
RETIREMENT VILLAGES A PERSPECTIVE ON ISSUES

A Submission to the
Productivity Commission
September 2010 by
Capital Cove Pty Ltd

13 September 2010

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About the Author

This submission has been prepared and is lodged by Capital Cove Pty Ltd a specialised owner and operator of retirement villages in Western Australia. It has been prepared by the Principal and Owner Mr. Everard Yeo, who has experience in the development and operation of retirement villages and the development of aged care facilities. In addition to being an owner/operator he has held executive positions in the Retirement Village Association at both State and National level since 1994.

Since 2006 Mr Yeo has been a member of the Retirement Village Association committee providing the industry submission to the Department of Commerce in its current review of the Retirement Village Act.

During his time in the industry Mr Yeo has been responsible for the construction of over 750 independent living units in five villages for his own company and on behalf of clients. In addition he has extensive experience in project management of the development/redevelopment of 216 aged care beds in three facilities.

Having spent nine years as a Board Member of a major “not for profit” member based organisation which was responsible for over 1200 independent living units and 324 high and low care beds in five facilities Everard Yeo is fully cognisant of the operations of participants in this sector.

As a Foundation Fellow of the Australian Institute of Company Directors he is also very well aware of the duties and responsibilities of corporations and legislative structures.

1 Executive Summary

The Retirement Village Industry has seen an ever increasing level of Legislation and control over the last fifteen years with no measurable improved outcome as the Legislative “issues” are unknown to the industry.

At all levels Government has not demonstrated its interest or willingness to engage with industry to encourage the provision of a strong and vibrant sector.

Government has no research on which to base any of its decisions regarding the sector.

Poorly conceived and constantly changing Legislation is providing a substantial brake on the industry and there is no available path to remedy the difficulties as Governments do not collectively understand the issues or take into account industry views.

Residential care and retirement villages are demonised by media. More regulation will restrain growth and inevitably cost consumers more.

The Retirement Village Industry would respond very favourably to any Government initiative to engage in a collaborative approach to the evaluation of the opportunities which industry might take for a pro-active approach to the needs of village residents as they age.

The industry is very capable of producing an innovative product to meet the changing needs of the consumer, but can and will only do so under a fair and equitable legislative and taxation system which is not the subject of constant change.

Only a limited number of financiers have exposure to the industry and it continues to present a major restriction to growth. Strong support by Government of the sector would encourage financiers to participate.

2 Recommendations

The following recommendations are contained in this submission

Recommendation 1

3.4.1 That Government and industry conduct detailed market research to establish concise data on the living style of the population aged over 55 and their future housing needs.

Recommendation 2

3.4.2 That Government recognises the important contribution that retirement villages play in the housing market in providing appropriate housing for the changing needs of an aging community.

Recommendation 3

3.4.3 That Retirement Village Legislation is reviewed in consultation with all stakeholders to consider the appropriateness of the age and work related criterion of the definitions and that consideration be given as to whether the criteria should be replaced with references to the style and type of housing and facilities provided.

Recommendation 4

3.4.4 Where villages choose to provide additional care services through dedicated and licensed facilities within the boundaries of a retirement village, those facilities continue to be governed by the requirements of the *Aged Care Act* with no cross reference to the separately regulated retirement village component.

Recommendation 5

3.4.5 That Government and industry conduct detailed surveys of existing retirement village stock across the country to ascertain the future health and care requirements of that portion of the community.

Recommendation 6

3.4.6 That Government encourages the ABS to include data collection in the 2011 census on current and future housing needs by Australians aged 65 and over.

Recommendation 7

4.3.1 That Government examines the operation of the “Not for Profit” and “For Profit Sectors” with a view to providing taxation parity between the sectors when each is engaged in the development and operation of the same accommodation and services covered by the *Retirement Villages Act*.

Recommendation 8

4.3.2 That State Governments endorse the National Accreditation Scheme of the Retirement Village Association and when reviewing Retirement Village Legislation in conjunction with the stakeholders, include a compulsory requirement for accreditation of villages under such a scheme.

Recommendation 9

8.1 That Government and industry jointly investigate the options for providing a range of living options for older Australians with a view to encouraging a wide and diversified housing product for all socio-economic groups.

Recommendation 10

8.2 That Government and Industry investigate ways to encourage the development of Assisted Living options, either in a retirement village setting or in stand-alone facilities, with a view to relieving the care burden on Commonwealth funded Residential Care Facilities.

Recommendation 11

8.3 As part of the investigation into encouraging development, the taxation ruling relating to the provision of services in Assisted Living apartments be included for investigation with the ATO.

Recommendation 13

9.1 That Governments assisted by the industry commission independent research in Retirement Villages to assess the attitudes and issues of existing residents, with a view to structuring legislation to address any issues requiring attention.

Recommendation 14

10.1 That Government endorses the continuing maintenance of a robust industry based accreditation scheme for the retirement village housing sector.

Recommendation 15

11.1 Government at all levels be encouraged to affirm their support of the industry and form an Industry/Government forum to ensure that the support moves forward and gains momentum to achieve an increase in the availability of housing stock for older Australians.

Caring For Older Australians

Productivity Commission Issues Paper May 2010

3 Introduction and Scope of Response

This submission has been prepared specifically to address the role of retirement villages in providing housing for older West Australians and has been prepared in response to the invitation for submissions in the Productivity Commission Issues Paper May 2010.

While comments are made as a result of involvement in the retirement village industry in Western Australia, it is felt that the general principles apply to the industry Australia wide.

In relationship to retirement villages, the Productivity Commission specifically lists a number of areas on which it seeks comment namely:

- Regulatory and financial issues facing retirement villages.
- How do specific living options interact within the broader aged care system?
- What changes are expected in both the number and structure of villages over coming years?
- Should the regulation of specific living options be aligned more closely with the rest of the aged care system?
- Are there any factors that act as a barrier to older Australians entering retirement specific living options (such as opportunities to age in place and departure fees)?
- Is the way the retirement village sector operates compatible with an ageing population, including in regards to quality, client's expectations and as a platform in which to receive aged care services.
- Are there particular models of retirement specific accommodation that are suited to the provision of social housing to meet the needs of low income or disadvantaged older Australians?
- Whether the regulation of retirement specific living options, such as retirement villages, should be aligned more closely with the rest of the aged care sector, and if so, how could this be achieved?
- Assess the medium and long term fiscal implications of any change in aged care roles and responsibilities.

This submission addresses these tasks as well as expanding comment on other general aspects and issues affecting the industry.

3.1 THE RETIREMENT VILLAGE INDUSTRY IN WESTERN AUSTRALIA

This section addresses the following areas:

1. What is a Retirement Village?
2. What are the Sectors of the Industry?
3. What are the benefits of a Retirement Village?
4. Legislation and Regulation
5. Taxation
6. What of the future?

3.2 What is a Retirement Village?

The Legislative definition of what constitutes a retirement village is defined by the *Retirement Village Act 1992*. In summary, it is considered to be a residential complex providing accommodation for persons aged over 55 under a managed facility environment, which may provide community facilities and additional personal services for residents.

However, the concept of what actually constitutes a Retirement Village and who are the occupants varies greatly in the minds of regulators and the community.

There is a strong perception at all levels of Government, and to some extent the community, that retirement villages are just an extension of Aged Care. This view is reinforced by virtue of the tasks relating to retirement villages being considered by the Productivity Commission.

While villages are designed to provide housing specifically for older Australians (over 55) this submission contends that automatically including them as part of “Aged Care” is totally inappropriate.

This view is also strongly held by residents of villages who are the most qualified to make such a judgment. Personal response evidence from residents in a number of villages over many years of operation reinforces the view that residents see themselves as active, independent community members who choose to live in a community situation which is quite apart from “one of those aged care places”.

3.3 Definition of Eligibility to Live in a Retirement Village

The *Western Australian Retirement Villages Act 1992* includes a wide age group under its definitions of eligibility:

“Retirement Village means a complex of residential premises, whether or not including hostel units and appurtenant land, occupied or intended for occupation under a retirement village scheme or used or intended to be used for or in

connection with a retirement village scheme established for **retired persons**, under which –

- (a) residential premises are occupied in pursuance of a residential tenancy agreement or any other lease or licence;
- (b) a right to occupation of residential premises is conferred by ownership of shares;
- (c) residential premises are purchased from the administering body subject to a right or option of repurchase;
- (d) residential premises are purchased subject to the subsequent disposal of the premises; or
- (e) residential premises are occupied under any other scheme or arrangement prescribed for the purposes of this definition;

but does not include any such scheme under which no resident or prospective resident of residential premises pays a premium in consideration for, or in contemplation of, admission as a resident under the scheme”.

“Retired person” means a person who has **attained the age of 55 years or retired from full-time employment** or a person who is, or was, the spouse or de facto partner of such a person.”

To many people such definitions are paternalistic and totally inappropriate as they automatically categorise this section of the population as old and vulnerable and requiring special consumer Legislation to protect their interests.

The vast majority of “eligible residents” in fact choose not to live in a village. Government sees no need to enact special Legislative protection for this group.

As at 30 June 2009 it was estimated by the Australian Bureau of Statistics (ABS) that there were 516,280 people aged 55 and over living in Western Australia. (ABS 3235.0 Population by Age and Sex, Regions of Australia released 10 August 2010)

Of this number, 249,025 (48.23%) were aged 55-64 (i.e. still within the standard working age). By adding the 65-69 age groups, the number increases to 332,337 or **64.37%** of the cohort.

The total population aged over 69 was 267,255. Industry statistics show a total population of approximately 14,500 persons living in villages in Western Australia. If it is generally assumed that only persons aged over 69 occupy village units, this represents only **5.4%** of the likely age group. This percentage is similar to that applying across Australia.

In 2006 the living structure for those persons 65+ in Australia was as follows*:

Independent living	86.1%
Retirement Village	5.1%
Hostel	2.6%
Nursing Home	3.8%
Other (hospital/independent with home care)	2.4%

*Source ABS /Ibis World

Since the highest percentage of population falls outside the normal age range of persons entering a village, it is obvious that the attention given to the Retirement Village sector is over emphasised by all sectors of Government.

The perception of “old age” or “Senior Citizen” is particularly unhelpful and in fact resented by many people, particularly when they attain the age of 55 or are in their 60’s.

As a result of a general dislike of the age categorization and the use of the term “retirement village”, new residents who regard themselves as being young in mind and active are attracted to villages established and marketed as “lifestyle Villages”.

Given the positive incentives by the Federal Government to encourage older Australians to remain in the workforce and the decision to increase the pension age to 67 by 2023, the targeting of this group *in their housing choice* seems totally unwarranted.

By contrast, many people choose to live in apartment style housing under a strata title arrangement. Such developments often offer lifestyle services and amenities under an overall management structure similar to a retirement village. They however are not covered by specific *Consumer Legislation*.

In apartment style developments there are no age restrictions or categorizations in relationship to their employment status. Anecdotal evidence suggests that particularly in higher value apartment complexes, a substantial proportion of residents are in fact aged over 65.

In Western Australia, Local Government Authorities make special provision in their planning schemes for “over 55 residential accommodation”. Such a designation allows for an increase in the housing density (up to 50%). Again there is an age distinction in a housing choice. A case can be argued for removing the age restriction on occupants while retaining what is obviously an appropriate density of development.

Persons **choose** to occupy “over 55” residential accommodation units for a variety of reasons. These generally relate to a desire to “downsize” or are single people attracted to the security of a small cluster of units. Again, there is no special Consumer Legislation deemed necessary for this group.

The Retirement Village industry in Western Australia provides a wide range of accommodation types and services to residents.

In the formative years of the industry, particularly in the late 1970’s, units tended to be constructed to house a much older age group generally with minimum contribution to entry and often associated with a nursing home or hostel. The faith based “Not for Profit” sector was almost the exclusive provider of what was generally modest accommodation (1 or 2 bedrooms).

The Housing Model

Over time, and with the growth of the industry and the offering of competitive new developments, the size of units has increased to now provide larger living areas, at least two bedrooms and a study plus generous outdoor living areas. In addition, the inclusion of substantial community facilities such as a clubhouse, swimming pool and bowling green, are now considered essential by prospective residents.

This accommodation is an independent living option and appeals to early retirees resulting in an average age of approximately 70. Many of the residents in such villages continue in the workforce.

With the provision of “lifestyle facilities”, such villages are clearly labelled and accepted by the market as a housing option only.

There is no researched based evidence that people choose this option for future health or care needs (which may not be offered by the village).

The Housing/Service Delivery Model

An expansion of the retirement village market in recent years has seen the development of a more integrated model of village. The offer to residents in such villages may include in addition to independent living, assisted living apartments, or low and high care in Residential Care facilities. Prospective residents are offered a continuum of care after independent living. Only “Approved Providers” under the *Aged Care Act* (with licenses) are in a position to develop care facilities in such villages.

Retirement village owners who have chosen to develop a housing only model are unlikely to ever provide any additional residential care facilities. Even if they had an interest in doing so in the future, it could only be achieved if land was available.

Residents of housing only villages who may require personal services in the future, will have to contract with either the village (should they offer services) or outside providers. Village residents should be able to access the same Community Care services available to the 86% of the population who **do not live in villages**.

Notwithstanding the small size of the retirement village component of the total housing supply of older people, those who choose to live in villages express a high degree of satisfaction with their choice.

While Government is enquiring into the many aspects of the retirement village industry, it is obvious that there is no industry data available on which to make any valued judgments in relationship to village residents and any link with aged care.

St Ives Group, one of the major retirement village and private community care providers in Western Australia, has been prepared to share with the author the results of a survey conducted by their Retirement and Care Divisions in January 2010. They collected data on current and future care requirements from their clients to ascertain:

- (a) Whether Residents were currently receiving support; and
- (b) To ascertain whether they anticipated needing support over the next three years.

The survey took the form of a questionnaire which was distributed to residents of six villages with a total population of 1087. There was a very good response and of the total, 669 or 61.55% participated.

Major Findings

Lifestyle

Response numbers were females 407 and males 207 and 273 (40.8%) of residents confirmed that they lived alone.

The majority (177) were in the 75-79 age bracket, closely followed by 173 in the 80-84 age bracket. Residents over 90 years of age totaled 27.

The majority of residents (304) had lived in the village 1-5 years, followed by 227 in the 5-10 year bracket.

A total of 89% agreed that retirement living had *met or exceeded* their expectations. Some of the reasons given were a) enjoy living in a village b) friendly attitude c) wonderful staff and d) everything needed for their age group. 7% (47) stated that it had not lived up to their expectation.

87% (580) of residents stated that they would recommend retirement living to their friends. 7% stated that they would not.

Care Services

The result of the series of questions demonstrated that minor home/unit maintenance (178) and light housework (153) were the activities that residents were currently receiving assistance for. Gardening (110) was the next highest.

Summary of future indicated home services requirements by Residents.

CURRENT	No	FUTURE	No
Minor home maintenance	178	Minor home maintenance	253
Light housework	153	Light housework	192
Gardening	110	Gardening	122
Transport Assistance	60	Transport Assistance	125
Shopping	42	Shopping	108
Meal provision	43	Meal provision	89
Meal Preparation	20	Meal Preparation	66

Care Services				
9	Do you <u>currently</u> have a need for daily assistance with any of the following activities?	YES	NO	Blank
9a	Personal Care (showering, toileting, dressing)	22	631	16
	%	3.29%	94.32%	2.39%
9b	Transport Assistance	60	595	14
	%	8.97%	88.94%	2.09%
9c	Social and emotional support	30	553	86
	%	4.48%	82.66%	12.86%
9d	Light housework	153	444	72
	%	22.87%	66.37%	10.76%
9e	Laundry	22	591	56
	%	3.29%	88.34%	8.37%
9f	Meal preparation	20	586	63
	%	2.99%	87.59%	9.42%
9g	Meal provision	43	571	55
	%	6.43%	85.35%	8.22%
9h	Shopping	42	567	60
	%	6.28%	84.75%	8.97%
9i	Respite care (Respite from caring for a partner)	16	582	71
	%	2.39%	87.00%	10.61%
9j	Minor home/unit maintenance	178	438	53
	%	26.61%	65.47%	7.92%

9k	Gardening	110	503	56
	%	16.44%	75.19%	8.37%
9l	Medication supervision	22	572	75
	%	3.29%	85.50%	11.21%
Do you anticipate a possible need in the next three years for daily assistance with any of the following activities?				
10		YES	NO	Blank
10a	Personal Care (showering, toileting, dressing)	54	535	80
		8.07%	79.97%	11.96%
10b	Transport Assistance	125	451	93
		18.68%	67.41%	13.90%
10c	Social and emotional support	60	500	109
		8.97%	74.74%	16.29%
10d	Light housework	192	385	92
		28.70%	57.55%	13.75%
10e	Laundry	71	499	99
		10.61%	74.59%	14.80%
10f	Meal preparation	66	501	102
		9.87%	74.89%	15.25%
10g	Meal provision	89	474	106
		13.30%	70.85%	15.84%
10h	Shopping	108	456	105
		16.14%	68.16%	15.70%
10i	Respite care (Respite from caring for a partner)	37	506	126
		5.53%	75.64%	18.83%
10j	Minor home/unit maintenance	253	316	100
		37.82%	47.23%	14.95%
10k	Gardening	122	442	105
		18.24%	66.07%	15.70%
10l	Medication supervision	45	499	125
		6.73%	74.59%	18.68%

From the results of this comprehensive and recent survey, it is obvious that while residents feel they may need assistance in some aspects of their living, only a very minor proportion either now receives or believe that they will require the provision of services provided in residential aged care Facilities.

The generally held view by Government of the role of retirement villages in the provision of aged care services is not supported by the results of the survey.

3.4 RECOMMENDATIONS

Recommendation 1

3.4.1 That Government and industry conduct detailed market research to establish concise data on the living style of the population aged over 55 and their future housing needs.

Recommendation 2

3.4.2 That Government recognises the important contribution that retirement villages play in the housing market in providing appropriate housing for the changing needs of an ageing community.

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3.4.4 Where villages choose to provide additional care services through dedicated and licensed facilities within the boundaries of a retirement village that those facilities continue to be governed by the requirements of the *Aged Care Act*, with no cross reference to the separately regulated retirement village component.

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3.4.5 That Government and industry conduct detailed surveys of existing retirement village stock across the country to ascertain the future health and care requirements of that portion of the community.

Recommendation 6

3.4.6 That Government encourages the ABS to include data collection in the 2011 census on current and future housing needs by Australians aged 65 and over.

4 SECTORS OF THE INDUSTRY

The two groupings of ownership in Western Australia are commonly referred to as the “Not for Profit” or “Church and Charitable” (non commercial) and “For Profit” (commercial) sectors.

4.1 The “Not for Profit” Sector

Accepted industry figures indicate that in Western Australia in 2009 there were a total of 192 villages with 13,026 independent living units and 282 serviced apartments. Of this number, the “Not for Profit” sector controlled approximately 75% (10,000 units). Faith based, Local Authorities, specific interest groups and membership based organisations make up this sector.

The “Not for Profit” sector has in recent years undertaken a substantial proportion of new village development. Often this has been on surplus land held by the organisation or by the redevelopment of old stock. Such development is often on land originally donated by the Crown for the supply of accommodation or care services for benevolent purposes. It is also often located in what have become prime residential locations.

Over the last 15 years however, there has been a strong trend in this sector to purchase new land at market price specifically for the development of a retirement village. In all cases these developments are funded by income received from incoming residents.

The “charitable status” enjoyed by the sector ensures that they pay no taxes, specifically stamp duty, GST, FBT and corporate taxation. In addition, staff members receive benefits not available to other community employees such as motor vehicles at cost and the ability to salary sacrifice.

All villages owned by this sector enjoy a “**rate free**” status which further benefits the sector and distorts the costs to their village residents by giving them a financial advantage not available to residents in other villages or the broader community.

Theoretically, the concessions available to the Not for Profit sector should ensure that a cheaper or more affordable product is available to the community or that specific development is subsidised for those unable to pay.

There is no evidence of this happening and in reality the pricing of units is at **full market value** in direct competition with the commercial sector.

The Deferred Management Fee structures applying are similar to those found across the industry.

Traditionally this sector has provided the greatest proportion of Aged Care beds in the community, often in stand-alone facilities and originally developed using capital grants supplied by the Commonwealth Government

4.2 “For Profit” Commercial Resident Funded Villages

The private commercial sector in Western Australia provides a broad range of accommodation in its villages. These vary from “boutique style” villages catering for a small group of residents and offering limited amenities, to larger complexes of up to 250 units offering a full range of community facilities including clubhouse, activity and amenities rooms, libraries, gymnasium, swimming pool and external facilities such as a bowling green.

Individual village statistics indicate that the average age of residents entering new villages has been falling over recent years as more people are seeking a “downsizing” of their home at an earlier age. Over the last fifteen years, the average entry age into a new village has reduced from between 72 and 75 years to currently approximately 70 years of age.

In providing these villages, the commercial sector has to compete with the Not for Profit Sector while receiving none of the tax free benefits. It also comes under the greatest scrutiny by Legislators and the media.

In general, this sector leads the way in innovative design and facilities, additional services and establishing new concepts in village schemes. In addition, it provides the driving force behind the Retirement Village Association in Western Australia and its innovations, including the Accreditation of all Villages.

In recent years, the Association has successfully lobbied **on behalf of its residents** for the abolition of land tax on villages and the granting of rate concessions previously available to them in their previous homes.

Innovations also include the establishment of an insurance coverage of facilities and “contents” policies for residents, each providing a superior focus based product at a cheaper price all for the benefit of residents.

The Retirement Village Association promotes continual training for Village Managers and has a national Manager of the Year Award.

In Western Australia the Association is the driving force behind an excellent working relationship with the Department of Consumer Affairs in the review of legislation.

Given the minority position held by the private sector in Western Australia and the lack of opportunity to operate on a level playing field, Government should review its consideration of the industry and treat all sectors equally to enable growth based on a “level the playing field”.

4.3 RECOMMENDATIONS

Recommendation 8

4.3.1 That Government examines the operation of the “Not for Profit” and “For Profit Sectors” with a view to providing taxation parity between the sectors when each is engaged in the development and operation of the same accommodation and services covered by the *Retirement Villages Act*.

Recommendation 9

4.3.2 That State Governments endorse the National Accreditation Scheme of the Retirement Village Association and when reviewing Retirement Village Legislation in conjunction with the stakeholders, include a compulsory requirement for accreditation of villages under the scheme.

5 What are the benefits of Retirement Villages?

5.1 For Residents

People entering a residential village do so **by choice**. As has been previously stated, the choice is only made by a very small percentage of the “eligible” population. The decision is made for a variety of reasons and the benefits may include:

- Downsizing, as the family home requires an unacceptable level of maintenance.
- Relocation to be near family.
- Village facilities (recreational/lifestyle/meals).
- Village location (access to transport, retail, local community and medical facilities).
- Death of a partner – no longer wishing to live alone.
- Companionship and social interaction.
- Wishing to be involved in a village community and be part of the social dynamic which encourages self help or from other village residents.
- Looking at future possible health needs which can be assisted in a village environment where the village has established or proposed Residential Aged Care Facilities.
- Security.
- An ability to “lock and leave” while travelling.

Financial

- Village communities offer an excellent affordable housing option to a wide range of people.
- Village accommodation is generally priced below the median price in the locality, allowing a prospective resident to sell their house and retain a balance in savings for holidays or to set aside to meet future needs.
- Although the price is generally lower than a comparable house in the community, they receive the benefits and use of all of the village community facilities during their period of residency and only contribute to the cost of replacing them from the proceeds of sale after they leave.
- In the majority of the newer villages in Western Australia, Residents receive the benefit of all of the capital growth in the value of their unit even though it is not classed as investment real estate.
- No stamp duty is payable by residents when entering leasehold type villages. In Western Australia on a \$500,000 unit, this amounts to \$20,700.
- There is a known predictable monthly expenditure for common household requirements such as insurance, maintenance and gardens.
- Villages are managed and maintained over a long term ensuring that relative market values are maintained.

- All residents contribute to a maintenance or “sinking fund” in proportion to their length of stay, which ensures that over time there is sufficient money to replace capital items in the village.
- When due to age and obsolescence a unit requires complete renovation (i.e. kitchen and bathroom areas), this is undertaken by the proprietor from the sinking fund however, the outgoing resident receives the benefits of any subsequent increase in value.

5.2 For Government

- A resident moving to a village releases another unit of accommodation into the community thereby adding to the overall housing stock.
- Villages are **resident funded** and require **no** assistance from Government to be established.
- Services provided by State, Federal and Local Governments if required by residents can be concentrated into a village thereby offering potential savings.
- Local Government receives a substantial increase to its rate base while not being required to expand community recreational facilities as they are often included within a village.
- Public transport is more efficiently used around a village due to the numbers of non peak travelers.

5.3 A Broader Social Benefit

Apart from the obvious benefits of a supportive friendly atmosphere provided in a village community, a report by Arthur Anderson published in August 2000 found from its sample study that “village residents did on average live longer than their relevant non-resident life expectancy”.

They further found that as their analysis covered both social and commercial spectrums “the results did indicate one compelling concern for retirement villages that quality of life during the period of accommodation should be the ultimate priority”.

Other findings were:

- Longer stays are an indirect expectation of residents.
- Longer stays strengthen the argument that retirees move to lifestyle rather than care.
- Longer resident stays increase the importance of continual recreational and support program development to maintain the quality of life and village vitality.
- Shorter resident stays emphasises that the move to a retirement village is primarily needs based.
- Shorter stays clarify the relevance of retirement villages’ purpose – lifestyle betterment versus life extension.

6.0 What are the Options to Residents after leaving a village?

When residents leave independent living in a village due to a need to receive Residential Aged Care Services, they follow the same pattern as the rest of the community who have to leave their family home to move to a facility providing a higher level of care.

Discussion with industry participants at an industry forum held in Perth on 8 September 2010, indicated that the future provision of services within a village to enable residents to stay longer, may become an increasingly important factor in the consumer choice of the village in the future.

As a result of the longer term nature of village residency and the aging of residents from the time of original development, some operators who are not Approved Aged Care Providers and do not have purpose built care facilities on site, are moving to assist their residents with appropriate care. To achieve this, the following alternatives are available:

- Home and Community Care assistance brought to the independent living unit through a third party provider.
- Assistance by special arrangement to provide basic assistance by village staff.
- Relocation to an assisted living unit possibly within a partner village.

Each community based service to a village resident is provided to the individual in the same way the service is provided to the wider community i.e. in their own home.

This integration with community service providers has the benefit of offering a substantial benefit to residents as they age as the need to relocate to receive services is reduced.

All care services which are available to the wider community should be freely available to residents in retirement villages e.g. Home and Community Care services and CACP's and EACH packages as they are being delivered into the residents "own home".

No specific distinction should be made about the care needs of members of the community living in retirement villages.

7 What of the Future Potential Growth in the Sector?

The ageing of Australian's is widely reported and this submission does not include statistics to reinforce this position. The outcome in the growth in numbers of an aging population however will manifest itself in the following areas:

- The anticipated “downsizing” of their residential needs will require a general increase in urban density in certain areas of the Perth metropolitan area to meet the demand.
- **Directions 2031**, a report issued in August 2010 by Planning Western Australia, predicted that 47% of future urban growth would have to come from increased urban density
- Possible relocation i.e. “sea/tree change” to regional WA particularly coastal areas may present growth problems to those areas.
- A significant change to the age profile as a result of a major relocation of older people to Mandurah, 70 km south of Perth has resulted in major changes to community needs and services in last ten–fifteen years.
- Ultimately with an aging population there will be a greater requirement for health services across the community.

Of equal importance in Western Australia is the general growth of population to service a rapidly expanding economy. All economic indicators forecast the growth of Western Australia to be large and sustained.

In Western Australia the Government has recognised (and advised the 2009 RVA Regional Conference) that there is a shortage of general housing for the expanding community and Government assisted housing options are increasingly difficult to meet.

The Minister of the day saw that the provision of new housing in retirement villages is an integral part of this equation, as each unit created and occupied releases an existing home into the market.

The Minister also issued a challenge to industry to examine innovative ideas to expand the sector for Government to consider.

Options could be:

- Government agencies taking units in villages for older residents already living in community housing. This would involve Government paying the ingoing for the unit, with the selected resident paying the operating cost contributions for the village operation.
- Joint venture arrangement between Government and industry on Crown land where Government retains the long term ownership and benefit of the village and the industry partner provides funds for development and is contracted for long term operation and management.
- A greater involvement by Local Government in the provision of options for housing an ageing population. Some Local Authorities in Perth already own and operate have such villages (City of Cambridge, Town of Vincent and City of Belmont).
- Local Government has an opportunity to expand the concept through appropriate rezoning and innovative planning options.
- Large institutions with substantial land bank and poor income streams could be encouraged to consider joint venture arrangements in partnership

with industry. Murdoch University in Western Australia has already embraced this concept by development of portion of its land for Murdoch village, which is managed by the St Ives Group and operates as St Ives Murdoch.

- Rental options could provide additional housing for the older aged group. The economics of such a concept do not lend themselves to general acceptance for development as the returns/risks of the concept are not sufficient to attract capital however, Government could expand and improve the availability of its rental assistance packages to assist this option.
- Government should consider ways of assisting rental options through the taxation system to encourage development by the private sector.
- Rental concepts would be most successful when comprising of a joint Government/industry partnership with Government contributing land and or rental subsidy for tenants in the venture.
- State Government should be encouraged to expand Community Care funding to allow residents in State owned housing to have an emergency call service linked to the provision of care and health packages which are available.

8 Assisted Living Apartments

As part of the Retirement Village concept, a small number of villages in Western Australia have developed assisted living apartments. These facilities provide services such as meals, cleaning and linen services and other community based programmes for residents. In many ways the services are similar to those provided in a low care residential aged care facility.

No Government Funding is provided, even though if such facilities were not available, residents would still need the services and would therefore place greater pressure on low care places funded by the Commonwealth Government.

The ATO has a discriminatory GST regime in relationship to residents of Assisted Living Facilities. Government raises GST revenue from residents who receive services, unless the services are equivalent to those provided in a low care Residential Aged Care Facility.

The fact that the residents pay for their own services by contributing to the mutual Operating Cost fund of a village, means that this group of self funded people are potentially severely disadvantaged and discriminated against.

In an assisted living setting, the greatest cost of providing services is related to the level of staff required. Over 60% of the annual cost is wages. It seems illogical that residents should contribute to a mutual fund which is then used to employ staff, purchase food, cover on costs and produce a meal the cost of which is then subject to GST.

The ATO has set requirements for the facility to be GST free; however the bar is set inappropriately high particularly as it demands that residents need to qualify for an equivalent aged care place.

Recommendation

Recommendation 10

8.1 That Government and industry collaboratively investigate the options for providing a range of living options for older Australians with a view to encouraging a wide and diversified housing product for all socio-economic groups.

Recommendation 11

8.2 That Government and Industry investigate ways to encourage the development of Assisted Living options, either in a retirement village setting or in stand-alone facilities, with a view to relieving the care burden on Commonwealth funded Residential Care Facilities.

Recommendation 12

8.3 As part of the investigation, the taxation ruling related to the provision of services in assisted living apartments be investigated in conjunction with the ATO.

9 Legislation and Regulation

The retirement village industry has been the subject of increasing regulation over the years and continues to be a target for Government and Media. It is assumed that this level of scrutiny is a result of the misconception of whom the retirement village sector actually serves and the belief that all residents are elderly, without means and therefore requiring special consumer protection in the management of their affairs.

Because of the further misconception that retirement villages are in fact “defacto aged care facilities”, the industry has come under more and more scrutiny and regulation. This is despite there being no research based evidence which demonstrates that there is a “problem in the industry”.

As stated in the 2008-2009 Annual Report of the Department of Commerce in Western Australia (page 133) the following was reported

“the Consumer Protection Division conciliated or investigated 18 complaints regarding retirement villages.(authors emphasis) These reflected a diverse range of matters including issues around fees and charges, the meaning of contract terms, maintenance, refurbishment of properties, marketing and sale of units, strata titles, dispute resolution processes, budget expenditures, facilities and amenities”.

It should be noted that there were over 17,000 contacts with the Department of issues related to the various Acts which it supervises in the same period

The report further went on to state that most of the issues revolved around one village which the Retirement Village Association had strongly recommended be prosecuted for its breaches.

In response to the 18 complaints the Legislative focus has been on “tightening” the disclosure and other requirements of documentation and payments and seeking to restrict the financial contractual conditions in contracts. The review of the Retirement Village Act in Western Australia is still being finalized.

The ever increasing regulatory framework has resulted in a race across all jurisdictions for every increasing and wider consumer protection instead of focusing on “what are the problems and what changes are necessary to fix them”.

On 5 May 2010, an exposure draft of the *Retirement Village Bill 2010* was released by the ACT Government. A specific provision requiring the operator to “buy back” a unit 30 days after a resident gives notice of vacating is so onerous that it would effectively be the “death knell” to the industry if implemented.

Such ill conceived conditions show that there is little understanding of the industry by Government and that it does not regard the Retirement Village Sector as providing any relevant contribution to the housing of older Australians.

Regrettably this “toughening of laws” bears no reality to the actual level of consumer satisfaction in the sector. Independent research commissioned by the Retirement Village Association in NSW a major finding was that for 98% of residents moving to a village either “met or exceeded their expectations”.

Responses from residents in villages operated by the St Ives Group in Western Australia (quoted earlier) reinforce this point and provide a similar result.

There is no evidence that the published findings of the very comprehensive NSW survey of the industry conducted by independent surveyors as to resident issues were considered relevant by Government.

With the increasing burden on the Taxpayer in the provision of health and aged care services as the Australian population ages, it seems inevitable that Government must move to encourage individuals to make provision for their own housing and care needs as they age.

The Retirement Village option represents one such self funded option for housing and should be recognised for its contribution to the housing of older Australians and be encouraged to grow by a “whole of Government” approach.

Recommendations

Recommendation 13

9.1 That Governments assisted by the industry commission independent research in Retirement Villages to assess the attitudes and issues of existing residents, with a view to structuring legislation to address any issues requiring attention.

10 Accreditation

The Retirement Village Association Members in WA and throughout Australia have made a concerted effort to increase the accountability and professionalism of members in dealing with their residents. The RVA Accreditation system for villages and constant training courses for managers has seen a continual improvement in this area.

The Accreditation Standards to be attained are rigorous and detailed. Apart from assessing services provided in a village, Accreditation Surveyors invite randomly selected residents to anonymously complete a detailed questionnaire related to services, costs and management. This is followed by a face to face meeting with the Residents' Committee and separately the residents at a social gathering to gauge their satisfaction regarding the operation of the village. The Accreditation is thorough and rigorous and Management is excluded from the survey of residents.

Accreditation for villages across Australia under this scheme is believed to be the best way of ensuring that villages conform to the requirements of the *Act* and meet the standards expected by residents under their residency agreement.

The Retirement Village Association in Western Australia has recommended to the Department of Commerce and Employment that it includes accreditation as part of its current review of the *Act*.

The Department of Commerce and Employment in Western Australia has appointed a Compliance Officer whose task is to ensure that villages are complying with the *Retirement Village Act*. It is understood that apart from minor compliance issues no serious issues have been found.

Recommendation

Recommendation 14

10.1 That Government endorses the continuing maintenance of a robust industry based accreditation scheme for the retirement village housing sector.

11 Taxation

Since 1994 there have been a number of changed rulings and interpretations of Taxation Law affecting villages particularly in relationship to GST.

The regular reviews and changes in Taxation Law which have occurred have created uncertainty, making it very difficult to plan for new developments. This is highlighted by the current draft ruling on the GST applicable upon the sale of a newly developed village. An example of which the author is aware would require the payment of an extra \$2M in GST on sale if it occurred within five years of the completion of the village.

Revision of the taxation treatment of normal commercial undertakings presents a specific challenge to new product and ensures that developments may be delayed until the matter has some certainty.

Consideration of the Taxation system and reliance on certainty forms an important part of the development of new product. The current proposed Government Tax on the mining industry and the potential for a negative outcome demonstrates clearly the need for certainty of the regulatory framework by business and fair and reasonable consultation for any proposed changes.

The Retirement Village Industry should be seen as a very positive contributor to the growth of alternative housing options for older Australians.

Failure by Government to engage in the issues will result in a significant shortfall in housing options. This outcome is totally unnecessary when the market can be met without Government funding. It does however; require Government to recognize the sectors contribution to housing options for older Australians.

Recommendation

Recommendation 15

11.1 Government at all levels be encouraged to affirm their support of the industry and form an Industry /Government forum to ensure the support moves forward and gains momentum to achieve an increase in the availability of housing stock for older Australians.

12 Impact of the Aged Care Award 2010

Without general consultation with industry, employees of Retirement Villages were included under the *Aged Care Award 2010*. This award was developed specifically to cover employees of Commonwealth Funded Aged Care facilities.

By imposing such an inappropriate Award on retirement villages, it again indicates the lack of understanding or interest by Government in the sector or any meaningful commitment to consultation.

The following general comments and issues are raised:

- There was no general advice to industry to indicate that retirement village workers were to be classed as Aged Care workers.
- All modern retirement villages are **resident funded** and **receive no payments or subsidy from Government**. Changes to staff employment conditions impact directly in the costs of residents to live in a village.
- The operational costs of a village are paid by residents and are tightly regulated through the *Retirement Village Acts* through an annual budgeting process.
- The types of services provided by staff in villages vary but most are employed for the provision of services such as management, food, maintenance, gardening and caretaker services.
- Some villages provide an on-site caretaker arrangement or an on-call duty person for emergencies. Given the provisions of the Award, these services can no longer be provided. As a consequence, there has been a shift to “off-site” call centres or contractors.
- The services provided in villages generally relate to the “hospitality” industry rather than “Aged Care”.
- A current application for a substantial increase in wages lodged by the Liquor, Hospitality and Miscellaneous Union under the *Fair Work Act* on behalf of **aged care workers** is proposing to include Federal Government to the bargaining table as well as employers. The Federal Government is included in the application as it provides the bulk of the funding for

Residential Aged Care Facilities and is capable of increasing the funding at any time to cover increases in wages. Residents in retirement villages will be obliged to pay for any increases, resulting in changes to award rates, even though the arguments for an increase are unlikely to bear any relevance to the duties of village staff.

An example of the impact on a specific village:

- The village was established in 1984 as a small village with 20 independent living villa units and 33 units in a lodge building providing an assisted living environment.
- Services include two meals per day and weekly cleaning and servicing of rooms.
- The village has only one full time employee who is the Manager and all others are part time and unskilled. There has always been a practice of hiring and training juniors.
- Since its inception, the village has provided an emergency call service using local staff who can respond quickly to a call.
- 64% of the budget relates to wages and the majority of this cost is met by the Assisted Living Lodge Residents.
- To over 75% of residents the sole source of income is an aged care pension.
- Residents pay for their own living costs and represent no cost burden to Government.
- A number of Lodge Residents have lived in the facility for up to 20 years and have been able to age in place in a suitable caring environment. If they were not so housed they would have required similar services in a Commonwealth Funded Facility.

Extra cost impositions imposed by the *Aged Care Award* on the facility

- All staff members were already paid not less than 5.5% above the new award basic rate.
- There is now to be a penalty rate for a standard shift for part time workers (1.1) in the morning and (1.15) in the afternoon.
- There is no provision for a junior rate even though the village has always employed juniors as part of its training program.
- An extra week holiday must be given where a staff member works more than 10 weekends in a year. Some kitchen staff and day duty staff only work weekends to receive the penalty rates and because the employment fits in with their family position.
- A 17.5% leave loading is now applied

- The traditional overnight call out service provided by the village is no longer able to be provided, as a staff member can only be on call for a maximum of 10 hours under the Award.
- Casual payments have increased from a loading of 20% to 25%
- Without restructuring, the changes resulted in an increase for each resident of approximately \$8.80 per week.

The new impositions and restrictions have severe financial (and possibly unintended consequences) on residents in retirement villages. Staff members are also affected in that traditional work practices have to be changed to comply with the Award provisions.

13 Summary

This submission emphasises that there are many impediments to ensuring that there is a vibrant and expanding Retirement Village Sector in Australia.

At all levels, Government has exhibited that it has no policy other than to control the industry. The Author has endeavoured to point out in this submission that this control is driven by misconception rather than fact. There is no research based real understanding of the issues of the industry.

The submission further emphasises that the Retirement Village Owners and their Association have received no direction from Government as to its position on the future of the industry. On the contrary all indications are that it is a “problem industry’ which should be tightly regulated and brought under further strict controls.

For those of us who are professionals in the industry this attitude is taken as unhelpful and insulting and certainly affects possible future development.

The reality is that the industry affords an opportunity to meet the future housing needs of the current growth in the numbers of older Australians. Without a vibrant industry contributing there will be a greater requirement for Government to provide assistance and care services.

The industry is not seeking handouts it just seeks a positive indication from Government (with supporting policy initiatives) that it wishes to encourage the future growth of the industry.

Anything less will reduce productivity in the sector and potentially lead to a substantial shortfall in the availability of options and choice for housing and services for older Australians.

I have a passionate concern for the future of the industry, the service that it provides to its residents and its innovative growth within a fair, appropriately structured Legislative framework.

I am prepared to expand or answer questions on any aspect of the submission.

Everard Yeo

Director

Capital Cove Pty Ltd

12 September 2010