094	6,054	57,418

The following table sets out unit rates. Council receives modest funding from the State government for the upkeep and operation of its Senior Citizens Centres. Increased utilization of the facilities could raise additional revenue.

Senior Citizens Centres	Target (funded) participants	Delivered (actual) participants	Cost	Revenue	Subsidy	Unit cost	Unit funding	Unit subsidy
2016/17 Dyson forecast	380	380	32,953	27,740	5,213	87	73	14
2016/17 actual	380	380	22,862	13,618	9,244	60	36	24
2017/18 budget	380	380	57,418	30,327	27,091	151	80	71

Conclusion

There's a statewide decline in membership and use of Senior Citizens Centres, due to numerous factors including:

- reluctance of baby boomers to be classified as senior citizens
- the emergence of alternative clubs such as U3A, Probus, Men's Sheds, and Life Activity Clubs
- image, and
- ageing infrastructure and committees of management (and a lack of interest from younger community members)

(Refer to the MAV's 'New Futures for Senior Citizen Centres and Clubs: A Report for Local Government').

b. What we know about the next few years

The following tabulation sets out what we know about the next few years, and what’s likely to happen if we continue with business as usual:

	2017/18 and environment	2018/19	2019/20	2020/21
Facts	<ul style="list-style-type: none"> The operation of Council's Senior Citizens Centres is subsidised by the CHSP A one year extension to the federal block funding agreement has been announced (to 30 June 2020), but the decision to accept the extension can't be made until January 2018 when the terms and conditions are announced The demand for Senior Citizens Centres and programs is decreasing nationally as older Australians disassociate themselves from the title of Senior Citizen and gravitate instead towards Probus, U3A, Mens Sheds, and Life Activity Clubs 	<ul style="list-style-type: none"> The current federal funding agreement for the delivery of the CHSP expires on 30 June 2019 	<ul style="list-style-type: none"> If accepted, the one-year federal funding extension commences on 1 July 2019 and expires on 30 June 2020 	
What will happen if we don't conduct the review and continue with business as usual		The terms and conditions of the one-year federal funding extension are likely to be agreed to and the offer accepted	The CHSP funding extension is likely to include Senior Citizens Centres	Commonwealth block funding to local government may be continued, but for a different 'purpose'

c. Options identification

Chapter 6 identifies the following options for analysis against the Senior Citizens services currently provided by Council:

Options	
Status quo	Retain and modify (manage internally and grow patronage)

Sub-contracting and relinquishing Senior Citizens Centres are not considered to be options.

d. Options analysis

In this section, future options for the delivery of Senior Citizens Centre services are analysed against the adopted success criteria with the following results:

Senior Citizens Centres	Service delivery options (refer to chapter 8)	
	Status quo	Retain and modify
Success criteria (refer to chapter 2)		
Business Improvement		
Council Plan and strategies		
Service outcomes		
Transition		

The following paragraphs provide a brief narrative regarding the analysis of options against the adopted success criteria:

Business Improvement principles

Retain and modify achieves a high match with Council's Business Improvement principles by providing financial savings, reducing risk and focusing on core business. Council is the sole conceivable provider of Senior Citizens Centres for the community.

Council Plan and Positive Ageing Strategy

Both the status quo and retain and modify achieve high matches with the relevant objectives of the Council Plan and Positive Ageing Strategy including supporting older people to live independent and meaningful lives, high quality services are available to the community, easy for older citizens to access what they need, using knowledge to respond to the needs of older citizens, connecting older citizens with the community, and planning ahead for services and programs to adapt to change.

Service outcome

Both the status quo and retain and modify achieve high matches with the Service Outcome criteria (quality support is available for frail and older residents to maximize their independence at home and in the community).

Transition

Both the status quo and retain and modify achieve a medium match with the 'transition' criteria.

Conclusion

Retain and modify achieves the best match with the adopted success criteria for Senior Citizens Centres. Refer to Appendix 5 for a more detailed analysis.

e. Financial implications

This section analyses the financial implications associated with each of the identified options.

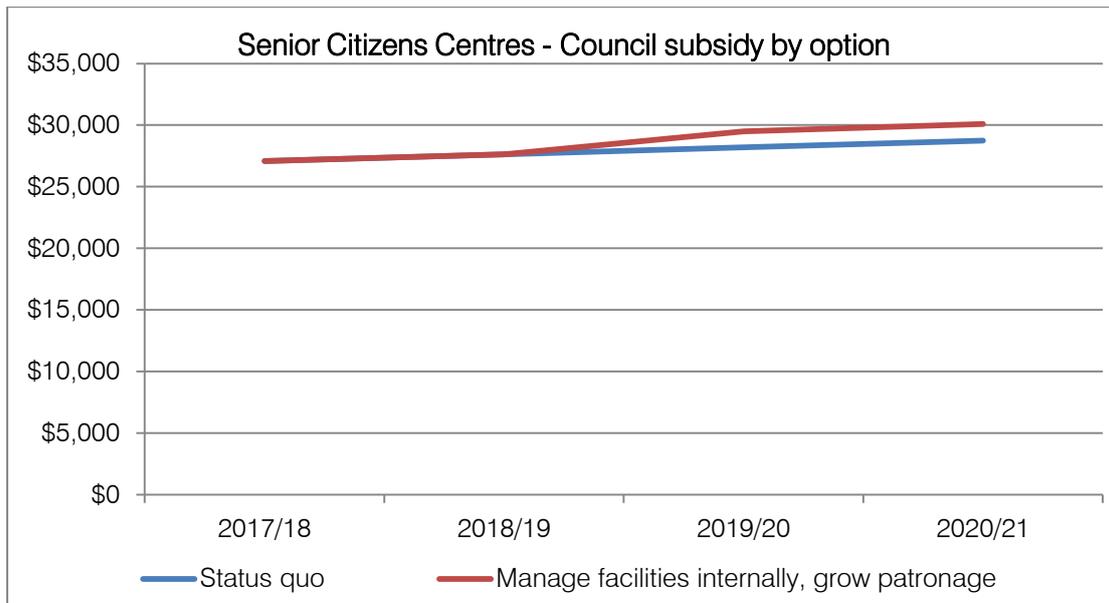
Assumptions

The financial implications associated with each option are based on the following assumptions:

Option	Assumptions
Status quo	<ul style="list-style-type: none"> • 2017/18 budget datum • Agreement is extended to expire on 30 June 2020 • Service grows proportionately with cohort growth • 2.0% wage growth annually
Retain and modify (manage internally, grow patronage)	<ul style="list-style-type: none"> • Agreement is extended to expire on 30 June 2020 • Full cost recovery fees are phased in over 2 years, commencing in 2019/20 • 5% per annum increase in revenue due to increased patronage • 5% per annum increase in direct costs • In-direct costs and overheads according to status quo

Financial comparison

The following chart compares Council's theoretical subsidy of the two Senior Citizens Centre options:



The residual liabilities associated with each option post 2020/21 are:

	Recurrent subsidy	Redundancy liability
Status quo	\$28,749	\$7,932
Manage facilities internally, grow patronage	\$30,090	\$7,932

Total savings

The following table quantifies the financial savings associated with each Senior Citizens Centre option:

	2019/20 saving	2020/21 saving	Total saving to 30 June 2020
Status quo	\$0	\$0	\$0
Manage facilities internally, grow patronage	-\$1,315	-\$1,341	-\$2,655

Minor savings may be possible by managing facilities internally and growing patronage, however based on the assumptions, the calculations indicate a short term increase in costs.

f. Conclusion

The operation of Council's Senior Citizens Centres is currently subsidized by the CHSP; and it's possible that block funding will be continued in the future.

Retain and modify achieves the best match with the adopted success criteria; minor savings may be possible by managing Senior Citizens Centres internally and growing patronage.

18. SPECIAL PROJECTS

a. Service snapshot

The following service snapshot is extracted from the Positive Ageing Service Review research paper:

Service recap

Special projects are primarily systems improvement tasks, undertaken to enhance service delivery efficiency.

Financial analysis

The following table illustrates the construction of the 2017/18 special projects cost, which is used to calculate unit rates:

Direct labour costs – costs directly associated with delivering the frontline service, including support workers, travel, and materials	In-direct costs - time spent on non-frontline tasks including supervision, coordination, training and meetings, etc	Overhead costs - back office costs other than direct and indirect, including HR, payroll, risk, governance, IT, insurance, legal fees, repairs, utilities, etc	Cost (\$)
80,000	38,563	9,564	128,127

The following table sets out unit rates.

Special projects	Target (funded) projects	Delivered (actual) projects	Cost	Revenue	Subsidy	Unit cost	Unit funding	Unit subsidy
2016/17 Dyson forecast	-	-	201,220	18,930	-	-	-	-
2016/17 actual	1	1	70,226	22,273	47,953	70,226	22,273	47,953
2017/18 budget	1	1	128,127	-	128,127	128,127	-	128,127

Conclusion

System improvement projects are clearly necessary, and the responsibility of Council.

b. What we know about the next few years

The following tabulation sets out what we know about the next few years, and what's likely to happen if we continue with business as usual:

	2017/18 and environment	2018/19	2019/20	2020/21
Facts	<ul style="list-style-type: none"> Special projects are primarily internal system improvement tasks, undertaken to enhance service delivery efficiency CHSP funding is provided for this activity A one year extension to the federal block funding agreement has been announced (to 30 June 2020), but the decision to accept the extension can't be made until January 2018 	<ul style="list-style-type: none"> The current federal funding agreement for the delivery of the CHSP expires on 30 June 2019 	<ul style="list-style-type: none"> If accepted, the one-year federal funding extension commences on 1 July 2019 and expires on 30 June 2020 	
What will happen if we don't conduct the review and continue with business as usual		<p>The terms and conditions of the one-year federal funding extension are likely to be agreed to and the offer accepted</p> <p>System improvement funding may continue with the current agreement, but rebadged as transition funding</p>		System improvement funding is likely to disappear

c. Options identification

Chapter 6 identifies the following options for analysis against the special projects currently provided by Council:

Options	
Status quo	Relinquish (investigate relinquishing on 30 June 2019 and 30 June 2020)

The status quo and relinquishing service delivery are the only possible options for exploration. Special projects are not required if Council relinquishes its other support activities.

d. Options analysis

In this section, future options for the delivery of Special Projects are analysed against the adopted success criteria with the following results:

Special projects	Service delivery options (refer to chapter 8)	
	Status quo	Relinquish
Success criteria (refer to chapter 2)		
Business Improvement		
Council Plan and strategies		
Service outcomes		
Transition		

The following paragraphs provide a brief narrative regarding the analysis of options against the adopted success criteria:

Business Improvement principles

Relinquish service delivery achieves a medium match with Council's Business Improvement principles by providing financial savings, reducing risk and focusing on core business.

Council Plan and Positive Ageing Strategy

Both the status quo and relinquishing service delivery achieve high matches with the relevant objectives of the Council Plan and Positive Ageing Strategy. Special projects become irrelevant if Council relinquishes the other Positive Ageing supports it currently provides.

Service outcome

Both the status quo and relinquishing service delivery achieve high matches with the Service Outcome criteria (quality support is available for frail and older residents to maximize their independence at home and in the community).

Transition

Both the status quo and relinquishing service delivery achieve a medium match with the 'transition' criteria.

Conclusion

Relinquishing service delivery achieves the best match with the adopted success criteria for Special Projects. Refer to Appendix 5 for a more detailed analysis.

e. Financial implications

This section analyses the financial implications associated with each of the identified options.

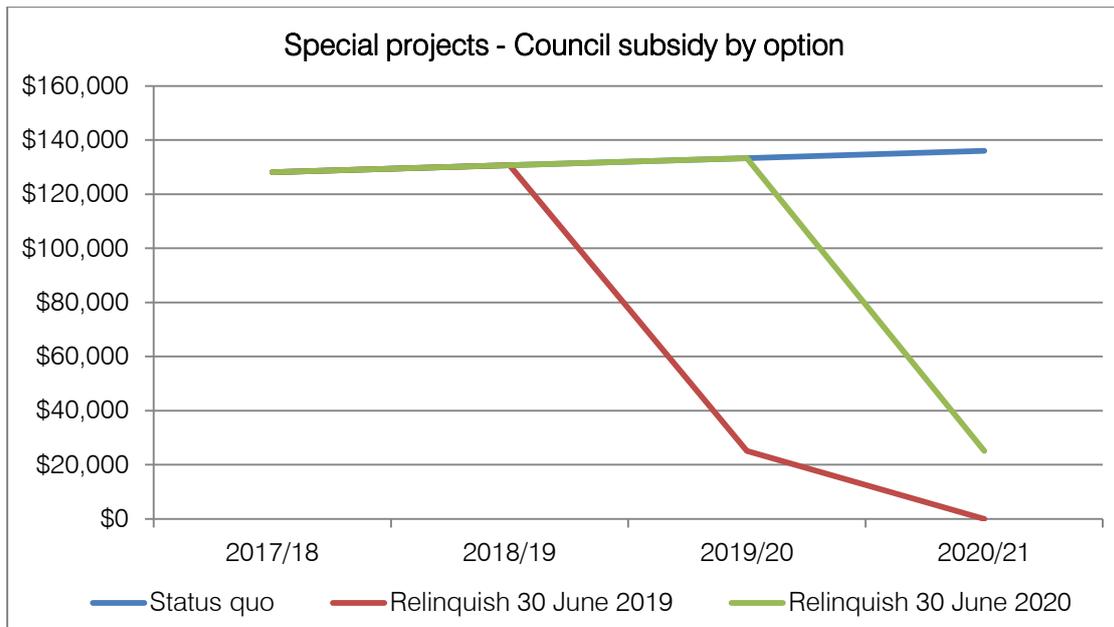
Assumptions

The financial implications associated with each option are based on the following assumptions:

Option	Assumptions
Status quo	<ul style="list-style-type: none"> • 2017/18 budget datum • Agreement is extended to expire on 30 June 2020 • 2.0% wage growth annually
Relinquish to the Commonwealth 30 June 2020	<ul style="list-style-type: none"> • Relinquish service to the Commonwealth on 30 June 2020 • Redundancies paid in 2020/21
Relinquish to the Commonwealth 30 June 2019	<ul style="list-style-type: none"> • One year to negotiate terms with the Commonwealth and identify and appoint alternative providers • Relinquish service to the Commonwealth on 30 June 2019 • Redundancies paid in 2019/20

Financial comparison

The following chart compares Council's theoretical subsidy of the Special Projects options:



The residual liabilities associated with each option post 2020/21 are:

	Recurrent subsidy	Redundancy liability
Status quo	\$135,969	\$25,110
Relinquish 30 June 2020	\$0	\$0
Relinquish 30 June 2019	\$0	\$0

Total savings

The following table quantifies the financial savings associated with each Special Project option:

	2019/20 saving	2020/21 saving	Total saving to 30 June 2020
Status quo	\$0	\$0	\$0
Relinquish 30 June 2020	\$0	\$110,860	\$110,860
Relinquish 30 June 2019	\$108,193	\$135,969	\$244,163

Significant savings may be achieved by relinquishing special projects on 30 June 2019.

f. Conclusion

Special projects become irrelevant if Council relinquishes the other Positive Ageing supports it currently provides.

Relinquishing service delivery achieves the best match with the adopted success criteria; negotiating with the Commonwealth to relinquish special projects on 30 June 2019 realizes significant recurrent savings.

19. SUMMARY FINDINGS

The following table summarises the considerable analytical data contained in chapters 7 to 18:

Chp	Activity	Best match with the success criteria	Success criteria match	Financial implications of implementing the indicated option
7	Assessment	Relinquish		\$180,000pa saving
8	CHSP (PC, DA, and respite)	Relinquish		\$650,000pa saving
9	CHSP (property maintenance)	Relinquish		\$35,000pa saving
10	Delivered meals (CHSP and HACC PYP)	Relinquish		\$150,000pa saving
11	Home care packages	Relinquish		\$75,000pa saving
12	Veterans home care	Relinquish		\$75,000pa saving
13	NDIS	Relinquish		\$75,000pa saving
14	Brokered services	Relinquish		\$75,000pa saving
15	Musical mornings	Retain and modify		\$35,000pa saving
16	Café style support	Retain and modify		\$75,000pa saving
17	Senior citizens centres	Retain and modify		\$2,000pa cost
18	Special projects	Relinquish		\$135,000pa saving

Section 3 - IMPLEMENTATION SCENARIOS

20. IMPLEMENTATION SCENARIOS

This section arranges the previously discussed activities and their options into three possible scenarios to provide insight into how the options may be implemented and to assist with consultation. The scenarios are:

- Remain a service provider
- Extended exit plan, and
- Compressed exit plan

21. REMAIN A SERVICE PROVIDER

a. Rationale

The rationale for the 'remain a service provider' scenario is to retain existing benefits for clients, based on Council's service delivery history.

b. Description

Remaining a service provider is defined as retaining service delivery and improving efficiency; it assumes that:

- Council continues to be reactive and subsidise Positive Ageing services
- routine adjustments continue to be made to improve efficiency
- full cost recovery is introduced where possible, and
- Council has the ability to choose to stay in when the current agreements expire on 30 June 2019 and services are either market tested by the Commonwealth on a regional scale, or individual funding is introduced.

c. Implementation scenario

The decision to remain a service provider could be achieved as follows:

Stay in	2018/19	2019/20	2020/21	2021/22
Actions	Budget to actuals	New EA	FCR fees	
	Implementation costs (year one only)	Fees halfway to FCR		
Budget savings	\$150,000	\$337,686	\$942,981	

Note that the above table assumes that:

- budgeting to actuals allows \$200,000 to be removed from the 2018/19 budget (refer to Chapter 27)
- implementation costs of \$50,000, applicable in 2018/19 only
- full cost recovery can be achieved on all PA activities (except Assessment, Senior Citizens Centres, and Special Projects) within 2 years, and
- there are no redundancies (or redundancy payments)

d. Match with success criteria

Remaining a service provider achieves a moderate overall match with the adopted success criteria as follows:

	Success criteria match			
	Business Improvement	Council Plan and strategies	Service outcomes	Transition
Stay in				

e. Risks

There are several high risk items associated with remaining a service provider, but the overall level of risk is moderate:

Risk	Control	Residual risk
Unsustainable	Introduce full cost recovery and renegotiate EA	
Reduction in quality	Focus on becoming a provider of choice	
Difficult transition	Make routine adjustments	
Unaffordable	Renegotiate EA	
Weak market	No impact to clients if Council stays in	
Industrial action (in relation to renegotiating the EA)	Comply with EA requirements	
Reputational damage	Focus on quality and communication	
Insufficient capacity to deliver (staff resignations)	Maintain relationships and communicate	

22. EXTENDED EXIT PLAN

a. Rationale

The rationale for the 'extended exit plan' scenario is to provide a smooth transition for clients to a sustainable, competitive market.

b. Description

An extended exit plan is defined as relinquishing service delivery in a carefully planned way over several years, with the emphasis on a smooth transition and service continuity for clients, and fostering market growth for long term sustainability, rather than realising savings in the short term.

c. Implementation scenario

The decision to implement an extended transition plan could be achieved as follows:

Extended exit plan	2018/19	2019/20	2020/21	2021/22
Actions	Budget to actuals	No new HCP clients	FCR for café style support and musical mornings	Address overheads
	Implementation costs (year one only)	Relinquish Brokered services, Property maintenance, and NDIS	Relinquish CHSP, HCP, VHC, Assessment	
Budget savings	\$150,000	\$145,345	\$525,043	\$167,597

Note that the above table:

- assumes that budgeting to actuals allows \$200,000 (excluding overheads) to be removed from the 2018/19 budget (refer to Chapter 27)
- includes implementation costs of \$50,000 (in 2018/19 only)
- includes redundancy payments in 2019/20 and 2020/21
- addresses 50% of applicable overheads in 2021/22, and
- includes full cost recovery for café style support and musical mornings within 2 years

d. Match with success criteria

An extended exit plan achieves a high overall match with the adopted success criteria as follows:

	Success criteria match			
	Business Improvement	Council Plan and strategies	Service outcomes	Transition
Extended exit plan				

e. Risks

The overall level of risk associated with an extended exit plan is low:

Risk	Control	Residual risk
Unsustainable	Relinquishing service delivery is the only sustainable scenario	
Reduction in quality	The market provides quality services, an extended exit plan promotes market development	
Difficult transition	An extended exit plan provides the greatest opportunity for a smooth transition to new arrangements	
Unaffordable	Relinquishing service delivery will develop a competitive market and maximise affordability	
Weak market	Relinquishing service delivery will promote market growth (but this is untested)	
Industrial action (in relation to job loss)	An extended exit plan and careful compliance with EA requirements will minimise industrial action	
Reputational damage	Good communication and an extended exit plan with safeguards will facilitate a smooth transition and enhance Council's reputation	
Insufficient capacity to deliver (staff resignations)	Maintain relationships, communicate well and emphasise benefits to retain permanent staff and minimise the departure of casuals	

23. COMPRESSED EXIT PLAN

a. Rationale

The rationale for the 'compressed exit plan' scenario is to maximize financial savings.

b. Description

A compressed exit plan is defined as relinquishing service delivery in a carefully planned way, but with an emphasis on savings, rather than transition, service continuity, and sustainability.

c. Implementation scenario

The decision to implement a compressed transition plan could be achieved as follows:

Compressed exit plan	2018/19	2019/20	2020/21	2021/22
Actions	Budget to actuals	Relinquish all services (except CSS and MM)	FCR for café style support and musical mornings	
	Implementation costs (year one only)		Address overheads	
Budget savings	\$150,000	\$603,381	\$214,745	

Note that the above table:

- assumes that budgeting to actuals allows \$200,000 (excluding overheads) to be removed from the 2018/19 budget (refer to Chapter 27)
- includes implementation costs of \$50,000 (in 2018/19 only)
- includes redundancy payments in 2019/20
- addresses 50% of applicable overheads in 2020/21, and
- includes full cost recovery for café style support and musical mornings within 2 years

d. Match with success criteria

A compressed exit plan achieves a moderate overall match with the adopted success criteria as follows:

	Success criteria match			
	Business Improvement	Council Plan and strategies	Service outcomes	Transition
Compressed exit plan				

e. Risks

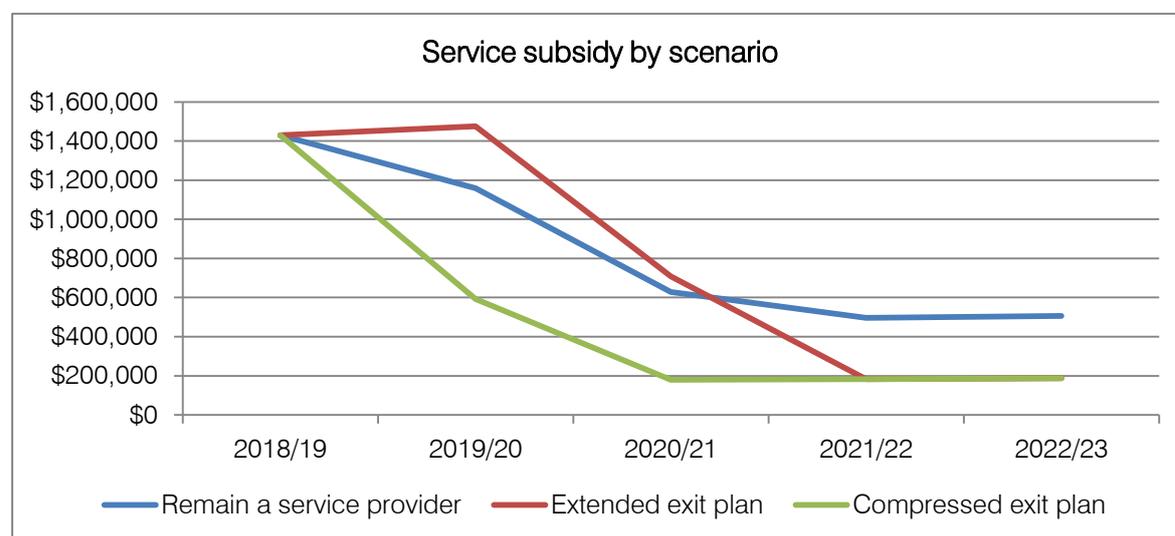
There are several high risk items associated with a compressed exit plan, but the overall level of risk is moderate:

Risk	Control	Residual risk
Unsustainable	Relinquishing service delivery is the only sustainable scenario	
Reduction in quality	The market provides quality services, a compressed exit plan may result in a temporary reduction in quality	
Difficult transition	The probability of a difficult transition associated with a compressed exit plan is high	
Unaffordable	Relinquishing service delivery will develop a competitive market and maximise affordability	
Weak market	Relinquishing service delivery will promote market growth (but this is untested)	
Industrial action (in relation to job loss)	Even with careful compliance with EA requirements, a compressed exit plan brings a high risk of industrial action	
Reputational damage	Even with good communication, a compressed exit plan will risk a smooth transition and possibly damage Council's reputation	
Insufficient capacity to deliver (staff resignations)	Maintain relationships, communicate well and emphasise benefits to retain permanent staff and minimise the departure of casuals	

24. BUDGET IMPLICATIONS

a. Service subsidy

The service subsidies associated with implementing the three discussed scenarios are illustrated below:



The residual budget implications are:

Residual	2018/19	2019/20	2020/21	2021/22	2022/23
Remain a service provider	\$1,429,239	\$1,159,330	\$627,949	\$496,697	\$506,631
Extended exit plan	\$1,429,239	\$1,474,959	\$707,789	\$183,692	\$187,366
Compressed exit plan	\$1,429,239	\$592,269	\$180,090	\$183,692	\$187,366

The residual amounts indicated in 2020/21 and 2022/23 reflect Council's continuing community development role and are attributable to:

	Assessment services	Service supports	Senior citizens centres	Special projects	Community development activities
Remain a service provider	✓	✓	✓	✓	✓
Extended exit plan	✗	✗	✓	✗	✓
Compressed exit plan	✗	✗	✓	✗	✓

Note that both exit plans include redundancy payments (which inflate the above figures)

b. Budget savings

Indicative budget savings associated with implementing the three scenarios are tabulated below:

Budget saving	2019/20	2020/21	2021/22	2022/23	5-year saving
Remain a service provider	\$381,214	\$912,775	\$1,090,248	\$1,127,922	\$3,512,159
Extended exit plan	\$65,585	\$832,935	\$1,403,253	\$1,447,188	\$3,748,962
Compressed exit plan	\$948,275	\$1,360,634	\$1,403,253	\$1,447,188	\$5,159,350

The savings associated with remaining a service provider rely on achieving full cost recovery, which is unlikely.

The difference between the extended and compressed exit plan is \$1.41M

The recurrent savings associated with relinquishing service delivery responsibility is \$1.5M per annum.

c. Conclusion

Significant recurrent savings may be achieved by relinquishing service delivery responsibility.

Council's continuing community development role means that there's a residual contribution to Positive Ageing associated with each scenario.

25. SUMMARY

The reformed aged care environment of the future, featuring choice and competition, will lead to local government's demise as a service provider.

The possible implementation scenarios described in the preceding chapters are summarized in the following table:

	Match with success criteria	Risk	Financial implications
Remain a service provider			
Extended exit plan			
Compressed exit plan			

Evidence shows that an extended exit plan:

- achieves a high match with the adopted success criteria
- features a low overall level of risk (with no high risk items)
- eliminates Council's \$1.5M subsidy of above market wages and overheads
- promotes market development (the market provides quality services)
- maximises valuable planning and transition time
- can only be implemented whilst Council still has influence, before the current funding agreements expire
- assumes that Council retains a future role in Positive Ageing, focused on representation and community development, and
- is the most responsible option in the current reform environment

Section 4 - CONCLUSION

26. WRAP UP

a. Situation

The Dyson Report and the Research Paper provide comprehensive background information that has informed the development of this Options Paper.

This Options Paper:

- provides detailed analysis of future service delivery options by activity (section 2)
- arranges this information into three possible implementation scenarios (section 3), and
- provides the basis for community consultation

Receipt and endorsement of this Options Paper at the 27 February 2018 Council meeting will mark the completion of Part 2 of the review and the commencement of Part 3.

Part 3 of the review will comprise:

- public release of this Options Paper inviting comment
- community consultation
- receipt of submissions and feedback, and
- the development of a Preferred Option Paper

The Preferred Option Paper is scheduled to be referred to the 24 April 2018 Council meeting where a decision will be sought.

b. Implementation considerations

Council will lose its power to influence outcomes when the current funding agreements begin to expire in 2019.

Regardless of the chosen option, implementation planning and delivery will be critical, and must be:

- conducted in collaboration with responsible agencies and federal and state departments, and
- adaptable to balance client needs, market development, reform requirements, and Council's capacity to deliver a quality service

Implementation will require dedicated resourcing, separate to the existing staffing group.

Regular monitoring, progress updates, and direction reviews will be provided.

27. RECOMMENDATIONS

It's recommended that:

1. community feedback be sought regarding all aspects of the review
2. this Options Paper be publicly released to inform community consultation, and
3. community feedback and submissions be considered in the development of a Preferred Option Paper and before any decision is made regarding Council's future role

Section 5 – APPENDICES

28. REFERENCES

Positive Ageing Service Review – confidential research paper

Surf Coast Shire Council Service Review – Positive Ageing Project Charter

Commonwealth Home Support Program - Program Manual 2015

Aged Care Roadmap, Aged Care Sector Committee

(https://agedcare.health.gov.au/sites/g/files/net1426/f/documents/04_2016/strategic_roadmap_for_aged_care_web.pdf)

Surf Coast Shire Council Positive Ageing Strategy 2015-18

Surf Coast Council Aged Care Reform Research Project - Dyson Consulting Group - March 2017

Surf Coast Shire Council Enterprise Agreement 2016-19

Fair Work Commission (analysis of Council and NGO enterprise agreements)

(<https://www.fwc.gov.au/>)

profile.id

(<http://profile.id.com.au/>)

Know Your Council

(<https://knowyourcouncil.vic.gov.au/>)

2015/16 Annual Reports, 2016/17 Strategic Plans, interview notes, and associated collateral relating to:

- Australian Home Care Services
- Baptcare
- Barwon Health
- Hesse Rural Health
- Karingal
- Mecwacare
- Mercy Health Home and Community Care
- Lorne Community Hospital
- Southern Cross Care Victoria
- St Laurence

2015/16 Annual Reports, 2016/17 Strategic Plans, interview notes, and associated collateral relating to:

- Colac Otway Shire Council
- City of Greater Geelong Council
- Golden Plains Shire Council
- Borough of Queenscliffe

Local Government Act

Competitive Neutrality Policy

Department of Health – Future reform; an integrated care at home program to support older Australians – Discussion paper; July 2017

SurveyMonkey – Client, volunteer and staff survey results

Barwon Local Government Home Care Packages Program Alliance Memorandum of Understanding

29. APPENDICES

No.	Appendix
1	Evaluation matrix - Assessment (RAS and HACC PYP)
2	Evaluation matrix - CHSP (Domestic assistance, personal care, respite, property maintenance, delivered meals)
3	Evaluation matrix - Home Care Packages
4	Evaluation matrix - VHC, NDIS and Brokered Services
5	Evaluation matrix - Community Development Activities (Musical mornings, Café style support, Senior Citizens' Centres, and Special projects)

Appendix 1: ASSESSMENT (RAS and HACCP PYP)

The following table analyses each option for Assessment against the previously adopted success criteria. The 'traffic light' score for each for each of the success criteria categories represents the best fit for that category:

	Status quo	Retain and modify	Sub-contract	Relinquish
Business improvement principles				
Cost savings, improved quality, risk reduction	The status quo will not provide cost savings, improved quality or reduce risk	Renegotiating the EA will provide modest cost savings, but will not improve quality or reduce risk	Sub-contracting has the potential to provide significant cost savings	Relinquishing service delivery will provide costs savings and reduce risk, and may improve quality
Financial savings benefit whole community	The status quo will provide little financial savings	Renegotiating the EA will provide modest financial savings	The significant savings realised from sub-contracting would benefit the whole community	Relinquishing service delivery will provide significant financial savings that would benefit the whole community
Improve efficiency, focus on core business	The status quo does little to improve efficiency and Assessment is not core business	Renegotiating the EA has the potential to slightly improve efficiency; Assessment is not core business	Sub-contracting is an efficient instrument, but Assessment is not core business	Relinquishing service delivery will encourage entry of an efficient provider; Assessment is not core business
The community isn't left without access to a critical service	The status quo guarantees the current excellent service until 30 June 2019, but service access is threatened after that due to a lack of time for transition planning	Renegotiating the EA guarantees the current excellent service until 30 June 2019, but service access is threatened after that due to a lack of time for transition planning	The efficiency of sub-contracting and its possible use as a transitioning tool contributes to the security of the service	Exiting the service guarantees it. Council is unable to relinquish the service until a suitable alternative is identified; planning guarantees future access
Council may not need to be a provider where an appropriate market exists	The market is currently weak, the status quo will perpetuate that	Renegotiating the EA will not affect the current weak market	Sub-contracting will stimulate the market	Relinquishing service delivery will stimulate the market
Address services that should be the responsibility of others	This option fails to address the fact that Assessment services are a federal responsibility	This option fails to address the fact that Assessment services are a federal responsibility	This option fails to address the fact that Assessment services are a federal responsibility	This option fully addresses the fact that Assessment services are a federal responsibility

	Status quo	Retain and modify	Sub-contract	Relinquish
Council Plan and Positive Ageing strategy				
Older people are supported to live independent and meaningful lives	Each option will achieve the program objectives of supporting older people to live independent and meaningful lives	Each option will achieve the program objectives of supporting older people to live independent and meaningful lives	Each option will achieve the program objectives of supporting older people to live independent and meaningful lives	Each option will achieve the program objectives of supporting older people to live independent and meaningful lives
High quality services are available to the community	Council is a proven provider of quality supports	Renegotiating the EA will not affect the fact that Council is a proven provider of quality supports	Sub-contractors will be required to provide quality supports	NGOs provide quality supports - the research paper indicates that NGOs can meet or exceed Council's quality (but this is untested)
Easy for older citizens to access what they need	The current service system is complex and somewhat difficult to access	Renegotiating the EA won't alter the fact that the current service system is complex and somewhat difficult to access	Sub-contracting won't alter the fact that the current service system is complex and somewhat difficult to access	External providers offer a broad continuum of care that may ease access for older citizens
Use knowledge to respond to the needs of older citizens	Involvement in Assessment services contributes knowledge of the older citizens cohort	Involvement in Assessment services contributes knowledge of the older citizens cohort	Involvement in Assessment services contributes knowledge of the older citizens cohort	Council will use means other than service delivery to gain knowledge of the older citizens cohort
Older Citizens are connected with the community	The status quo and renegotiating the EA provide the greatest opportunities for older citizens to connect with the community	The status quo and renegotiating the EA provide the greatest opportunities for older citizens to connect with the community	Sub-contracting may affect the opportunities for older citizens to connect with the community	Opportunities for older citizens to connect with the community may be diminished if Council relinquishes assessment services
Plan ahead for services and programs to adapt to change	Remaining with the status quo ignores forward planning and adapting to change	Renegotiating the EA gives a nod to forward planning and adapting to change	Sub-contracting may be a useful and effective transitioning tool	An early decision to relinquish service delivery allows the maximum time for planning and adapting to change

	Status quo	Retain and modify	Sub-contract	Relinquish
Service outcome				
Quality support is available for frail and older residents to maximise their independence at home and in the community	Council is a proven provider of quality supports and consistently meets program objectives	Renegotiating the EA will not change the fact that Council is a proven provider of quality supports and consistently meets program objectives	Sub-contracting will continue to provide quality supports and consistently meet program objectives (but this is untested and is marked down)	NGOs provide quality supports and consistently meet program objectives - the research paper indicates that NGOs can meet or exceed Council's quality (but this is untested and is marked down)
Transition				
Service continuity	Remaining with the status quo provides short term continuity, but the loss of time for an extended transition threatens continuity in the medium term	Renegotiating the EA provides short term continuity, but the loss of time for an extended transition threatens continuity in the medium term	Sub-contracting may be a useful and effective transitioning tool and assist with service continuity	An early decision to relinquish service delivery provides the greatest opportunity for service continuity via an extended transition period
Service system sustainability	Remaining with the status quo requires a continuing Council subsidy and is unsustainable	Renegotiating the EA has the potential to slightly reduce Council's subsidy, but is still unsustainable	Sub-contracting may contribute to service system sustainability	Relinquishing service delivery to an efficient provider guarantees service system sustainability
Smooth transition to new arrangements	Remaining with the status quo squanders the time available for a smooth transition via an extended transition period	Similar to the status quo, renegotiating the EA squanders the time available for a smooth transition via an extended transition period	Sub-contracting may be a useful and effective transitioning tool	An early decision to relinquish service delivery provides the greatest opportunity for a smooth transition via an extended transition period

Appendix 2: CHSP (Domestic assistance, personal care, respite, property maintenance, delivered meals)

The following table analyses each option for CHSP services against the previously adopted success criteria. The ‘traffic light’ score for each for each of the success criteria categories represents the best fit for that category:

	Status quo	Retain and modify	Sub-contract	Relinquish
Business improvement principles				
Cost savings, improved quality, risk reduction	The status quo will not provide cost savings, improved quality or reduce risk	Charging FCR will provide significant cost savings, but will not improve quality or reduce risk	Sub-contracting has the potential to provide significant cost savings	Relinquishing service delivery will provide costs savings and reduce risk, and may improve quality
Financial savings benefit whole community	The status quo will provide little financial savings	Charging FCR could produce significant savings that would benefit the whole community	The significant savings realised from sub-contracting would benefit the whole community	Relinquishing service delivery will provide significant financial savings that would benefit the whole community
Improve efficiency, focus on core business	The status quo does little to improve efficiency and providing CHSP services is not core business	Renegotiating the EA has the potential to slightly improve efficiency; providing CHSP services is not core business	Sub-contracting is an efficient instrument, but providing CHSP services is not core business	Relinquishing service delivery will encourage entry of an efficient provider; providing CHSP services is not core business
The community isn't left without access to a critical service	The status quo guarantees the current excellent service until 30 June 2019, but service access is threatened after that due to a lack of time for transition planning	Retaining and modifying the service does nothing to guarantee future access. FCR will adversely affect accessibility.	The efficiency of sub-contracting and its possible use as a transitioning tool contributes to the security of the service	Exiting the service guarantees it. Council is unable to relinquish the service until a suitable alternative is identified; planning guarantees future access
Council may not need to be a provider where an appropriate market exists	The market is currently weak, the status quo will perpetuate that	Retaining and modifying the service will not improve the current weak market	Sub-contracting will stimulate the market	Relinquishing service delivery will stimulate the market
Address services that should be the responsibility of others	This option fails to address the fact that CHSP services are a Commonwealth responsibility	This option fails to address the fact that CHSP services are a Commonwealth responsibility	This option fails to address the fact that CHSP services are a Commonwealth responsibility	This option fully addresses the fact that CHSP services are a Commonwealth responsibility

	Status quo	Retain and modify	Sub-contract	Relinquish
Council Plan and Positive Ageing strategy				
Older people are supported to live independent and meaningful lives	Each option will achieve the program objectives of supporting older people to live independent and meaningful lives	Each option will achieve the program objectives of supporting older people to live independent and meaningful lives	Each option will achieve the program objectives of supporting older people to live independent and meaningful lives	Each option will achieve the program objectives of supporting older people to live independent and meaningful lives
High quality services are available to the community	Council is a proven provider of quality supports	Retaining and modifying services will not affect the fact that Council is a proven provider of quality supports	Sub-contractors will be required to provide quality supports	NGOs provide quality supports - the research paper indicates that NGOs can meet or exceed Council's quality (but this is untested)
Easy for older citizens to access what they need	The current service system is complex and somewhat difficult to access	The current service system is complex and somewhat difficult to access, and FCR will adversely affect accessibility for many older citizens	Sub-contracting won't alter the fact that the current service system is complex and somewhat difficult to access	External providers offer a broad continuum of care that may ease access for older citizens
Use knowledge to respond to the needs of older citizens	Being a service provider contributes knowledge of the older citizens cohort	Being a service provider contributes knowledge of the older citizens cohort	Being a service provider (via contract) contributes knowledge of the older citizens cohort	Council will use means other than service delivery to gain knowledge of the older citizens cohort
Older Citizens are connected with the community	The status quo and renegotiating the EA provide the greatest opportunities for older citizens to connect with the community	Retaining and modifying the service continues to provide opportunities for older citizens to connect with the community	Sub-contracting may affect the opportunities for older citizens to connect with the community	Opportunities for older citizens to connect with the community may be diminished if Council relinquishes assessment services
Plan ahead for services and programs to adapt to change	Remaining with the status quo ignores forward planning and adapting to change	Retaining and modifying the service ignores forward planning and adapting to change	Sub-contracting may be a useful and effective transitioning tool	An early decision to relinquish service delivery allows the maximum time for planning and adapting to change

	Status quo	Retain and modify	Sub-contract	Relinquish
Service outcome				
Quality support is available for frail and older residents to maximise their independence at home and in the community	Council is a proven provider of quality supports and consistently meets program objectives	Retaining and modifying the service will not change the fact that Council is currently a proven provider of quality supports and consistently meets program objectives	Sub-contracting will continue to provide quality supports and consistently meet program objectives (but this is untested)	NGOs provide quality supports and consistently meet program objectives - the research paper indicates that NGOs can meet or exceed Council's quality (but this is untested)
Transition				
Service continuity	Remaining with the status quo provides short term continuity, but the loss of time for an extended transition threatens continuity in the medium term	Retaining and modifying the service provides short term continuity, but the loss of time for an extended transition threatens continuity in the medium term	Sub-contracting may be a useful and effective transitioning tool and assist with service continuity	An early decision to relinquish service delivery provides the greatest opportunity for service continuity via an extended transition period
Service system sustainability	Remaining with the status quo requires a continuing Council subsidy and is unsustainable	FCR has the potential to reduce Council's subsidy, but affordability will affect sustainability	Sub-contracting may contribute to service system sustainability	Relinquishing service delivery to an efficient provider guarantees service system sustainability
Smooth transition to new arrangements	Remaining with the status quo squanders the time available for a smooth transition via an extended transition period	Similar to the status quo, retaining and modifying the service squanders the time available for a smooth transition via an extended transition period	Sub-contracting may be a useful and effective transitioning tool	An early decision to relinquish service delivery provides the greatest opportunity for a smooth transition via an extended transition period

Appendix 3: HOME CARE PACKAGES

The following table analyses each option for Home Care Packages against the previously adopted success criteria. The 'traffic light' score for each for each of the success criteria categories represents the best fit for that category:

	Status quo	Retain and modify	Sub-contract	Relinquish
Business improvement principles				
Cost savings, improved quality, risk reduction	The status quo will not provide cost savings, improved quality or reduce risk	Charging FCR will provide moderate cost savings, but will not improve quality or reduce risk	Sub-contracting has the potential to provide moderate cost savings	Relinquishing service delivery will provide costs savings and reduce risk, and may improve quality
Financial savings benefit whole community	The status quo will provide little financial savings	Charging FCR could produce moderate savings that would benefit the whole community	The moderate savings realised from sub-contracting would benefit the whole community	Relinquishing service delivery will provide moderate financial savings that would benefit the whole community
Improve efficiency, focus on core business	The status quo does little to improve efficiency and providing Home Care Packages is not core business	Renegotiating the EA has the potential to slightly improve efficiency; providing Home Care Packages is not core business	Sub-contracting is an efficient instrument, but providing Home Care Packages is not core business	Relinquishing service delivery will encourage entry of an efficient provider; providing Home Care Packages is not core business
The community isn't left without access to a critical service	The status quo guarantees the current excellent service until 30 June 2019, but doesn't plan for the future. However, Home Care Packages are attractive to NGOs and providers will always be available	Retain and modify guarantees the current excellent service until 30 June 2019, but doesn't plan for the future. However, Home Care Packages are attractive to NGOs and providers will always be available	Home Care Packages are most attractive to NGOs. Sub-contracting could be an effective transition tool and will attract external providers	Home Care Packages are most attractive to NGOs. Exiting the service will attract external providers
Council may not need to be a provider where an appropriate market exists	Home Care Packages are attractive to NGOs however the market is currently weak, the status quo will perpetuate that	Home Care Packages are attractive to NGOs however the market is currently weak, retaining and modifying the service will perpetuate that	Sub-contracting will stimulate the market	Relinquishing service delivery will stimulate the market
Address services that should be the responsibility of others	This option fails to address the fact that Home Care Packages are the responsibility of others	This option fails to address the fact that Home Care Packages are the responsibility of others	This option fails to address the fact that Home Care Packages are the responsibility of others	This option fully addresses the fact that Home Care Packages are the responsibility of others

	Status quo	Retain and modify	Sub-contract	Relinquish
Council Plan and Positive Ageing strategy				
Older people are supported to live independent and meaningful lives	Each option achieves the objective of supporting older people to live independent and meaningful lives	Each option achieves the objective of supporting older people to live independent and meaningful lives	Each option achieves the objective of supporting older people to live independent and meaningful lives	Each option achieves the objective of supporting older people to live independent and meaningful lives
High quality services are available to the community	Council is a proven provider of quality supports	Retaining and modifying services will not affect the fact that Council is a proven provider of quality supports	Sub-contractors will be required to provide quality supports	NGOs provide quality supports - the research paper indicates that NGOs can meet or exceed Council's quality (but this is untested)
Easy for older citizens to access what they need	Home Care Packages operate in a competitive environment and are attractive to external providers. Who provides them doesn't affect the ease of older citizens to access what they need	Home Care Packages operate in a competitive environment and are attractive to external providers. Who provides them doesn't affect the ease of older citizens to access what they need. FCR will adversely affect accessibility to Council services	Home Care Packages operate in a competitive environment and are attractive to external providers. Who provides them doesn't affect the ease of older citizens to access what they need	HCPs operate in a competitive environment and are attractive to external providers. Who provides them doesn't affect the ease of older citizens to access what they need. External providers offer a broad continuum of care that may improve access
Use knowledge to respond to the needs of older citizens	Being a service provider contributes knowledge of the older citizens cohort	Being a service provider contributes knowledge of the older citizens cohort	Being a service provider (via contract) contributes knowledge of the older citizens cohort	Council will use means other than service delivery to gain knowledge of the older citizens cohort
Older Citizens are connected with the community	Home Care Packages operate in a competitive environment where funding recipients are able to choose their provider. Therefore HCPs can't be relied upon as a community connection tool	Home Care Packages operate in a competitive environment where funding recipients are able to choose their provider. Therefore HCPs can't be relied upon as a community connection tool	Home Care Packages operate in a competitive environment where funding recipients are able to choose their provider. Therefore HCPs can't be relied upon as a community connection tool	Home Care Packages operate in a competitive environment where funding recipients are able to choose their provider. Therefore HCPs can't be relied upon as a community connection tool
Plan ahead for services and programs to adapt to change	Remaining with the status quo ignores forward planning and adapting to change	Retaining and modifying the service ignores forward planning and adapting to change	Sub-contracting may be a useful and effective transitioning tool	An early decision to relinquish service delivery allows the maximum time for planning and adapting to change

	Status quo	Retain and modify	Sub-contract	Relinquish
Service outcome				
Quality support is available for frail and older residents to maximise their independence at home and in the community	Home Care Packages operate in a competitive environment and are attractive to external providers. Quality support will be available regardless of provider	Home Care Packages operate in a competitive environment and are attractive to external providers. Quality support will be available regardless of provider	Home Care Packages operate in a competitive environment and are attractive to external providers. Quality support will be available regardless of provider	Home Care Packages operate in a competitive environment and are attractive to external providers. Quality support will be available regardless of provider
Transition				
Service continuity	Remaining with the status quo fails to provide long term service continuity	Retaining and modifying the service fails to provide long term service continuity	Sub-contracting may be a useful and effective transitioning tool and assist with service continuity	An early decision to relinquish Home Care Packages will contribute to service continuity via an extended transition period
Service system sustainability	Remaining with the status quo requires a continuing Council subsidy and is unsustainable	FCR has the potential to reduce Council's subsidy, but affordability will affect sustainability	Sub-contracting may contribute to service system sustainability	Relinquishing service delivery to an efficient provider guarantees service system sustainability
Smooth transition to new arrangements	Remaining with the status quo squanders time and wastes the opportunity to assist with a smooth transition to new arrangements (in the bigger picture)	Retaining and modifying the service squanders time and wastes the opportunity to assist with a smooth transition to new arrangements (in the bigger picture)	Sub-contracting may be a useful and effective transitioning tool	An early decision to relinquish Home Care Packages will contribute to a smooth transition to new arrangements via an extended transition period

Appendix 4: VHC, NDIS and BROKERED SERVICES

The following table analyses each option for VHC, NDIS and brokered services against the previously adopted success criteria. The 'traffic light' score for each for each of the success criteria categories represents the best fit for that category:

	Status quo	Retain and modify	Sub-contract	Relinquish
Business improvement principles				
Cost savings, improved quality, risk reduction	The status quo will not provide cost savings, improved quality or reduce risk	Charging FCR will provide significant cost savings, but will not improve quality or reduce risk	Sub-contracting has the potential to provide significant cost savings	Relinquishing service delivery will provide significant costs savings and reduce risk, and may improve quality
Financial savings benefit whole community	The status quo will provide little financial savings	Charging FCR is unlikely to be achieved for VHC and NDIS, but could produce significant savings that would benefit the whole community	The significant savings realised from sub-contracting would benefit the whole community	Relinquishing service delivery will provide significant financial savings that would benefit the whole community
Improve efficiency, focus on core business	The status quo does little to improve efficiency and providing home supports on behalf of others is not core business	Renegotiating the EA has the potential to slightly improve efficiency; providing home supports on behalf of others is not core business	Sub-contracting is an efficient instrument, but providing home supports on behalf of others is not core business	Relinquishing service delivery will encourage entry of an efficient provider; providing home supports on behalf of others is not core business
The community isn't left without access to a critical service	The status quo guarantees the current excellent service in the short term, but doesn't plan for the future.	Retain and modify guarantees the current excellent service in the short term, but doesn't plan for the future.	Sub-contracting could be an effective transition tool for reform, and will attract external providers	Exiting services in a carefully planned manner will attract external providers and is the best option to guarantee sustainable access to critical services
Council may not need to be a provider where an appropriate market exists	The market is currently weak, the status quo will perpetuate that	The market is currently weak, retaining and modifying the service will perpetuate that	Sub-contracting will stimulate the market	Relinquishing service delivery will stimulate the market
Address services that should be the responsibility of others	This option fails to address the fact that VHC, NDIS and brokered services are the responsibility of others	This option fails to address the fact that VHC, NDIS and brokered services are the responsibility of others	This option fails to address the fact that VHC, NDIS and brokered services are the responsibility of others	This option fully addresses the fact that VHC, NDIS and brokered services are the responsibility of others

	Status quo	Retain and modify	Sub-contract	Relinquish
Council Plan and Positive Ageing strategy				
Older people are supported to live independent and meaningful lives	Each option achieves the objective of supporting older people to live independent and meaningful lives	Each option achieves the objective of supporting older people to live independent and meaningful lives	Each option achieves the objective of supporting older people to live independent and meaningful lives	Each option achieves the objective of supporting older people to live independent and meaningful lives
High quality services are available to the community	Council is a proven provider of quality supports	Retaining and modifying services will not affect the fact that Council is a proven provider of quality supports	Sub-contractors will be required to provide quality supports	NGOs provide quality supports - the research paper indicates that NGOs can meet or exceed Council's quality (but this is untested)
Easy for older citizens to access what they need	The current service system is complex and somewhat difficult to access	The current service system is complex and somewhat difficult to access, and FCR will adversely affect accessibility for many older citizens	Sub-contracting won't alter the fact that the current service system is complex and somewhat difficult to access	External providers offer a broad continuum of care that may ease access for older citizens
Use knowledge to respond to the needs of older citizens	Being a service provider contributes knowledge of the older citizens cohort	Being a service provider contributes knowledge of the older citizens cohort	Being a service provider (via contract) contributes knowledge of the older citizens cohort	Council will use means other than service delivery to gain knowledge of the older citizens cohort
Older Citizens are connected with the community	The status quo and renegotiating the EA provide the greatest opportunities for older citizens to connect with the community	Retaining and modifying the service continues to provide opportunities for older citizens to connect with the community	Sub-contracting may affect the opportunities for older citizens to connect with the community	Opportunities for older citizens to connect with the community may be diminished if Council relinquishes assessment services
Plan ahead for services and programs to adapt to change	Remaining with the status quo ignores forward planning and adapting to change	Retaining and modifying the service ignores forward planning and adapting to change	Sub-contracting may be a useful and effective transitioning tool	An early decision to relinquish service delivery allows the maximum time for planning and adapting to change

	Status quo	Retain and modify	Sub-contract	Relinquish
Service outcome				
Quality support is available for frail and older residents to maximise their independence at home and in the community	Council is a proven provider of quality supports and consistently meets program objectives	Retaining and modifying the service will not change the fact that Council is currently a proven provider of quality supports and consistently meets program objectives	Sub-contracting will continue to provide quality supports and consistently meet program objectives (but this is untested)	NGOs provide quality supports and consistently meet program objectives - the research paper indicates that NGOs can meet or exceed Council's quality (but this is untested)
Transition				
Service continuity	Remaining with the status quo fails to provide long term service continuity	Retaining and modifying the service fails to provide long term service continuity	Sub-contracting may be a useful and effective transitioning tool and assist with service continuity	An early decision to relinquish service delivery will contribute to service continuity via an extended transition period
Service system sustainability	Remaining with the status quo requires a continuing Council subsidy and is unsustainable	FCR has the potential to reduce Council's subsidy, but affordability will affect sustainability	Sub-contracting may contribute to service system sustainability	Relinquishing service delivery to an efficient provider guarantees service system sustainability
Smooth transition to new arrangements	Remaining with the status quo squanders time and wastes the opportunity to assist with a smooth transition to new arrangements (in the bigger picture)	Retaining and modifying services squanders time and wastes the opportunity to assist with a smooth transition to new arrangements (in the bigger picture)	Sub-contracting may be a useful and effective transitioning tool	An early decision to relinquish service delivery will contribute to a smooth transition to new arrangements via an extended transition period

Appendix 5: COMMUNITY DEVELOPMENT ACTIVITIES (Musical mornings, Café style support, Senior Citizens’ Centres, and Special projects)

The following table analyses each option for community development activities against the previously adopted success criteria. The ‘traffic light’ score for each for each of the success criteria categories represents the best fit for that category:

	Status quo	Retain and modify	Sub-contract	Relinquish
Business improvement principles			N/A	
Cost savings, improved quality, risk reduction	The status quo will not provide cost savings, improved quality or reduce risk	Charging FCR will provide significant cost savings, but will not improve quality or reduce risk	Sub-contracting is not applicable to these community development activities. Responsibility for Musical mornings and café style support could be relinquished to a community group	Relinquishing service delivery (perhaps musical mornings and café style support to a community group) will provide costs savings and reduce risk, and may improve quality
Financial savings benefit whole community	The status quo will provide little financial savings	Charging FCR could produce significant savings that would benefit the whole community		Relinquishing service delivery will provide significant financial savings that would benefit the whole community
Improve efficiency, focus on core business	The status quo does little to improve efficiency, community development is core business	Retaining and modifying services has the potential to improve efficiency; community development is core business		Relinquishing musical mornings and café style support to a community group would improve efficiency. Community development is core business
The community isn’t left without access to a critical service	The status quo guarantees the current excellent service in the short term	Retaining and modifying the service guarantees the current excellent service		Relinquishing musical mornings and café style support to a community group would facilitate access (but isn’t tested)
Council may not need to be a provider where an appropriate market exists	A community group may be an appropriate provider of musical mornings and café style support	A community group may be an appropriate provider of musical mornings and café style support		Relinquishing musical mornings and café style support to a community group may provide an appropriate outcome
Address services that should be the responsibility of others	Community development activities are a Council responsibility	Community development activities are a Council responsibility		Community development activities are a Council responsibility

	Status quo	Retain and modify	Sub-contract	Relinquish
Council Plan and Positive Ageing strategy			N/A	
Older people are supported to live independent and meaningful lives	Each option achieves the program objectives of supporting older people to live independent and meaningful lives	Each option achieves the program objectives of supporting older people to live independent and meaningful lives	Sub-contracting is not applicable to these community development activities. Responsibility for Musical mornings and café style support could be relinquished to a community group	Each option achieves the program objectives of supporting older people to live independent and meaningful lives
High quality services are available to the community	Council is a proven provider of quality supports	Retaining and modifying services doesn't affect the fact that Council is a proven provider of quality supports		Relinquishing musical mornings and café style support to a community group has potential to ensure the continued availability of high quality services
Easy for older citizens to access what they need	Community development activities are currently easy to access	Community development activities are currently easy to access		Community development activities would continue to be easily accessed if relinquished to a community group
Use knowledge to respond to the needs of older citizens	Being a service provider contributes knowledge of the older citizens cohort	Being a service provider contributes knowledge of the older citizens cohort		Council will use means other than service delivery to gain knowledge of the older citizens cohort
Older Citizens are connected with the community	The status quo enables older citizens to connect with the community	Retaining and modifying the service will continue to enable older citizens to connect with the community		Opportunities for older citizens to connect with the community may be enhanced if activities are provided by a community group
Plan ahead for services and programs to adapt to change	Remaining with the status quo disregards forward planning and adapting to change	Retaining and modifying the service disregards forward planning and adapting to change		Exploring different service delivery options provides maximum opportunity to adapt to change

	Status quo	Retain and modify	Sub-contract	Relinquish
Service outcome			N/A	
Quality support is available for frail and older residents to maximise their independence at home and in the community	Council is a proven provider of quality community development activities	Council is a proven provider of quality community development activities	Sub-contracting is not applicable to these community development activities. Responsibility for Musical mornings and café style support could be relinquished to a community group	Quality community development activities would continue to be available if relinquished to a community group
Transition			N/A	
Service continuity	Remaining with the status quo for community development activities provides continuity	Remaining with the status quo for community development activities provides continuity	Sub-contracting is not applicable to these community development activities. Responsibility for Musical mornings and café style support could be relinquished to a community group	Relinquishing musical mornings and café style support to a community group may facilitate service continuity
Service system sustainability	Remaining with the status quo requires a continuing Council subsidy and is unsustainable	FCR has the potential to reduce Council's subsidy, but affordability will affect sustainability		Relinquishing musical mornings and café style support to a community group has the potential to facilitate service system sustainability
Smooth transition to new arrangements	Remaining with the status quo does not require transition	Careful planning will be required to achieve a smooth transition to FCR		Careful planning will be required to smoothly transition musical mornings and café style support to a community group

