

westgatehealth
co-operative ltd



2023 Annual Report

Our Story.

LONG TERM EFFECTS 2022

The national shortage of GPs and bulk billing have impacted Westgate Health Co-operative resulting in significant financial losses. Introduction of mixed billing to address losses and provide GPs with a viable option with which to continue their career. Continuing to pivot to successfully embrace the challenges of healthcare.

COVID EMERGES 2020

Successfully navigating COVID 19 and looking forward to a strong, healthy future.

REJUVENATION 2019

Review undertaken providing a renewed focus on Westgate Health Co-operative philosophy based on co-operation principles.

REFURBISHMENT COMMENCED 2014

JULY

The buildings of 17 and 19 Vernon Street were refurbished which saw the facilities upgraded. This important work now meant that we could offer to our patients, members and staff; a modern and comfortable environment.

BUSINESS NAME CHANGE 2000

JULY

The decision was made by the Board to change the name to Westgate Health Co-operative. It was felt that with the addition of Newport this name more accurately reflected the scope of the communities that the service was now reaching.

DENTAL SERVICE 1991

SEPTEMBER

Our dental service was established at Vernon Street in order to assist the growing needs of the community.

OPENING OUR DOORS 1980

SEPTEMBER

On September 8th 1980, a medical clinic was registered and started consulting at 23A Vernon Street in December 1980.

2021 JOBKEEPER SUPPORT

Still navigating COVID 19 and very grateful for the contribution of JobKeeper to the finances.

2019 ACHIEVEMENT

DECEMBER

Achieved successful re-accreditation with Australian General Practice Accreditation Limited (AGPAL).

2015 FURTHER EXPANSION

OCTOBER

After many years of leasing 21 Vernon Street, the opportunity became available for us to purchase the building. Fortunately, the Co-operative was in a position to do this and subsequently 21 Vernon Street was refurbished.

2002 ACHIEVEMENT

Become an Accredited General Practice with the Australian General Practice Accreditation Limited (AGPAL).

1993 EXPANSION TO NEWPORT

OCTOBER

We purchased the existing business at 2 Home Road Newport and commenced practicing at a second location.

1986 NEW PLACE TO CALL HOME

SEPTEMBER

On the 26th September 1986, the new co-operative was registered as South Kingsville Health Services. Soon after we moved to our current home at 19 Vernon St.

1978 THE IDEA

JULY

The Western Region Council for Social Development conducted a review and identified that there was a need for bulk billed medical care in South Kingsville and the surrounding areas. We were established by Westgate Baptist Community with seed funding from the Baptist Union of Victoria.



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Chair's report

Jenny Morris



It is with very mixed emotions that I share with you our 2023 Annual Report.

It is said that during times of adversity we are truly tested as an organisation and individuals and 2022-23 is no exception as we've been tested in ways that we wouldn't have previously imagined!

Our team has well and truly gone 'above and beyond' during the past 12 months and we are very grateful as an organisation for team members' individual and collective endeavours as they have continued to pivot and respond to these everchanging challenges with commitment, passion and resilience – remaining committed to the health and wellbeing of you, our members, and their colleagues. It is the stories of courage, commitment and compassion that make Westgate Health Co-op (WHC) the unique organisation it is.

A commitment to seeing the Co-op being a viable organisation into the future, saw the implementation of 'mixed billing' introduced in October 2022 (where most members were to face a gap payment for their appointments). This, however, was not enough to stem the Co-op's ongoing financial losses.

WHC has continued to operate at a loss of approximately \$30K each month which is funded from accumulated surpluses that were held in a charitable fund (the reserve fund) and are being released for the sustainability of WHC in a time of deficits. If losses continue, the funds will be exhausted and WHC will become insolvent in the sense of not being able to meet its debts when they fall due.

The Board considered multiple pathways forward – with the intent to preserve the founding ethos of WHC – which included:

- **partnering with a 'like organisation'** – with changes to our local demographic, an appropriate 'fit' was not identified, and there is concern for how assets would be repurposed and how Governance would be shared.
- **closing either the Home Road or Vernon Street clinic** – even noting the cost and time to run on Home Road lease, or relocation to Home road, this would not resolve doctor shortages and rising running costs. The cost of addressing the basic building repairs (roof, wiring, floors) at Vernon Street was estimated at \$250K and that wasn't addressing the less than optimal consulting rooms.
- **heavily reducing operating costs** – we have made the CEO position redundant, considered further reduction of staff numbers, and Board members are now working in the organisation. After 4+ years this has become less and less sustainable and forecasts show it won't be 'enough' to return the Co-op to financial sustainability.

- **bringing in an administrator** – the concern with this option is that an administrator’s motivation is prompt realisation of assets and residual business value only, rather than consideration for the transition of people or contribution to charitable ethos. The Board believes we have time if we act now to provide the best option of care continuity to and avoid whittling down charitable reserves to nil.
- **be acquired by an appropriate similar local medical service provider, without selling all major assets in that acquisition** – this would allow for asset sale and thoughtful allocation of surpluses from the WHC Charitable Fund, honouring our founding ethos and community intentions.

GP appointments are what sustain a medical practice and the Australia wide shortage of GPs has impacted us with our inability to recruit and retain GPs. There are many reasons for this:

- Post-COVID, GPs close to retirement age are choosing to retire in large numbers; previously they may have continued to work part-time.
- International medical graduates (IMGs) are subject to a 10-year moratorium and during that time can only work in a Distribution Priority Area (DPA, an identified area of need). The DPA now extends from regional areas up to and including Laverton. This means that in the Altona North / Newport area we are unable to recruit from the IMG pool.
- There has been a significant reduction in the proportion of graduate doctors choosing to specialise in General Practice.

- The newly established Commonwealth-funded Urgent Care Clinics are staffed from the ‘GP pool’, thereby reducing GP numbers and the availability of appointments in General Practice Clinics. Remuneration for doctors in Urgent Care Clinics far outweighs what local GP clinics such as WHC can offer to compete within this space.

The model of General Practice at WHC (and many other GP clinics) poses additional challenges, where GPs are ‘independent contractors’ – that is, doctors lease a room and hire the services of our nurses, receptionists and administration but cover their own leave and superannuation costs. Our GPs run ‘their own business’ that they are invested in, but effectively come under the banner of WHC. On the other hand, acute public health and community health services ‘employ’ their doctors who then receive a salary, as well as personal, annual and long service leave and superannuation benefits.

It was appreciated (but brought no comfort) when a highly regarded recruiter / consultant wrote to WHC:

‘.....running general practices is becoming very difficult... I am astonished again and again, to see how many of them are barely viable financially. This includes practices in very affluent areas... Most importantly, I would like to say that I have been constantly amazed at the determination, perseverance, and hard work, that has been demonstrated in trying to rescue this business. I would be happy to say to anyone that you absolutely went above and beyond, and did everything that could be done. It certainly hasn’t happened for lack of effort.’

To my fellow Board Members, thank you for your commitment and support as we have travelled this journey together. Our sincere thanks to Bev Kennedy, as again, she has willingly utilised her many skills in her commitment to community and co-operative as she has undertaken the role of Transition Manager.

As a Board we have endeavoured to continue to share 'where we've landed and how we got there'. With much reflection and extreme reluctance, the Board have unanimously endorsed the resolutions pertaining to the future of WHC and believe that this is the only alternative given the continuing losses and the otherwise inevitable insolvency. The Board is committed and will do everything within their power to ensure our GPs / appointments stay in the local area where possible, to ensure a continuity of care.

Again, sincere thanks to you, our members who have continued to journey with us through these challenging times. Your patience, support and trust has been greatly appreciated! The challenge for us as an organisation, is to take the next step in this journey with integrity and kindness.

Proposed “members’ resolutions” and the way forward

At the Annual General Meeting (AGM) of Westgate Health Co-operative Ltd (WHC), the Board is putting forward ordinary resolutions to transfer the operation to a suitable ongoing provider and/or to facilitate an orderly close down of WHC managed by the current Board. This will provide the best opportunity for our members, doctors and staff to have continuity of care and employment with a like-minded local medical service, should that opportunity be possible.

The purpose of proposing these resolutions at the AGM is to seek WHC members’ agreement in principle to proceed with the closure of WHC. If the resolutions are not passed at the AGM, it is likely that an external administrator will need to be appointed. This would have the unwanted impact of the closure of WHC and the disposal of remaining assets to be taken out of our control. The Board considers that a better outcome for members is ensuring that WHC remains in control of its own destiny.

Therefore, WHC proposes to undertake the following steps to action its closure:

1. Pass resolutions ‘in-principle’ at the AGM

The Board considers the provisional support of WHC members is critical in order to action the proposed closure of WHC. The Board unanimously endorses the proposed resolutions and recommends member approval at the AGM.

If the Membership endorses the resolutions at the AGM, then the following steps would occur:

2. Transfer of business assets

In order to facilitate ending the operations of WHC as seamlessly as possible, the Board is proposing to transfer its business assets, such as computers and medical equipment, to a suitable entity qualified to conduct a medical practice. In order to effect this transfer, WHC is required to seek the approval of members by special resolution by a special postal ballot, in accordance with section 359(1)(e) of the *Co-operatives National Law* (Victoria). That postal ballot will take place later.

3. Transfer remaining assets to a charitable foundation

Once the business assets have been transferred, the Board proposes to transfer the remaining assets, including the proceeds of the sale of the building at South Kingsville, to a Charitable Foundation to be established to contribute to the health and wellbeing of people living in Hobsons Bay and its surrounding areas and governed by a community Board. WHC proposes to seek the approval of members by special resolution by a special postal ballot in order to effect this transfer.

4. Voluntarily wind up WHC

Once all WHC assets have been disposed of, the Board proposes to voluntarily wind up WHC. WHC is required to seek the approval of members by special resolution by a special postal ballot to voluntarily wind up, in accordance with section 445(1)(b) of the Co-operatives National Law (Victoria).

For the avoidance of doubt, all special resolutions to be passed by special postal ballot which will be tabled in the same special postal ballot.

Co-op at a glance



Staffing: November '23



8 doctors



2 registered nurses
2 enrolled nurses



2 dentists
2 dental nurses



6 receptionists



1 dietician
1 podiatrist
1 diabetes educator
1 psychiatrist



2 administration

	FY23	FY22
Co-op members	11,706	11,384
Active members	5,089	



	FY23	FY22
GP consultations ... total	22,886	49,711
... face-to-face	15,688	34,725
... telehealth	7,198	14,986



	FY23	FY22
Nurse consultations	373	2,743
Dental consultations	1,462	1,068



	FY23	FY22
Flu vaccinations	30	149
COVID vaccinations	0	1,311

Treasurer's report

Simon Oldham



Please find below the Financial Report for the Westgate Health Co-operative, for the 2022-23 financial year (FY23).

As it was in the previous financial year, FY23 was another challenging year. The accounting surplus for FY23 was \$17,686 compared to FY22 which was a loss of \$231,350. On the surface this appears to be a much improved result. However, the substantial reason for the surplus was that the Co-op drew down \$500,000 from its Charitable Trust, which in accounting terms is treated as revenue. Therefore, the reality is that the Co-op suffered an accounting loss of \$482,314 in FY23, a substantially worse result than in FY22.

Notably, service income – the main source of income for the Co-op – fell approximately \$200,000 in FY22 and a further \$276,000 in FY23. This results from a 30% decline in appointments over the last 12 months due to low doctor numbers caused by the inability to recruit replacement doctors.

Introduction of mixed billing has assisted revenue levels but overall revenues continue to decline largely due to declining appointment numbers. However, expenditure on overheads is not declining at the same rate.

The balance sheet shows \$2.5m in non-current assets, substantially represented by the ownership of the medical centre in South Kingsville and the refurbishment investment of the Newport practice. Whilst this is reassuring, this asset is not cash that assists with funding of operational losses.

Liabilities are consistent from the previous financial year, other than memberships have been recognised as a provision and employee entitlements have risen.

Last year it was reported that the Charity Fund had a balance of \$571,444. With the drawdown of \$500,000 required to fund cash at bank the Charity Fund as at the end of June 2023 was approximately \$80,000.

Our partnerships with our accountants and auditors have continued this year to ensure our reports are in line with contemporary financial management practices and good governance. Our financial accounts have been reviewed and endorsed by our independent auditors and will be submitted to the governing body (the Australian Charities and Not-for-profit Commission).

PROFIT AND LOSS STATEMENT

	2023	2022
<u>Income</u>		
Service Income	1,423,701	1,699,622
Other Income	857,736	931,228
Drawdown from Trust	500,000	
Total Income	2,781,437	2,630,850
<u>Expenditure</u>		
Employment Expenses	1,828,708	2,105,650
Other Expenses	792,136	667,067
Depreciation and Amortisation	142,906	89,483
Total Expenditure	2,763,750	2,862,200
Surplus	17,687	(231,350)

STATEMENT OF FINANCIAL POSITION

	2023	2022
<u>Assets</u>		
Current assets	624,180	544,879
Non-Current Assets	2,572,668	2,609,565
Total Assets	3,196,848	3,154,444
<u>Liabilities</u>		
Current Liabilities	252,801	194,194
Non-Current Liabilities	55,704	89,593
Total Liabilities	308,505	283,787
<u>Net Assets</u>	2,888,343	2,870,657



Report

Westgate Health Co-Operative Ltd
For the year ended 30 June 2023

Independent Auditors Report to the members of the Association

We have audited the accompanying financial report, being a special purpose financial report, of Westgate Health Co-Operative Ltd (the association), which comprises the Director's report, the Statement of Financial Position as at 30 June 2023, the Profit & Loss for the year then ended, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the certification by Director's on the annual statements giving a true and fair view of the financial position and performance of the association.

Director's Responsibility for the Financial Report

The Director's of Westgate Health Co-Operative Ltd is responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of the Co-Operatives National Law Application Act 2013 and is appropriate to meet the needs of the members. The Director's responsibility also includes such internal control as the Director's determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

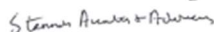
Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the association's preparation and fair presentation of the financial report, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of Westgate Health Co-Operative Ltd as at 30 June 2023 and (of) its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements, and the requirements of the Co-Operatives National Law Application Act 2013.



Stannards Accountants and Advisors



Michael Sulman

Date: 23 August 2023



Australian Communities Foundation
Level 6, 126 Wellington Parade
East Melbourne VIC 3002

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E info@communityfoundation.org.au
communityfoundation.org.au

Westgate Health Charitable Fund

For the period 01 July 2022 to 30 June 2023

SUMMARY OF ACTIVITY

Beginning Balance	543,558.72
Receipts	
Investment Gains/(Losses)	46,884.83
	46,884.83
Fees & Distributions	
Administration Fees	(6,231.02)
Grants Distributed	(500,000.00)
Investment Fees	(1,791.88)
	(508,022.90)
Ending Balance	82,420.65

ACTIVITY DETAIL

Donations

No contributions this period.

Grants

Date	Description	Amount
31/05/2023	Westgate Health Cooperative Ltd	(500,000.00)
		(500,000.00)

Westgate Health Charitable Fund

For the period 01 September 2023 to 16 November 2023

SUMMARY OF ACTIVITY

Beginning Balance	82,420.65
Receipts	
Investment Gains/(Losses)	(819.40)
	(819.40)
Fees & Distributions	
Administration Fees	(500.00)
Grants Distributed	(81,101.25)
	(81,601.25)
Ending Balance	0.00

ACTIVITY DETAIL

Donations

No contributions this period.

Grants

Date	Description	Amount
15/11/2023	Westgate Health Cooperative Ltd	(81,101.25)
		(81,101.25)

Westgate Health Co-op Board Nov '23



Jenny Morris
Chair
Commenced May 2019,
renominated October 2022,
re-elected.



Allison Crunden
Deputy Chair
Commenced June 2019,
renominated October 2022,
re-elected



Beverley Kennedy
Transition Manager
Commenced October 2020



Simon Oldham
Treasurer
Co-opted October 2022,
nominated October 2022,
elected



Clare Rocznik
Director
Commenced June 2019



Ross Williamson
Director
Commenced October 2019



Stuart James
Secretary
Chair: Governance
Sub-Committee
Commenced October 2021