



Colac Otway Shire

Review of Aged and Disability Services

Public Summary Report



Acknowledgements

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Lake Advisory is proud to acknowledge and celebrate diversity in all its beauty; cultural, gender, age, ability, spirituality, experience, background, and language.

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PART A: EXECUTIVE SUMMARY

Colac Otway Shire Council (Council) faces significant changes as a provider of aged and disability services. In July 2023, Council engaged Lake Advisory (Review team) to undertake the Aged and Disability Services Review (the Review) to equip Council with strategic insights and actionable pathways to navigate these changes effectively.

Since the commencement of the review, the Commonwealth has announced several key changes to the reform program, most notably:

- That the transition of Home Care Packages (HCPs) to the Support at Home Program will take place on 1 July 2025
- That the transition of the Commonwealth Home Support Programme (CHSP) to the Support at Home program will be delayed until at least July 2027
- That Personal Care services will no longer require that providers implement a clinical governance model to meet the new quality standards (as had been previously flagged)
- That low-level care management will not require clinical governance
- That there will be grants and supports available to providers (including Local Government Organisations) to support the response to regional challenges (such as thin markets)

The Review found that the OPASS team operates at a net overall surplus, before any consideration is given to the corporate overheads which could also be attributed to Council's support of OPASS. Prior to the consideration of corporate overheads, the Review found that CHSP operated at a net annual loss and HCPs operated at a net overall surplus (based on FY 2022/23). As such, the Review team considered that HCPs (alongside other smaller revenue streams within OPASS, such as HACC-PYP and DVA funding) offset the ongoing cost of delivering CHSP.

Following community consultation activities (with clients, carers, family members, and the broader community), staff engagement, and market analysis, the Review identified an overwhelming theme that the services delivered by Council are trusted by the community.

Other market participants expressed some interest in expanding their existing aged care services or entering the market. This interest was often based on specific sector perspectives - Health services were interested in clinical reform impacts, while NDIS providers identified similarities between aged care and NDIS service delivery.

The Review contemplated three broad options for the future of Aged Care Services in Colac. These were shortlisted into three key options. The details of each of these options, including the risks and opportunities associated with each, are outlined in this report.

Option 1: Deliver Streamlined Services

- Streamline existing services to focus on delivering HCPs and withdraw from the delivery of CHSP services.

Option 2: Maintain Current Services

- Continue to deliver CHSP and HCP services while preparing for future transition to Support at Home.

Option 3: Strategic Exit

- Gradual withdrawal from service provision and facilitating transitions to alternative providers.

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PART B: EXECUTIVE REPORT

1.0 BACKGROUND TO THE REVIEW

Colac Otway Shire (Council) faces significant changes as a provider of aged and disability services. In July 2023, Council engaged Lake Advisory to undertake the Aged and Disability Services Review (the Review) to equip Council with strategic insights and actionable pathways to navigate these changes effectively.

In September 2023, Council accepted the first progress report from the Review, setting out the context of the reforms and outlining an overview of existing services within Colac Otway, with a particular focus on those services delivered by Council.

In December 2023, Council accepted a second progress report that summarised the results of a range of stakeholder engagement activities with clients, carers, staff, and broader community members. These results were combined with the results of market scanning activities and an initial review of Council financial information.

This report is the final report in the Review and, read together with these previous reports, seeks to achieve the following:

- Inform Council on the scope and timing of the Commonwealth Government's aged care policy reforms and the potential for these changes to recast Council's future role in aged and disability service provision
- Enable Council to decide its future role in aged and disability service provision while confidently and effectively preparing for its future role in aged and disability services.



Report 1 – Context Report

- Overview of reform, its implications for the aged care and disability sector and Council.
- Review of service data across programs delivered by Council



Report 2 - Progress Report

- Stakeholder and community engagement providing qualitative analysis.
- Unit Costings and implications for Council
- Market Sounding to review market status and market capacity



Report 3 - Final Report

- Analysis of strategic risk associated with reform
- Assessment of the future role of Council
- Options, pathways and recommendations relating to future direction for Council

2.0 STATUS OF THE COMMONWEALTH REFORMS (INC. CHANGES SINCE THE REVIEW COMMENCED)

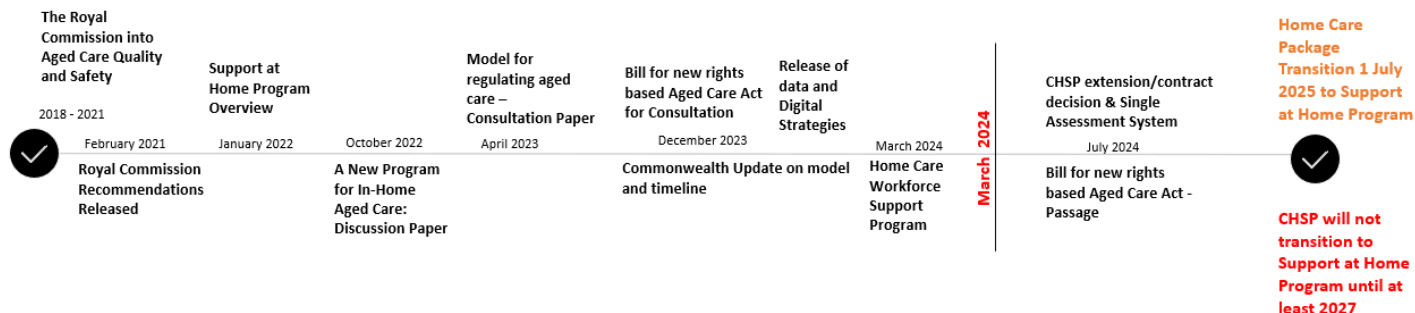
Since the commencement of the review, a number of key changes to the reforms have been announced by the Commonwealth, most notably:

- That the transition of the Commonwealth Home Support Programme (CHSP) to the Support at Home program will be delayed until at least July 2027, with Home Care Packages (HCPs) continuing to transition to Support at Home in July 2025
- That Personal Care services will no longer require that providers implement a clinical governance model to meet the new quality standards (as had been previously flagged)
- That there will be grants and supports available to providers (including Local Government organisations) to support the response to regional challenges (such as thin markets)

Each of these changes have implications for Council and are explored in this report.

From Royal Commission to Implementation

The Support at Home Program reforms are an outcome of the reform agenda set by the Royal Commission. While the sector understood that there would be reforms prior to the release of the report, the current model which is on track for implementation in July 2025, should be seen as a direct outcome of the Royal Commission recommendations.



3.0 GENERAL FINANCIAL FINDINGS

FINANCIAL PERFORMANCE OF OPASS (INC. CHSP AND HCPs)

The Review team analysed financial data relating to the operation of OPASS, as well as looking specifically at the financial management of the Commonwealth Home Support Programme (CHSP) and Home Care Packages (HCP).

The Review found that the OPASS team operates at a net overall surplus before any consideration is given to the corporate overheads which could be attributed to Council's support of OPASS (see below for more commentary).

UNDERSTANDING THE IMPACT OF CORPORATE OVERHEADS

The Review found that historically, Council has not been tracking or monitoring the corporate overheads in relation to OPASS, nor are the identified overheads able to be accurately apportioned to the specific Service Delivery activities within the team.

Working with Council, the Review team was able to build a model to indicate the likely corporate costs of delivering OPASS services, as well as attributing these costs to the specific Services delivered. This model was based on an analysis of FY 2022/23 and included a mix of FTE and non-staff expenses incurred by Council. The results of this modelling indicated that an overall overhead cost could be attributed to OPASS.

Bringing together the OPASS operating budget performance and the corporate overhead support via the attribution model, the Review team found that OPASS currently operates at a net loss, with Council contributing annually to the ongoing delivery of OPASS to the community.

COUNCIL CHSP AND HCP CORPORATE OVERHEADS COMPARED WITH OTHER PROVIDERS

The Review does not formally benchmark overhead rates at Council with other CHSP / HCP service providers or other Local Government providers. However, the Review team does retain confidential knowledge of other operators within the Aged Care sector and can confirm that the overheads being attributed to OPASS at Council do not appear to be largely different from other providers.

This perspective is confirmed by a sector-wide acknowledgement that CHSP services are more difficult to operate in a financially sustainable way than HCP services, particularly for Local Government

organisations. (That is, private providers who offer other services, such as NDIS services, appear to be able to operate CHSP services more easily as part of their service suite and pure aged-care service providers).

COUNCIL HCP COSTINGS COMPARED WITH STATE AVERAGES

The Review team investigated whether Council's operation of CHSP and HCP services, in particular in relation to the unit costings, were in line with the broader sector. This aspect of the Review sought to understand the actual cost of each unit of services compared with the contracted rates in the funding arrangements with the Commonwealth and the client contributions being charged by Council.

In summary, the Review finds that HCPs are currently charging unit prices that are largely in line with Victorian state averages (and the Modified Monash Model¹), with the exception of the following service categories:

- Home Care (Domestic Assistance): \$55 per hour, compared with a State Average of \$64
- Personal Care: \$55 per hour, compared with a State Average of \$64
- Respite Care: \$55 per hour, compared with a State Average of \$63

As such, the Review finds that, with an adjustment of these three HCP rates to the State Average, Council could attract further revenue from the HCP program (based on FY 2022/23 service delivery hours).

REVIEW'S CONSIDERATION OF CHSP COSTINGS

The Review team was unable to form a detailed opinion on how Council's CHSP costings compared with State or National Average, or the published Modified Monash Model due to:

- The CHSP team currently delivering a range of services that fall outside of the CHSP service model (see section 4.0 below for more discussion)
- OPASS not currently reporting expenditure accurately against each activity type

Despite these challenges, the Review team was able to form the view that, under the current operating model, there is little scope for amendments to the costing model for CHSP that would address the significant deficit in delivering these services into the future.

SUMMARY OF FINANCIAL FINDINGS

The Review team found that OPASS currently operates at a net loss when considering the corporate overhead support of the program(s). HCP currently operates at a surplus which offsets several operating losses in other parts of the OPASS service suite. An adjustment to the unit price for certain services would be required to operate HCPs at a net overall surplus when corporate overheads are considered.

The Review team also found that the current operations of CHSP result in a significant loss that would be difficult to make profitable without substantial operational changes and significant improvements in the reporting, activity tracking, and performance monitoring of the team.

4.0 ORGANISATIONAL CAPACITY AND OPERATIONAL FINDINGS

The Review team undertook a range of evidence gathering activities to better understand the current services delivered by OPASS including:

- Interviews with management, administration, and service delivery staff

¹ Department of Health and Aged Care uses the Modified Monash Model (MMM) to define geographic regions as metropolitan, regional or remote, [Modified Monash Model | Australian Government Department of Health and Aged Care](#)

- Direct engagement with clients, carers, family members, volunteers, and other relevant community members
- Interviews with other service providers – both of CHSP and HCP providers, as well as providers of adjacent services (e.g., health care services and residential aged care providers)
- Reviews of Council-held data around services delivered by OPASS including service reports provided under the funding arrangements with the Commonwealth

The Review finds a number of issues in the operation of OPASS as summarised below.

CHSP SERVICES BEING PRIORITISED OVER HCP SERVICES

Through staff engagement, the Review team became aware that there has been a practice where CHSP clients have been prioritised for service delivery. This practice has had an impact on the level of domestic assistance delivered to HCP clients, with these clients often accessing domestic assistance through brokered support services to external agencies rather than by Council staff. This is largely due to the ongoing pressure on the OPASS team to deliver services over and above current capacity.

Importantly, CHSP (in its current form) is designed to deliver services to people entering in-home support services, with lower-level needs than clients with HCPs. As such, the current operating model being delivered by Council sees lower-needs older people receiving a priority for Council-delivered services over higher needs residents.

OPASS NOT CURRENTLY REPORTING ACCURATELY ON SERVICES DELIVERED (INC. DUE TO ICT LIMITATIONS)

The Review team became aware of significant ICT limitations as well as a lack of business processes in OPASS to accurately report against the activities of service delivery staff. The Review team has formed the view that Council needs to urgently address these issues, even prior to a decision about the future of Aged Care Service delivery.

The Review forms the view that the ICT limitations have resulted in there being no digital tracking activities, nor an ability to undertake centralised monitoring or reporting on activities. This, in turn, has resulted in a limited ability of the OPASS management team to link the activities of the team to the funding arrangements embedded into the current Commonwealth framework(s).

In addition to a lack of visibility of service performance through reporting, these limitations have also restricted activities to improve services, gather meaningful insights into service delivery risks and issues and confirm compliance with the CHSP and HCP requirements.

The Review also notes that, due to the relative separate position of the HCP team within OPASS and the requirement to account for brokerage services provided, some internal work-around arrangements have been developed within the HCP team that have made monitoring of those services more accurate than other part of OPASS.

Moving into the Support at Home reform environments, Council is likely to face significant challenges in uplifting reporting, performance monitoring and quality and compliance systems without substantial consideration of the ICT environment or the establishment of better manual business processes. The Review team believes that addressing these issues is more urgent than the timing of the Support at Home rollouts.

OPASS CURRENTLY SELF-FUNDING CHSP SERVICES FOR WHICH OTHER PROVIDERS CHARGE

As noted above, it is difficult for the Review to accurately investigate the types of services being delivered by OPASS staff. However, during the staff and client engagement activities undertaken by the Review team, it became evident that Council currently operates business systems that make these services less comparable with more financially sustainable alternative models.

By way of example, other CHSP service providers who operate in regional Victorian areas include a component of travel time when calculating the time spent delivering service hours to clients. For example, 15mins per consultation or visit, to acknowledge the travel time taken by the staff member to reach the client is included in the time accounting so, if delivery takes 45mins the provider reports this as one hour of service.

Council, on the other hand, is currently only recording hours delivered in-person and not recognising hours of travel in between clients. As such, the Review team can foresee that while another service provider's employee may provide five hours of funded services in a 5-hour shift, OPASS would likely only identify four hours of funded services in the same period, as one hour of the OPASS staff member's shift would be dedicated to travel.

The impact of this, while difficult to accurately quantify, is that OPASS delivery of CHSP services is not only less financially efficient than other CHSP service providers but would likely require significant staff cultural changes to implement a more efficient model.

OPASS CURRENTLY SELF-FUNDING CHSP SERVICES FOR WHICH IT IS NOT FUNDED UNDER THE COMMONWEALTH FRAMEWORK

During the COVID-19 Pandemic, several program requirements were relaxed by the Commonwealth. Largely this was done to ensure the challenges of COVID could be managed by service providers across the sector while encouraging the continuity of some degree of services to vulnerable older people during that period.

The Review team found that this relaxing of requirements has resulted in some legacy issues where services are continuing to be delivered by OPASS staff despite them falling outside the scope of the current CHSP services and the relaxation of requirements having lapsed. The limitations of reporting capability meant the Review team only became aware of these issues via the engagement with staff, clients and community members.

To illustrate this, with the Personal Care Services category of CHSP services certain types of support in relation to shopping services are included such as providing assistance to the participant to the client to undertake general grocery shopping during personal care service hours. It does specifically fund the care staff shopping on behalf of the client without them present. In fact, there are categories of CHSP services that allow for shopping services such as this, however Council is not currently registered to provide these services.

Despite Council not being funded for that type of shopping assistance, it became clear to the Review team that some OPASS staff continue to provide this service. While this sort of additional, 'out-of-category' support was encouraged by the Commonwealth (in exchange for less monitoring of how service hours were performed compared with funding agreements) during COVID, OPASS CHSP staff have not returned to the pre-pandemic requirements of the program.

The Review finds that, while difficult to quantify, this has contributed to a financial risk associated with delivering unfunded services ('overservicing') as well as a compliance risk in the management of the current CHSP program.

SUMMARY OF OPERATIONAL FINDINGS

The Review remains concerned about the current operation of OPASS services by Council without significant and urgent attention being given to the following:

- Availability of accurate data regarding the current services being delivered by OPASS staff
- CHSP team's understanding of the requirements and limitations of these funded services

- Limitations of ICT systems to monitor compliance and quality of services
- Risks associated with how the current services are seen by both staff and existing clients compared with what might be sustainable moving forward

The Review found that these issues have emerged due to historical leadership practices, the challenges faced by the team during the COVID-19 pandemic, the high expectations of the community (with which the service delivery team maintain a strong relationship), staff resistance to change and a lack of understanding of the current requirements of the Government programs being delivered.

Importantly, the Review finds that these issues were far more prevalent in the CHSP team compared with the OPASS staff responsible for administering HCPs. Indeed, staff engagement with the HCP team suggests that they have a stronger understanding of both the current HCP requirements and the likely requirements of the Support and Home reforms and have already commenced building informal systems to support the new reporting, monitoring, and management requirements of the reforms.

5.0 MARKET CONTEXT AND CONSIDERATION OF OTHER VICTORIAN COUNCILS

The Review team undertook a range of market scanning and analysis activities, including specific interviews with market participants from the Colac Otway region and surrounding areas. Confidential market soundings with a number of other interested organisations, including health service providers, residential aged care facility operators and disability service providers was also undertaken.

The Review finds that all providers in the Colac Otway region have found preparing for the reforms to be challenging largely due to workforce shortages in the area, the challenges of sustainably performing CHSP services under existing Commonwealth requirements, and the regionality of the area.

The Review team that some existing services that are not currently part of the OPASS service suite do operate effectively, however experiences of other non-Colac area providers (during NDIS as well as HCP reforms) in entering the region have found it difficult to do so in a sustainable manner - examples of this include providers from Geelong and Melbourne.

Other providers in the region indicated that Council provides a well-regarded service and indicated a preference for greater collaboration and partnerships across the sector (including with Council). However, the Review found that the current market providers were able to meet future demand for services, even in the event of the Council electing to exit.

MARKET PARTNERING OPPORTUNITIES – THE ROLE OF COUNCIL

Regardless of the decision taken by Council on the future of direct service delivery, one key theme from the Review team's market scanning activity was the lack of coordination across the sector. Importantly, there does not appear to be any service coordination forum among sector participants in the region.

Further, the Colac Otway region is not immune to the general challenges of delivering these services in a regional area such as:

- Limited population growth
- Aging of the existing population
- Limited workforce
- Limited training opportunities
- Limited private market providers

The Review considers these factors to be an important component of any consideration by Council about its future especially given the strong theme from the Market Sounding activities expressing the desire for

existing providers in the region to partner more closely with Council to support this cohort of residents into the future.

Another consideration for Council is the challenges of providing services during emergency situations. This became particularly evident with the impact of the COVID-19 pandemic on the service landscape across Victoria. While most aged care service providers ceased providing in-home support services during the pandemic, local councils (including in Colac Otway Shire) continued to provide these services especially in LGAs where there are thin markets.

COMPETITIVE NEUTRALITY CONSIDERATIONS

When considering the market context, the Review also has regard to the Victorian State Government's Competitive Neutrality policy. The Review team does not view competitive neutrality as a relevant barrier for Council to undertake services in the region due to a number of considerations including:

- CHSP and HCPs are a Commonwealth Service, funded for delivery in Victoria not impacted by the State's Competitive Neutrality Policy
- A significant cohort of Victorian Councils that deliver CHSP and HCP services have applied the Competitive Neutrality Policy, including the best interest assessments and determined that the policy does not apply
- Those Councils which include a significant regional cohort have elected to continue, and in some cases, expand their CHSP and / or HCP services and have not attracted criticism of the competitive impact of those decisions

The Review team recognises that some councils have seen Victoria's Competitive Neutrality Policy to be a significant factor in their decision-making on a future role in the sector, however the Review does not believe that these considerations are sufficient to prevent the continuation of services by Colac Otway Shire.

CONSIDERATION OF DECISION PARAMETERS FOR OTHER VICTORIAN COUNCILS

The Review considers the recent experiences of other Victorian Councils noting, that in general the Victorian councils essentially fall into three categories in relation to how they have responded to the reforms:

1. Exit from the provision of in-home aged care services
2. Remain in the provision of in-home aged care services and in some instances, expand services
3. Continue to provide services while further consideration of the reforms is undertaken

Councils that fall into the first category have experienced a wide range of different responses to their decision. For those that have experienced a successful transition of services to alternative providers, it appears to be largely due to the availability of strongly and capable private or not-for-profit alternatives in their market. The extent of their initial market share has also been a consideration.

It is important to note that some Councils that have announced an intention to exit services, have subsequently indicated that they are re-considering that decision in light of the challenges it is presenting to their services in their areas.

For Councils in the second category, the Review team found that there has been a largely positive experience in preparing for the reforms. It is important to note that some of these Councils have made or are making significant changes to the delivery of CHSP services in order to make the program more financially sustainable, noting that most councils operate HCP services in a profitable manner already.

For some councils in the third category, a number of the recent announcements by the Commonwealth have provided some comfort that remaining in the service may be possible. Of particular note is the

removal of the Clinical Governance requirements in Personal Care along with the indication that the Commonwealth will provide grants and other supports to service providers in thin markets such as Colac Otway Shire.

6.0 COMMUNITY VALUE

The Review team worked with Council to undertake a range of stakeholder engagement activities including staff interviews, client focus groups, written community surveys, and direct engagement.

This engagement identified a number of key themes, including:

- Strong community support for Council to continue to deliver services
- The positive view from clients on the services delivered by Council
- Strong staff support for the program and heightened concern about job losses
- Strong commitment from staff to deliver effective and robust services

The Review team found that Council is viewed as a trusted provider – helping to navigate service gaps, connect community members together, and identify pathways for support across a range of services.

Furthermore, while clients and carers who receive CHSP services noted that Council services were often 'stretched', they recognised that Council maintains a strong commitment to ensuring that all clients receive an adequate level of support and that the staff team (and volunteers) who deliver these services do so with a high level of professional commitment.

During a strategic risk exercise facilitated by the Review team, the reputational risk of withdrawing from CHSP was identified as 'high risk', indicating that the services currently delivered are highly valued by the community and seen as an invaluable service provided by Council.

7.0 SUMMARY OF OPTIONS

A range of available options for Council were contemplated by the Review team in relation to the future of Aged Care Services in the Colac Otway Shire.

This is the Review shortlist:

Option 1: Deliver Streamlined Services

- Streamline existing services to focus on delivering HCPs and withdraw from the delivery of CHSP services while preparing for future transition to Support at Home

Option 2: Maintain Current Services

- Continue to deliver CHSP and HCP services while preparing for future transition to Support at Home

Option 3: Strategic Exit

- Gradual withdrawal from service provision and facilitating transitions to alternative providers

7.1 OPTION 1: DELIVER STREAMLINED SERVICES

This involves Council continuing to deliver Home Care Packages (HCP) while transitioning into the Support at Home Program by July 2025. This option also includes transitioning out of the Commonwealth Home Support Programme (CHSP) services.

This option would ensure that higher needs clients continue to receive support from Council and would allow other, better-placed service providers to support the lower needs cohorts that currently access CHSP Services. In addition, some existing CHSP clients are likely to be eligible for HCP services and, with support to navigate these processes, may be able to continue to receive this support from Council.

The Review's financial analysis demonstrates that, should this option be selected, Council could make minor increases to the unit costings associated with HCPs and operate the service at a net surplus moving forward. This would largely be the case due to the significant cost challenges associated with delivering existing CHSP services. It is important to note that this option would also allow Council to consider continuing to deliver other services within OPASS, such as DVA services and that the Review team has not made specific recommendations about these other services under this option.

While this option would require changes to the business practices of the OPASS team, a 'clean break' from CHSP services would afford Council the opportunity to re-set cultural expectations among the team, carefully manage the service performance moving forward, and consider ICT and other business practice reforms that may be required to support ongoing service delivery. As noted, some of these business practice changes have already commenced, albeit at an informal level, within the current HCP team.

Under this option, the current OPASS service delivery team structure would be re-aligned to prioritise HCP services, with administration staff deployed to improve accountability, reporting, quality, and administration of the HCP program in preparation for transition to the Support and Home model from July 2025.

This option represents an outcome that would also meet the perspectives and expectations of the broader community with Council continuing to play a key role in supporting its highest needs, older residents. Importantly, recent changes in leadership within OPASS gives some confidence to the Review team that Option 1 is a viable and achievable option that could result in a strong, financially sustainable service system into the future.

It is important to note that the Review team did explore whether, moving forward Council should consider pursuing some CHSP services under a brokerage model to external providers. While this may be possible, the significant cultural and business practice reforms that would be required to make a transition of this type will present Council with numerous issues. However, under the 'clean break' approach in Option 1, should Council feel that service standards have dropped post July 2027 when the reforms of CHSP are implemented, it may re-consider introducing a brokerage model.

7.2 OPTION 2: MAINTAIN CURRENT SERVICES

This involves Council continuing to provide CHSP and HCP services into the future, making major amendments and adaptations over the next two years to address current service provision challenges, as well as investment in preparing for the transition to Support at Home.

Council would need to embark on significant cultural, business system, ICT and compliance reforms to the current program before commencing any activity to prepare for the formal transition to Support at Home.

The Review team's financial analysis of this option demonstrated that, should Option 2 be selected, Council would be unlikely to run a financially sustainable service. If this option is selected, Council would likely need to commit between \$180-200k annually towards the continuation of the services along with a significant investment in ICT reforms, staff training, change management, and performance monitoring and reporting.

The Review team believes that Option 2 represents the biggest risk to Council in a number of ways including:

- Future financial sustainability
- Service performance risks
- Compliance and Quality risk

7.3 OPTION 3: STRATEGIC EXIT

The Review Team is aware that some Victorian Councils have announced an intention to exit from the provision of all in-home Aged Care services. In some instances, these councils are now reconsidering that decision. It appears that this reconsideration is largely driven by:

- The reputational damage that has been experienced by announcing the decision;
- An acknowledgement that Competitive Neutrality Policy, which was used as a key driver of the decision, does not apply to these services;
- The inability of alternative providers to take up the caseload as anticipated (i.e., provider or market failure); and/or
- The redundancy and other unfunded costs associated with an exit (such as Universal Services).

The Review considered an option for Colac Otway Shire to exit services (Option 3) and has formed the view that this option does not represent the best pathway forward for Colac Otway Shire. This is largely due to the risks of provider failure, reputational damage, and financial sustainability. Based on an evaluation of the opportunities for Colac Otway under other Options, it was also not considered to be the best option for providing ongoing support to the community in line with their expectations.



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