ENVIRONMENT, NATURAL RESOURCES AND REGIONAL DEVELOPMENT COMMITTEE

Inquiry into the sustainability and operational challenges of Victoria's rural and regional councils

Melbourne — 12 September 2017

Members

Mr Josh Bull — Chair	Mr Tim Richardson
Mr Simon Ramsay — Deputy Chair	Mr Richard Riordan
Ms Bronwyn Halfpenny	Mr Daniel Young
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Witness

Mr Lawrie Robertson, vice-president, Residents of Retirement Villages Victoria.

The CHAIR — Welcome to the Environment, Natural Resources and Regional Development Committee's public hearing in relation to the inquiry into the sustainability and operational challenges of Victoria's rural and regional councils. All evidence taken today is protected by parliamentary privilege; therefore you are protected for what you say here today, but if you go outside and repeat the same things, those comments may not be protected by this privilege. I welcome Mr Lawrie Robertson of Residents of Retirement Villages Victoria. Today's evidence is being recorded. You will be provided with a proof version of the transcript within the next week. Transcripts will ultimately be made public and posted on the committee's website. I now ask you to state your full name and job title.

Mr ROBERTSON — Lawrence John Robertson, and I am the vice-president of Residents of Retirement Villages Victoria.

The CHAIR — Thank you very much, Mr Robertson. I would now like to invite you to make a brief 5 to 10-minute opening statement to the committee, which will be followed by questions from members.

Mr ROBERTSON — Thank you for the opportunity to appear before your committee. Residents of Retirement Villages Victoria (RRVV) represents people who live in retirement villages. The association has around about 7700 paid up members. We are 100 per cent member funded. It is an entirely voluntary organisation. We aim to help our members help themselves. We provide them with backup on the telephone and by email. We have a website. They can get useful materials from our website. We help them deal with problems that they encounter with the owners and operators of retirement villages.

We also maintain a continuous dialogue with government and with the owners and operators of retirement villages. There are 147 registered retirement villages in rural and regional Victoria — 19 in the north-west, 27 in the north-east, 55 in the south-east and 46 in the south-west. I offer that to give you some sense of the scale and where they are. That is out of a total of around about 420 villages statewide. Retirement villages vary in shape, size and facilities. The average village in Victoria has around about 75 units and houses almost 100 people. The range is wide, from as low as 20 units up to 600 units. The 600-unit one is in Rosebud. It is a huge place in Rosebud.

I want to deal with the question of the government perception of retirement villages. Residents have a sense that councils in particular view their villages as wealthy businesses. That is because often there is a wealthy company's logo on the front gate or something like that. It may well be that the owners and operators are wealthy businesses, but the villages themselves are entirely resident funded. I will expand on that a little. By resident funded, I also mean funded by people who are on fixed incomes. The unusual part is that residents provide the debt capital for the owners of the village, so instead of them borrowing from a bank they borrow from their residents. The debt capital that we provide is pretty much, for an established business, the whole of the capital required. When I say an established business, that is for the established businesses; obviously when they are setting up a new village the owners put up a lot of capital. They collect that later on from the residents as they sell their units.

Residents fund the village operations, not the owners and operators. We pay a monthly fee. That does not go into the profit and loss account of the owner or the operator; it simply goes into a bucket of money that the owner and operator then can draw on to run the village. Owners and operators make no profit out of the actual running of the village. It is all totally contained, such as any surplus made may well flow back to residents and any loss may have to be recovered in the future from residents. So the business risk is carried by the residents and not by the owners and operators.

Owners and operators make their profits from fees charged when residents leave. The most common fee is known as the deferred management fee. When I get to talk about rates, I will talk about how that is factored into the calculation. Yes, that is a very unusual business model. So when you see a retirement village, look at it and see a bunch of residents who have coughed up the capital and are paying the running costs. Somebody else is managing it for them — and, for the day-to-day part, managing it for no extra fee. They get their fee right at the end of the tenure of a resident.

Mr RAMSAY — Can I just ask: do they have a title to their residence?

Mr ROBERTSON — Some do and some do not. Some villages are strata title villages and some are leasehold villages. It is about 70–30; 70 leasehold to about 30 strata titled. It is a very rough figure because there is a big program in place by most owners, or most operators, to convert from strata title to leasehold. There are certain stamp duty advantages in doing that.

I believe councils and communities benefit when retirees downsize rather than continue to live cash-strapped in a large family home. In other words, downsizing frees up homes for families. Retirement villages provide appropriate-sized housing with age-appropriate community facilities and services. So a lot of the services that you heard talked about by the previous person giving evidence, provided by the community at large, are provided in micro form inside a retirement village. The fact that they have age-appropriate facilities and a community of a like age means that they do attract people from elsewhere if there is a good retirement village in the town. I know of — and this is a small number — retirement villages within an hour's drive of Melbourne that actually attract residents from the metropolitan area. In fact I find it hilarious. There is one little place in Bunyip; Bunyip is about as small as you can get. I go there and visit somebody who says, 'Oh yes, I moved out of Melbourne to get here'. It does happen. It is small, but it seems to me to indicate an interest from people at retirement age to do their own form of tree change.

The central thesis of my submission to you is that because residents provide their own facilities — their own community centre, there may be a bowling green, there may be a swimming pool, in some cases there may be a tennis court, and as well they provide the internal roads, power, lights and all that sort of stuff — should we not get recognition from the local council that we are actually providing this? When I say that, we are not looking for a free ride. It is not a case of actually asking for a subsidy; it is asking to recognise that we are actually already subsidising something.

Pulling up to the big picture, to put this into a national context the national retirement village penetration of the over-65 population is around about 5 per cent. The Victorian penetration is a little lower at about 4.82 per cent, and South Australia leads at 8.1 per cent. It seems to me that government policy actually makes a difference. Why has South Australia only got 8.1 per cent, way above the national average? It is not an accident that they have a much higher penetration.

I am focusing on just one tiny little aspect of government policy — rates — but lowering rates would help. The submission we have given to you I think presents our case for a rethinking of the rating of retirement villages. I can go through it in detail if you want, but I would welcome your questions.

The CHAIR — Thank you very much, Mr Robertson. Many of the points will hopefully be fleshed out from questions from committee members. You are 100 per cent member funded, have 7700 members and field I think in your submission you said something like around 1000 calls a year?

Mr ROBERTSON — Yes; that is right.

The CHAIR — That is quite outstanding work. My question is in relation to rate capping, and I want to know what impacts you have observed in terms of service delivery since the implementation of rate capping and how the majority of your members feel about rate capping.

Mr ROBERTSON — I am not sure that I am competent to answer that directly. I have run into the problem of rate capping. We had made a much larger submission to the Legal and Social Issues Committee inquiry into retirement housing; we had actually put a bit in about rates. I noticed that when the past chairman of the committee got to his feet to speak on the tabling of it he observed that rate capping was one of the things that was blocking the sort of reforms that we are looking for. In other words, the idea that we would be asking for a redistribution of the rates, which means somebody else would be striking a higher rate, was actually blocked by the rate-capping policy of the current government. Directly have I got any evidence? No, I am sorry; I do not.

The CHAIR — The ask or the key theme within your submission is that 25 per cent discount —

Mr ROBERTSON — That is right; it is, yes.

The CHAIR — and you alluded to that in your opening statement. I particularly enjoyed table 1, where you talked about those provisions, if you like, that are in retirement villages compared to other ratepayers: street lighting, roads, footpath, drains, neighbourhood community centres — the list goes on. Can I ask: for your municipality, where you are, are there differential rates?

Mr ROBERTSON — I am in Casey. No, we do not have a differential rate. We do have a rebate.

The CHAIR — How does that work?

Mr ROBERTSON — The rebate is small. We get a rebate as a certain number of dollars per unit. I think it is calculated per month. But it turns out that a retirement village with 270-odd residents, 227 actual units, gets a rebate of around about $18 000 a year, and that is much lower, of course, than a 25 per cent reduction on rates.

The CHAIR — When you calculate the 25 per cent, it comes in at far lower.

Mr ROBERTSON — Yes, that is right

Mr RAMSAY — Do you mind explaining to me how retirement villages are rated, given 70 per cent are leaseholds and 30 per cent are full ownership? How does council rate a retirement village?

Mr ROBERTSON — The same as if we had a title. Each unit is rated individually. We get the same rate notices everyone else gets. The value, and this is one of the things that I object to, is based on the capital that we loan the operator, which is known as an ingoing amount. It is the amount that we pay to secure the lease. But it is just a standard rating system with, from our point of view, one distinction that troubles us. According to the valuation guidelines, the value of the common property of the village is included in the valuation used for rating purposes on each of our units.

I can go to any number of villages. The village sits here, there is the village fence and there are units on one side of the fence, and on the other side of the fence there are just normal houses in normal suburban streets. The people who live in the normal suburban streets may have a big park over the road, a playground, a community centre somewhere nearby. It may look like an infant welfare centre at certain stages of its life, but there are community facilities. When the valuer comes to rate that comparison property on the other side of the village fence, they do not look at the value of the park and say, 'X per cent of that park I'm putting to the value of this particular unit; X per cent of that playground I'm putting on that house et cetera'. They simply look at the market value of that particular property. Yes, those parklands and all that may contribute to the market value, but they then do not add another amount, which is the value of those particular properties.

That is our contention — that by following the current rating guidelines we are being asked to pay extra rates because of the valuations put on our units, which in turn are the result of facilities we have bought and paid for. By the way, those facilities are not necessarily just used by people inside retirement villages. Retirement villages love to bring people from the outer community inside so that we just have contact with ordinary people doing ordinary things. So, for example, the village that I live in is an outer metropolitan village, but nevertheless we bring in, for example, the local municipal choir, which rehearses in our auditorium. There are other choirs that rehearse in the auditorium — or one other choir rehearses in the auditorium. Actually we do not have a Probus club, but we have a University of the Third Age — a very active University of the Third Age. Most of the attendees are not residents of the village; they are residents from outside the village. So when I am talking about community facilities, they are genuine community facilities.

Mr RAMSAY — I am sorry, just a quick one. My time will come soon, I am sure, when I will be able to have a greater knowledge of some —

Mr RICHARDSON — Not for a long time.

Mr ROBERTSON — Can I give you an application form now?

Mr RAMSAY — If the Prime Minister keeps extending the retirement age, I might not get there. When you lease a flat or unit within a retirement home, do you get a lease payment that you have to make plus a rate payment, or does the owner-operator get that rate —

Mr ROBERTSON — Typically we pay a monthly payment. It is much lower than the rental payment would be. We pay the rent essentially by making the capital payment up-front. We pay a monthly amount, which covers services delivered by the operator to us on a day-by-day, week-by-week, month-by-month basis. Those services include the maintenance of the common area —

Mr RAMSAY — I understand that, but you do not actually own anything, do you, when you lease? You have not purchased anything brick and mortar?

Mr ROBERTSON — No.

Mr RAMSAY — So you are just being rated on some common ground within the lease.

Mr ROBERTSON — We are rated on our unit. We are rated on the total package.

Mr RAMSAY — When you leave, though, you leave with nothing from a capital point of view.

Mr ROBERTSON — Not quite, no. That is the oddity of the business model. The loan that we have made — the best way to think of it is that we have made a loan to the operator — we get that loan back again at the end. We may get a share of any capital gain. That is, if the operator sells the lease for a higher amount — an increase from the beginning to the end of our tenure — we may get a share of that back. And we pay this thing called the deferred management fee, and that capital gain and all that goes in. So actually what we get back is around about what we put in in the first place.

Mr RAMSAY — Yes, I see. So you are substituting the loan as against the actual purchase price. I was trying to work out how councils would rate basically on the loan plus common area use.

Mr ROBERTSON — That is one of our contentions — that currently they rate on that loan valuation and they view that as the market rate. We think that there are some equity problems in that, in that when you enter a retirement village you are actually signing up to some commitments that ought to, if the market were rational, lower the value. It turns out that it does not.

Ms HALFPENNY — I understand what you are arguing and your submission, so I guess I have not got questions about that. I thought maybe just as a ratepayer I could ask you a couple of questions in terms of your council, because one of the things we are looking at is the sustainability of councils and whether they provide the services they should and that sort of thing. When you move outside the retirement village into the general community, I guess, what is your view of the services that are provided by councils or your council in your experience?

Mr ROBERTSON — As I have pointed out, a relatively small proportion of people in the particular age group you are talking about live inside retirement villages, so obviously the councils have got to set up and have those services outside. At least in the area that I live in, they do and do it reasonably well. The difficulty that we have with the idea that perhaps we should be using those facilities is that we often enter a retirement village fit and healthy and capable of going anywhere and doing anything, but as time progresses our world shrinks and it shrinks back to the retirement village. So we have the reverse of an access problem — when you are looking at a rating for farmers, farmers have an access problem in getting to town services. We have the reverse of it. The services are all around us but we cannot get out to them. So that is why the owners and the builders and developers build the services inside the retirement village — to cater for that period in life when our mobility is such that we have lost the drivers licence, cannot get out, and maybe we need some walking aids to get around. So having the services inside is actually replacing the services that the council cannot effectively provide for us.

The other alternative, by the way, is: currently the developers put it in; well, the council could come and put the services inside a retirement village if they wanted to. I am not sure that is going to happen, but that is the other alternative to the proposal that we have put up — if you do not like that, can we have some arrangements where those facilities are actually provided inside retirement villages?

Ms HALFPENNY — There is no community transport or anything like that provided by the council?

Mr ROBERTSON — Yes, they are but that does not necessarily solve the problem. In fact retirement villages have their own buses, by the way. And why do they do that? Because they simply go at different times, take different routes and provide different support. For example, if you look at a bus driver from a retirement village, they are out of the bus all of the time — they are helping people getting on and off, they are taking walkers out of the boot they are taking stuff off the roof. They do a hell of a job to support the people on the bus. I am not saying that the council bus services do not, but it is actually knowing each individual person on the bus and the support that they need. So it is down to that level of personal service that people need in the latter years.

Mr RIORDAN — Mr Robertson, you have mounted a very good argument. I can see the logic to your case. But if I was to wear a much more callous hat and say that this discussion today is about trying to find more money for local councils, not less, my question to you is: in that financial mechanism that works with retirement villages whereby you pay the up-front fee to get in and then presumably it is the person's estate that then gets a return on that at the end, as you said, it is either revenue neutral or a little bit less usually. The ongoing weekly charges — are there mechanisms in place whereby for those that are genuinely in hardship or have low income the fees, such as rates and others, can be built into that final discount that occurs?

Mr ROBERTSON — There is a price control mechanism built in, inasmuch as the operator cannot increase the monthly charge by greater than what is known as the adjusted CPI — it is actually very close to the CPI, but it makes allowance for the fact that wages typically go up faster than the prices of supermarket goods and services.

Ms HALFPENNY — Not anymore.

Mr ROBERTSON — Long-term, yes — a long-run average, yes. That is the reason it is in the act. The operator who has some particular reason for saying, 'We want to put up the maintenance charge' — it is called a maintenance charge — must gain the approval of residents. That is a safeguard built into the act — it is designed to make sure that people on fixed incomes, particularly if they are on the aged pension, do not get priced out of something and end up not being able to afford where they live but not being able to go anywhere else. That is actually quite a nifty price control mechanism.

Mr RIORDAN — But my question is more about: do residents have the opportunity to defer that, in a sense like a reverse mortgage at the end of their —

Mr ROBERTSON — Yes — some operators but certainly not all operators. The larger operators with the larger corporate backings do provide some facility for people who get into trouble to defer part of their maintenance fee until the end of their tenure in the village. It is just whether they choose to do it or not. That is a matter of their particular policy at a particular time in their corporate life. There is no guarantee attached to it at all.

Mr RIORDAN — As you pointed out, there are many and varied models that people find themselves going into. The few that I have had reason to go to probably look like about 60-40, with 60 per cent being buildings and 40 per cent being common space, or it might be the reverse. Is there any mandated level by government of that communal space?

Mr ROBERTSON — From what I can see it varies from council to council. Quite often councils will insist on little things like how many visitor parking spaces, how much open space, or how little open space. Developers are always asking for lower allocations of open space. Open space actually happens to be important. If your world is collapsed into 12 acres or something, or 15 acres, that open space is important. So, yes, there are variations from council to council.

Mr RICHARDSON — Thanks, Lawrie, for your time and your presentation. I am interested in the rate differential. I am persuaded by the argument for it, and I acknowledge that you are a resident of Casey. I noticed you were in the gallery when I fessed up to being married to a town planner. She is out in the City of Casey, so I cannot stand rate capping. But I digress. I am interested in your notion about the rate differential and how most of our regional and rural councils are looking towards an ageing population as the pressure point for their rate increases. The notion that communities can plug out of the amount that they contribute could easily be put forward by other ratepayers who are then subsidising those aged-care services or disability support services going into the future. How do you wrestle that rate differentiation that is put forward with those broader services and the burdens that are increasing upon councils that have to be worn by the income-earning populations that we have?

Mr ROBERTSON — If I was in your job, I would find that very hard. I find it even more hard sitting here. It seems to me that it is not entirely a zero-sum game. If a developer sees the benefit in providing those services and if the community benefits, then you might ask: if you could facilitate that a little bit more, would you actually get more services by giving them rate relief? You might attract more people to build more units and to build more community facilities and age-appropriate sporting facilities and things like that in a particular town.

It seems to me, by the way, that retirement villages are efficient entities to have inside a community. Just think — and I know you cannot do this; this is a hypothetical thing — if you could design a community where all of the families with young children were in a particular wedge, then you could put all your kindergartens in there and all of the kid-oriented sporting facilities. Then you have another wedge where you put all the oldies, and you put everything in there. It is efficient, particularly over here. Why it is not going to work is because when they grow up, they are not going to want to move out and move to some other sector of town, but it is the idea that current distributions are not necessarily efficient. The distribution of council-provided facilities is not necessarily efficient in the sense that they are spread all over the place and they fall out of favour because the community ages or the kids go and leave town or whatever it is. Retirement villages are efficient in that particular sense. You are actually getting an efficient entity in your community if you get a retirement village, particularly if it is going to attract people that might otherwise leave the area. I mean, where do retirees go? They retire close by or they go to the coast. If you want to keep your various generations together in a town, a good retirement facility is another way of doing it. But that is the efficiency. The overall efficiency at an age-appropriate facility is concentrated in a particular spot. I think that is where it ceases to be a zero-sum game where somebody wins and somebody has to lose by the same amount.

Mr RICHARDSON — The point put forward by my colleague Mr Ramsay was about farmers who underpin a substantial rate base. They could mount that argument and walk away, and the sustainability of those rural councils would cease to exist. I take the point that people who are at retirement age have underpinned the growth and development of communities for decades, but I wonder where we draw the line on whether concessions are the appropriate frontier rather than the rate differential for a retirement village.

I have an example in my electorate of Mordialloc where people who are paying rates in retirement villages do not have any of those services. In fact they would love to have a community bus, let alone for the manager to actually run the place properly. That is not their story, and yet they are absolutely smashed with fees on-site to the owners corporation but do not have those benefits derive. I think they have a powerful case because they are not receiving those services.

So where do we draw the line on segmenting parts of the community? Is it better on a concession front to ease that burden or is the rate differential something we need to consider?

Mr ROBERTSON — We have proposed two different solutions — to look at the valuation or to look at the opportunity to strengthen the incentives to apply a differential rate. Either way would produce much the same result, and either way the argument is an equity argument. It is not just pure equity; it is actually saying, ‘Do you want to encourage these kinds of subcommunities in your larger communities — yes or no?'. If you want to encourage them, there are some mechanisms you can use to encourage them. You can help us out on rates.

The other aspect of equity, and this is most apparent in the metropolitan area, is: why is it that the City of Frankston can give a 25 per cent discount by using a differential rate mechanism and the councils around the edge of it cannot? Is there something about Frankston that makes it unusually an equity issue — they see it as an equity issue — whereas across the municipal border they do not?

I think the argument is essentially more about equity and more about perhaps strengthening the ministerial guidelines — if you are interested in the differential rate, it is more about strengthening the ministerial guidelines on the application of differential rates. It is in the ministerial guidelines; retirement villages got in there a few years ago. The last time I counted I think it was four councils that do it. Something is wrong.

Mr RAMSAY — We are going to hear more on that with the next witness.

Mr ROBERTSON — Okay.

The CHAIR — Thank you very much for your time in presenting to the committee this afternoon, Mr Robertson.

Mr ROBERTSON — It has been a pleasure.

Witness withdrew.