

Residential Aged Care Reforms

COUNCIL REPORT (PUBLIC VERSION) — ORDINARY COUNCIL MEETING 24 FEBRUARY 2026

We're committed to transparency, so we've created this version of the Council report which includes all the information we can release. It includes the full report except for sensitive commercial and staff information.

EXECUTIVE SUMMARY

The Commonwealth's reforms to residential aged care and the new *Aged Care Act*, which came into effect from 1 November 2025, whilst welcomed, significantly challenges our ability to deliver sustainable aged care services to residents.

Warrawee is budgeted to run an operating deficit of \$5.5 million in the 2025–26 financial year. Financial pressures, combined with the increasing complexity of aged care governance and compliance, have prompted a review of the future operating model for Warrawee. This review has resulted in the development of two options for consideration:

1. **Option 1:** Business as usual, where Council continues to own and operate Warrawee.
2. **Option 2:** Transitioning Warrawee to a registered residential aged care provider as a going concern.

RECOMMENDATION

That Council:

Approves Officers to commence and undertake a comprehensive community engagement process, in accordance with Council's *Community Engagement Policy*, with residents, their representatives and the broader Glen Eira community, together with consultation with employees and their representatives, to seek their feedback on the two options proposed for the future of Warrawee being:

1. **Option 1** – Business as usual, where Council continues to own and operate Warrawee.
2. **Option 2** – Transition Warrawee to a registered residential aged care provider as a going concern.

Authorises the release to the public, as part of the comprehensive community engagement process, an abridged version of this report, which has had removed all of the information that has been determined by the Chief Executive Officer (CEO) to be confidential information or commercial-in-confidence information.

BACKGROUND

Council owns and operates Warrawee, a 90-bed residential aged care home. Glen Eira is the only Council in Victoria and one of the few councils in Australia to operate a residential aged care home.

In response to recommendations made in connection with the Royal Commission into Aged Care Quality and Safety in 2021, the Commonwealth Government ('Commonwealth') has, and continues to, introduce significant reforms to aged care services. The new *Aged Care Act 2024 (Cth)* came in to

Residential Aged Care Reforms

effect on 1 November 2025 with strengthened Aged Care Quality Standards that registered aged care providers are measured against for registration purposes.

The strengthened governance, prudential, and compliance requirements favour providers whose core business is the delivery of residential aged care. These providers have specialist knowledge of the legislative and compliance requirements under the *Aged Care Act 2024 (Cth)* and the economies of scale to support ongoing financial viability.

Warrawee is budgeted to deliver an operating deficit of \$5.5 million for the 2025–26 budget year.

Initial work undertaken in 2025 identified four potential options for the future of Warrawee:

- **Option 1:** Business as usual where Council continues to own and operate Warrawee.
- **Option 2:** Transition Warrawee to a registered residential aged care provider as a going concern.
- **Option 3:** Engage a third-party, registered residential aged care provider to operate Warrawee via a lease arrangement.
- **Option 4:** Cease operations and repurpose the site for other Council priorities.

Analysis of Option 3 was informed by independent consultant's advice where there was limited interest for leasing standalone facilities such as Warrawee to a registered residential aged care provider. As a result, further analysis of Option 3 did not proceed.

Option 4 — to cease operations at Warrawee and repurpose the facility — was not recommended due to the significant impacts on:

- residents and families, who would be required to relocate to another registered residential aged care provider.
- employees.
- the additional financial impost associated with repurposing Warrawee for other Council priorities.

ISSUES AND DISCUSSION

Officers have undertaken a detailed analysis of the remaining two options and have identified a number of considerations that are important to inform Council in making a decision about the future of Warrawee.

1. Economies of scale.
2. Continuity of care and resident rights.
3. Quality of care.
4. Employment opportunities for staff.
5. Approval process by the Commonwealth.
6. Expression of Interest/Request for Tender process.

Economies of scale

Residential Aged Care Reforms

The cost for smaller operators (like Council) to implement the reforms and remain compliant is proving financially challenging without the economies of scale of a larger residential aged care portfolio.

Stewart Brown, a Chartered Accounting firm, conducts quarterly and annual surveys on the 'health' of the Aged Care sector. This is a highly regarded survey for the sector and the Commonwealth. In the 2023–24 annual survey 1,217 providers were surveyed. The report provided the following key findings:

1. A total of 51.3 per cent of residential aged care homes operate at a loss.
2. Financial sustainability needs to be achieved from all service areas of a residential aged care home (i.e. clinical and non-clinical services).
3. The sector continues to make significant losses through the delivery of non-clinical services (e.g. dining, laundry, cleaning, and lifestyle activities).
4. Larger providers with more than 20 residential aged care homes in their portfolio have the highest financial operating result compared to other groups.
5. Labour costs are the lowest for providers with 21 or more residential aged care homes due to the economies of scale.

Reflecting the challenges of operating small residential aged care facilities, there is now more large residential aged care facilities (with 101 or more beds) and fewer small ones. The percentage of small facilities dropped from 52 per cent in June 2013 to 34 per cent in June 2023. Meanwhile, the share of large facilities increased from 18 per cent to 32 per cent over the same period.

Continuity of care and resident rights

Residents have the right to security of tenure.

Under the *Aged Care Rules 2025 (Cth)*, it is a condition of registration that a registered provider of residential aged care cannot make a resident receiving funded residential aged care leave the home or imply that the individual must leave the home.

Under the new Act, existing residents' accommodation and fee arrangements are protected. This means their current fees and accommodation payments continue unchanged, and their RAD must be honoured and transferred to any new provider if ownership of the service changes. If a resident chooses to leave the residential aged care home, their RAD must be refunded.

New residents after 1 November 2025, whether Warrawee is operated by Council or another registered provider, are subject to charges permitted under the new Aged Care Act at their date of entry.

Fees must fall within regulated categories (e.g. basic daily fee, accommodation price, permitted everyday living contributions). Room prices cannot exceed what is published by My Aged Care and all charges must be clearly set out in the service agreement. All charges must be transparent, documented, and agreed between the resident and the operator.

Quality of care

Residential Aged Care Reforms

All registered residential aged care providers, including Council, operate under the strengthened requirements of the *Aged Care Act 2024 (Cth)* and associated Rules, which enhance quality and safeguarding for residents while increasing the compliance and operational complexity of delivering residential aged care.

Registered providers whose core business is residential aged care typically have established systems, specialist expertise and workforce capacity to operate within a complex regulatory environment, supporting consistent quality of care and long-term service stability.

Employment opportunities for staff

If Council decides to transfer ownership of Warrawee to a registered aged care provider, Council's priority would be to advocate for continuity of employment for staff. As well as benefitting staff, this would support continuity of care for residents.

Council employees could not automatically be transferred to a new provider - they must be offered and accept new employment. If a Council employee's role was to be made redundant, and they were not redeployed, they may be entitled to a redundancy payment.

During any potential transition Council cannot guarantee that there would not be any changes to employment arrangements.

Approval process by the Commonwealth

Any proposed transfer of Warrawee to another registered aged care provider, in accordance with the *Aged Care Act 2024 (Cth)*, requires the approval of the Aged Care Quality and Safeguards Commission (Commissioner).

Following application to the Commission, the Commissioner decides whether or not to approve the change in ownership. Continuity of care is a key consideration for the Commissioner in considering and approving any change of ownership of a residential care home.

Expression of Interest (EOI) Request for Tender (RFT) process

Following engagement with residents, families and the Glen Eira community, together with consultation with employees and relevant unions, if Council were to make a decision to proceed with Option 2, Council would invite EOIs from registered aged care providers to own and operate Warrawee as a going concern. Council would then invite shortlisted respondents from the EOI process to participate in a select RFT process based on pre-determined selection and assessment criteria.

CLIMATE EMERGENCY RESPONSE STRATEGY IMPLICATIONS

There are no direct *Climate Emergency Response Strategy* implications.

POLICY AND LEGISLATIVE IMPLICATIONS

Council is regulated and funded for the provision of residential aged care services at Warrawee under the new *Aged Care Act 2024 (Cth)*, which came into effect on 1 November 2025.

Residential Aged Care Reforms

Under the *Local Government Act 2020 (Vic)*, the role of Council is to provide good governance in its municipal district for the benefit and wellbeing of the community and is primarily given to achieving the best outcomes for the community, including future generations.

As an employer, Council also has responsibilities outlined in a range of legislation, including the *Fair Work Act 2009*, *Occupational Health and Safety Act 2004* and *Equal Opportunity Act 2010*. The terms and conditions of its employees are outlined in the *Glen Eira City Council Enterprise Agreement 2025*.

Council's *Sale of Council Land and Buildings Policy* provides guidance and governance when considering the future of buildings and land.

GENDER IMPACT ASSESSMENT

A *Gender Impact Assessment (GIA)* was undertaken in accordance with the *Gender Equality Act 2020* to assess the potential gendered impacts if Council were to proceed with the transition of Warrawee to a registered residential aged care provider.

The identified potential risks for staff in any proposed transition of Warrawee would be mitigated through workforce legislation and potential transfer of employment to a registered aged care provider.

The identified potential risks for residents in any proposed transition of Warrawee would be mitigated through strong regulatory protections under the *Aged Care Act 2024 (Cth)*, which include:

- seven strengthened standards. Standard 1 emphasises dignity, respect, individuality, independence, choice, cultural safety, and dignity of risk ensuring older people continue to receive safe, inclusive, high-quality care during and after the transition.
- the 'Statement of Rights' and strengthened governance obligations that further reinforce that registered providers must respect each resident's needs, identity and preferences.

COMMUNICATION AND ENGAGEMENT

Before a decision is made about the future state of Warrawee, Council is required to undertake formal consultation with staff and their representatives about major changes likely to have significant effects on employees. This is in accordance with the *Community Engagement Policy* and the *Glen Eira City Council Enterprise Agreement 2025*.

The *Local Government Act 2020 (Vic)* also requires the CEO to consult with employees affected by a proposed restructure.

If Council resolves to proceed as outlined in this report, in line with Council's *Community Engagement Policy*, Council will engage with residents, families, staff, and the broader community at the 'Consult' level. This involves a four-week engagement period to seek feedback on the future of Warrawee.

Council must genuinely consider feedback received through the community engagement and staff consultation process from residents, families, community, staff and/or their representatives, relevant unions and other key stakeholders before making a decision regarding the options available to Council for the future of Warrawee.

Residential Aged Care Reforms

In addition, the Commonwealth and other key stakeholders will also be consulted regarding any proposed changes to Council's residential aged care services.

Any feedback from the community and the other stakeholders during a community engagement and staff consultation process would inform Council's deliberations alongside financial, regulatory, service, workforce and governance considerations. This engagement approach reflects Council's commitment to good governance, transparency and informed decision-making, and will ensure that a range of perspectives are genuinely considered before any decision is made.

Should Council decide in future to proceed towards a potential transition arrangement, and that transition arrangement involves a proposal to sell the land on which Warrawee is located, a further community engagement process would be undertaken in accordance with s 114 of the *Local Government Act 2020* and Council's *Sale of Council Land and Buildings Policy and Community Engagement Policy*.

An additional consultation with staff and/or their representatives may also be required before Council could seek approval to proceed with any proposed transaction, in which case, Council would invite feedback from staff and their representatives regarding any terms and conditions that would be important to them to be included in any transition of Warrawee to another registered aged care provider.

A comprehensive communications and engagement plan will support both options under consideration.

LINK TO COUNCIL PLAN

Strategic Direction 4: Innovation and financial sustainability

We are financially secure and sustainable

Our community is informed and engaged

Our community has trust and confidence in our decisions

OFFICER DECLARATION OF CONFLICT OF INTEREST

No officers involved in the preparation of this report have any general or material conflicts of interest in this matter.

CONCLUSION

Officers are seeking approval from Council to:

Commence and undertake a comprehensive community engagement process in accordance with Council's *Community Engagement Policy*, with residents, their representatives and the broader Glen Eira community, together with consultation with employees and their representatives, to seek their feedback on the two options proposed for the future of Warrawee:

1. **Option 1** – Business as usual, where Council continues to own and operate Warrawee.

Residential Aged Care Reforms

2. **Option 2** – Transitioning Warrawee to a registered residential aged care provider as a going concern.

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