



South Burnett Regional Council

Agenda of the Special Meeting

Held in the Warren Truss Chamber 45 Glendon Street Kingaroy

on Thursday, 7 April 2016

Commencing at 2.00pm

Chief Executive Officer: Gary Wall

Our Vision

"Individual communities building a strong and vibrant region."

Our Values

- | | | |
|----------|---------------------------|---|
| A | Accountability: | <i>We accept responsibility for our actions and decisions in managing the regions resources.</i> |
| C | Community: | <i>Building partnerships and delivering quality customer service.</i> |
| H | Harmony: | <i>Our people working cooperatively to achieve common goals in a supportive and safe environment.</i> |
| I | Innovation: | <i>Encouraging an innovative and resourceful workplace.</i> |
| E | Ethical Behaviour: | <i>We behave fairly with open, honest and accountable behaviour and consistent decision-making.</i> |
| V | Vision: | <i>This is the driving force behind our actions and responsibilities.</i> |
| E | Excellence: | <i>Striving to deliver excellent environmental, social and economic outcomes.</i> |



SOUTH BURNETT REGIONAL COUNCIL AGENDA

Thursday, 7 April 2016

ORDER OF BUSINESS:

- 1. Leave Of Absence 1
- 2. Business 1
 - 2.1 Lady Bjelke-Petersen Community Hospital - Future Operations 1
 - 2.2 South Burnett Community Hospital Limited Constitution and Board Membership 7

1. Leave Of Absence

Nil.

2. Business

2.1 Lady Bjelke-Petersen Community Hospital - Future Operations

Document Information

IR No 1592707

Author Manager Economic Development

Endorsed
By Chief Executive Officer

Date 6 April 2016

Précis

Council transfer the Licence to Operate the Lady Bjelke-Petersen Community Hospital Private Health Facility to South Bank Day Hospital Pty Ltd through the South Burnett Community Hospital Foundation Limited Board to enter into a sublease to manage and deliver hospital services.

Summary

In accordance with Council's Resolution on 20 January 2016 the Licence to Operate the Lady Bjelke-Petersen Community Hospital Private Health Facility has been transferred to South Burnett Community Hospital Foundation.

A business plan has been prepared to reopen and operate the hospital.

Council has identified South Bank Day Hospital as a partner to deliver the Business Plan for the Lady Bjelke-Petersen Community Hospital and to hold the Private Health Facility Licence subject to SBDH finalising its due diligence on the business.

Officer's Recommendation

That Council

- a) in accordance with naming protocol rename the hospital 'Lady Bjelke-Petersen Community Hospital'; and
- b) approve the transfer of Private Health Facility Licence to Operate the Lady Bjelke-Petersen Community Hospital to South Bank Day Hospital Pty Ltd and delegate authority to the Chief Executive Officer to work with the South Burnett Community Hospital Foundation to enter into a sublease to manage and deliver hospital services.

Financial and Resource Implications

Council's contribution to the hospital during the start period (2 years) would be limited to:

- Hospital equipment (Council retains ownership) - \$100,000 each year
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- The generous \$600,000 financial contribution by Ms Gina Reinhardt is paid to the SBCHFL and constrained for:
 - Hospital equipment
 - Hospital operations working capital
 - Underwriting annual losses – based on an ‘open book’ business relationship with SBDH. Any losses reimbursed would be underwritten until the hospital services reach profitability after which time any amounts advanced will be repaid to SBCHFL.
- No building rent charged to the hospital operator
- Tenant rental income now paid directly to SBCHL and available for working capital.
- Building maintenance and services expenses – estimated at \$100,000 each year

Link to Corporate/Operational Plan

GO1 - Continue to implement the Economic Development Strategy

Communication/Consultation (Internal/External)

The Board of the South Burnett Community Hospital Foundation, Local General Practitioners and Medical Specialists.

Legal Implications (Statutory Basis, Legal Risks)

Sub lease will be reviewed and prepared by King & Co

Policy/Local Law/Delegation Implications

Sub lease will be reviewed and prepared by King & Co

Asset Management Implications

Council will retain ownership and maintenance responsibility for the Hospital Building and Grounds.

Report

The Lady Bjelke-Petersen Community Hospital is owned by South Burnett Regional Council through its wholly owned company South Burnett Community Hospital Foundation Limited which is a not for profit company with charity status. This limited by guarantee company currently manages the Hospital building and operating licence. Funds donated to the charity are available for purchasing hospital equipment and building improvements.

Pulse Health ceased managing the hospital operations on 30 June 2015 and, agreed to keep the hospital facility licence current until transferred to Council or another operator. The licence was transferred to South Burnett Community Hospital Foundation Limited under approval by Queensland Health on 21 March 2016.

Since 1 July 2015 the hospital has continued to provide specialists consulting services through a reception function managed by South Burnett Regional Council. QML (in the hospital building) and Glendon Street Medical Practice (standalone building) lease areas at the hospital.

Council had sought expressions of interest from hospital providers to take over the hospital operating licence. Various levels of due diligence were undertaken by interested parties. Discussions were held with four (4) hospital providers from, Brisbane, Toowoomba and Bundaberg. Interest was also expressed from five (5) Day Surgery Operators.

In addition Council received written and verbal submissions to conduct a range of activities at the building for:

- Rural Health Clinic
- Day surgery GP Clinics
- Dial a Home Doctor
- Physiotherapy

As part of the process in determining the viability of Council running the hospital, Ernst & Young was engaged to model the financial business operation of the Hospital based on information obtained from Pulse Health, Qld Health, Industry Benchmarks, Private Hospital and Day Surgery Operators and other medical specialists. The different operating options available to Council all came with an element of risk exposure.

While the financial implications are important Council as part of its deliberations also need to consider the long term benefits to the region when making a decision of such strategic importance.

- **Community Support:**
The South Burnett Community has demonstrated its support for the private hospital by signing over 10,000 letters of support for the hospital to stay open.
- **Economic Benefit:**
The private hospital employed approximately 15 full time equivalent employment positions, contributing an estimated \$2.6million either directly or indirectly into the local economy.
- **Social & Health Benefit:**
When operating as a full hospital it provided opportunities for local residents to be treated locally by visiting surgical and medical specialists such as Ophthalmology, Orthopaedics, Cardiologist, General Surgery, Gynaecologist, Urologist, Oral & Maxillofacial, Paediatrician, Dentist, Cardiovascular Surgical Consultants and Palliative Care
- **Economic Development:**
The growth of health services is one of the region's priority economic development projects as highlighted in the South Burnett Economic Development Strategy 2014 to 2019. The provision of high quality health services and educational facilities are crucial in attracting businesses to our region.

It was proposed that Council engage a Health Specialist to prepare the transfer of licence and prepare a business case for a revised operating model for the hospital. The estimate of cost will be in vicinity of \$150,000.

The recommendation adopted by Council on 21 January 2016 together with action undertaken to date is shown below:

Mayor's Recommendation

That:

- a) *Council agree to apply to Queensland Health to have the operating licence transferred to the South Burnett Community Hospital Foundation Ltd.*
 - o **Application transferred**
- b) *Council agree to reopen the South Burnett Private Hospital under licence to Queensland Health with proposed operations to commence from 1 September 2016 subject to:*
 - a. *National accreditation being obtained*
 - o **Documentation submitted for approval on Monday 4 April 2016**

- b. *A revised model that addresses the gaps in the provision of hospital and medical services being established for the hospital operations*
 - o **Business Model prepared and presented to Council Tuesday 5 April 2016**
- c. *A business plan be developed that ensures the revised model operates on a cost neutral basis*
 - o **Business Plan prepared and presented to Council Tuesday 5 April 2016**
- d. *Financial impacts of the revised model be considered by Council as part of its 2016/17 budget deliberations*
 - o **Presented to Council Tuesday 5 April 2016**
- c) *The South Burnett Private Hospital be renamed the “Lady Florence Bjelke-Petersen Community Hospital” in recognition of her outstanding contribution to the South Burnett Community.*
 - o **In accordance with naming protocol the hospital has been renamed ‘Lady Bjelke-Petersen Community Hospital’**
- d) *Council amend its 2015/16 budget to include an allocation of \$150,000 to transfer and undertake the requirements of the Qld Health South Burnett Private Hospital Licence and prepare the hospital for accreditation.*
 - o **Completed**
- e) *The Chief Executive Officer be authorised to engage a Health Specialist to:*
 1. *Prepare the Hospital Operating Licence transfer application from Pulse Health*
 - o **Completed**
 2. *Negotiate Health Fund Rebate Contracts*
 - o **Continuation of 2nd Tier Federal Funding submission being prepared for submission mid April 2016**
 - o **Health Fund Contracts to be negotiated**
 3. *In consultation with the South Burnett Community Hospital Foundation Ltd Board prepare a revised model and business plan for hospital operations including ongoing financial impacts for consideration of the new Council.*
 - o **Presented in this report**
- f) *Council continue to provide administration support to visiting specialists operating from the hospital.*
 - o **Ongoing**
- g) *Council representatives on the South Burnett Community Foundation Ltd remain on the board in an interim role until representation is decided by new council.*
 - o **Completed**

As this report is presented to Council’s general meeting which is open to the public, confidential commercial information is not included, under:

- The Local Government Act 2009:
 - o Section 171, Use of Information by Councillors, sub section (3); a Councillor must not release information, or should reasonably know, is information that is confidential to the local government
 - o Section 200, Use of Information by Information by Local Government Employees, subsection (5a&b); A person who is, or has been, a local government employee must not release information that the person knows, or should reasonably know, is

information that is confidential and the local government wishes to keep confidential.

- Local Government Regulation 2012:
 - Section 275, Closed Meetings, sub section 1 (h); Other business for which public discussion is likely to prejudice the interests of the local government or someone else, to enable a person to gain a financial advantage

Consequently the Business Plan for Lady Bjelke-Petersen Community Hospital prepared by Leith MacMillan of Day Hospital Consulting is not attached to this report.

The business plan indicates that the hospital can operate successfully as demonstrated historically when the facility was well utilised. However there is an element of risk associated with this venture and it is important that Council's risk exposure is minimised by working with a partner with hospital management expertise.

Through the engagement of Leith MacMillan, Council Officers have been in negotiation with South Bank Day Hospital Pty Ltd (SBDH), a wholly owned by the Queensland Eye Institute Foundation Limited which is a not for profit organisation, to manage the hospital operations.

SBDH long term plans includes expanding to regional Queensland. The opportunity presented by the renamed Lady Bjelke-Petersen Community Hospital has encouraged SBDH to bring its growth plans forward.

The working model would be structured as follows:

- South Burnett Regional Council continues to lease the hospital building to South Burnett Community Hospital Foundation Limited (SBCHFL) which would sub lease the building for the delivery hospital services to SBDH.
- The initial sub-lease period would be 2 years (known as the start-up period)
- The Board of SBCHF would include a representative from SBDH
- SBDH would provide regular performance reports to the SBCHFL Board which in turn would regularly report to Council.

The next step for Council is to approve transferring the Licence to Operate a Private Health Facility at Lady Bjelke-Petersen Community Hospital from SBCHFL to SBDH and delegate authority to the CEO to work with the SBCHFL Board to negotiate a sublease with SBDH.

The SBCHFL Board supports entering into a working partnership with SBDH as evidenced by the following extract from its Board Meeting held on Tuesday 29 March 2016:

'SBRC adopted a resolution on 21 January 2016 to engage a medical consultant to prepare a Business Plan to re-open the Hospital.'

The Board recommends to Council that the business plan prepared by Leith MacMillan of Day Hospital Consulting be adopted as the model to guide the future operations of the Hospital.

*Moved by Ms Louise Kenny
Seconded by Dr Debra Tellam
Carried*

The hospital facility operating licence has been transferred to South Burnett Community Hospital Foundation Limited. SBRC has been in discussions with South Bank Day Hospital Pty Ltd regarding managing and delivering hospital services at the hospital together with transferring the hospital facility operating licence. The Board understands the benefits and risk minimisation by working with a specialist hospital services provider to manage the hospital operations.

The Board recommends that Council approve the transfer of licence to South Bank Day Hospital Pty Ltd.

*Moved by Cr Wayne Kratzmann
Seconded by Dr Debra Tellam
Carried*

The Board recommends to Council that the new hospital operator is required to provide the Board with regular and meaningful business reports including performance against key performance indicators.

*Moved Ms Louise Kenny
Seconded by Mr Phil Harding
Carried*

2.2 South Burnett Community Hospital Limited Constitution and Board Membership

Document Information

IR No 1592574

Author Manager Economic Development

Endorsed
By Chief Executive Officer

Date 4 April 2016

Précis

This report presents changes to the Constitution of The South Burnett Community Hospital Foundation limited (SBCHFL).

Summary

Council has the opportunity to develop a community health model that minimises the gap in medical services provided locally or through Tele-Health facilities by working collaboratively with an established hospital services provider, the Darling Downs Hospital and Health Board, Kingaroy General Hospital, SB Care, emergency services and other auxiliary medical service providers. Ultimately the region will benefit from quality medical services, employment, contribution to gross regional product and economic development opportunities.

The changes to the Constitution of the SBCHFL will facilitate the Board's participation with the community and fund raising for the Hospital.

Officer's Recommendation

That Council delegate authority to the Chief Executive Officer to alter the Constitution of the South Burnett Community Hospital Foundation Limited so that:

a)

1. Board membership comprises of:
 - 3 Council Representatives (2 Elected members and 1 Council Officer to also act as Company Secretary)
 - 3 Medical Professionals
 - 2 Community Representatives
 - 1 Senior Representative from the Hospital Operator
 2. Non Council Directors are to be residents of the Region or people interested in contributing to the provision of quality hospital care.
 3. The Chairman of the Board is elected by Board Members and does not have to be an elected member of Council
 4. Spending authority approved to be limited to:
 - a. From the Gift Fund:
 - i. Hospital equipment
 - ii. Building Improvements
-

b. From the Operating Fund:

- i. Community Functions
- ii. Statutory requirements
- iii. Working capital cash for hospital operations

5. The Board can only determine that the Directors are to receive no remuneration from the Company

- b) That Council delegate authority to the CEO to act on behalf of Council as the sole Member of the South Burnett Community Hospital Foundation Limited.
- c) The Mayor and the CEO have authority to attend Board meetings of the South Burnett Community Hospital Foundation Limited as Observers.

Financial and Resource Implications

Changes to the Constitution enhance financial governance

Link to Corporate/Operational Plan

GO1 - Continue to implement the Economic Development

Communication/Consultation (Internal/External)

The Board of the South Burnett Community Hospital Foundation and King & Co

Legal Implications (Statutory Basis, Legal Risks)

Constitutional changes will be reviewed and prepared by King & Co

Policy/Local Law/Delegation Implications

Changes to the Constitution improve governance

Asset Management Implications

Council will retain ownership and maintenance responsibility for the Hospital Building and Grounds.

Report

The South Burnett Community Hospital Foundation Limited Constitution governs the responsibility of its Board of Directors including the make-up of the Board as:

'Appointment, Removal and Retirement of Directors'

The management of the Company shall be vested in a Board of Directors which shall consist of not more than 6 persons appointed by the Council.

The Council shall appoint all 6 Directors in accordance with the following: -

There shall be 3 persons appointed as Directors who are either employees or elected representatives of the Council (and at least one of whom must be an elected representative of the Council); and

There shall be 3 persons appointed by the Council as Directors who are residents of the Region or who are otherwise interested in contributing to the provision of quality hospital care to the residents of the Region.'

The current Board composition is:

- SBRC delegates:
 - Chairman Vacant - due to end of Mayoral term of Wayne Kratzmann
 - Director Vacant – due to end of Councillor term of Damien Tessmann
 - Director Director/Company Secretary Phil Harding (Manager Economic Development)

- Community Representatives:
 - Director Dr Debra Tellam
 - Director Ms Louisa Kenny
 - Director *Vacant – due to resignation of Dr Brad Buttwell.

*The Board has recommended that this vacancy be filled by Mr Scott McLennan, owner of South Burnett Radiology and who has accepted this recommendation subject to Council approval.

The Constitution provides authority to the Directors to pay remuneration to Board members or 'he Board may determine that the Directors are to receive no remuneration from the Company.

It should be clearly noted that the Chairman and Directors of the recent Board have acted on a voluntary basis and have not been remunerated for their services in any way including reimbursement of expenses.

Should Council approve reopening the Lady Bjelke-Petersen Community Hospital for the provision of hospital services the Board believes that the Board is an integral component of the business at the hospital, hospital community relations and the raising of tax deductible funds to purchase hospital equipment and improvements to the Building.

The Board now recommends that its structure comprise of 9 skilled based people with medical, business and community expertise and knowledge.

The following is an extract from the Board meeting held on 29 March 2016.

'The Board recommends that Council change the existing number of Board positions from 6 to 9 comprising of:

- *3 Council Representatives (2 Elected member and 1 Council Officer to also act as Company Secretary*
- *3 Medical Professionals*
- *2 Community Representatives*
- *1 Senior Representative from the Hospital Operator*

It is recommended that the chairman be elected by the Board and does not have to be an elected representative of the Council'

*Moved Dr Debra Tellam
Seconded by Ms Louise Kenny
Carried*

The constitution states that each year Board members positions be declared vacant and existing Board members are entitled to renominate for positions on the new Board. It is recommended that any change to the Board membership be incorporated with this process.

It is noted that Ms Louise Kenny announced her intention to resign from the Board at the Board meeting held on 29 March 2016 and as recorded in the meeting minutes.

'Ms Louise Kenny announced her intention to resign from the Board. The Chairman and other Board members passed on their sincere gratitude to Louise for her dedicated contribution to the progress of the hospital over considerable years. Ms Louise Kenny will formally submit her resignation to the Company Secretary.'

*Moved by Mr Phil Harding
Seconded by Dr Debra Tellam
Carried*

The Constitution states:

The Directors must appoint a Director as chairman of the Board who must be an elected representative of the Council;

The South Burnett Community Hospital Foundation Limited is a not for profit organisation with responsibility to Council and the community to deliver good governance over the delivery of cost effective medical services. In turn Council must ensure that the Constitution guides efficient governance that enhances this process. To achieve this and introduce an additional level internal control, Council may under the Constitution delegate authority to its Mayor (if not nominated by Council as a Board Member) or the CEO to act on behalf of Council to consider all matters under the Constitution that is the responsibility of the Member (Council). This person may attend Board meetings as an Observer.

To enhance good governance by the Board Council may consider including in the Constitution that:

- The type of spending permitted by the Board is limited:
 - From the Gift Fund:
 - Hospital equipment
 - Building Improvements
 - From the Operating Fund:
 - Community Functions
 - Statutory requirements
 - Working Capital for hospital operations
 - Director Remuneration:
 - The Board can only determine that the Directors are to receive no remuneration from the Company
 - The Member (Council) or its nominated delegate would consider other spending matters.

- The Council delegate authority to the CEO to act on behalf of Council as sole member of the Foundation and to attend Board meetings as an Observer.

It should be noted that under the *Corporations Act*, a person dealing with the company is entitled to make certain assumptions regarding the power of the company (through the directors) to enter into transactions .A contract entered into by the directors may not be invalid even if they did not have power to enter into the contract under the Constitution.

