

SUBMISSION TO THE VICTORIAN PARLIAMENTARY INQUIRY INTO THE RETIREMENT HOUSING SECTOR

R. J. SINCLAIR
5 June 2016

Reference Item 1(b) Consumer Protection – Fair Pricing.

In general the managers of Retirement Villages charge a service fee each month to cover the cost of running the village and general administration expenses. This includes the cost of such services as –

- Personnel for administration and provision of services
- Routine maintenance of all common facilities
- Cleaning and lighting of all common facilities
- Security, monitoring and emergency services
- Garden maintenance and landscaping
- General waste collection and disposal
- Management of longer term issues such as through the Capital Replacement Fund

An annual budget is usually prepared and the residents charged a monthly fee to recover that budgeted expense. It appears to be common for fees to exceed the actual cost and for a surplus to be generated which can be retained by the village manager. It is contended that residents are only liable to cover the costs and any surplus (or deficit) should be carried forward and applied to the budget for the following year. It is suggested that the principle should be mandated that no profit should accrue to the manager from application of a Service Fee.

Reference Item 4. Retirement Housing Ombudsman

In dealing with statutory authorities such as Councils and in some instances with village managers, residents are often unable to satisfactorily resolve disputes other than through VCAT or legal action, which can be formidable and prohibitively expensive particularly for elderly residents. This can lead to a 'take it or leave it' bullying attitude against the resident. To address this issue it is strongly recommended that an Ombudsman specialising in this sector be appointed. The mere existence of the office with dispute resolution powers will in itself foster a more reasonable and balanced approach without the need for actual intervention.

Reference Item 5. Local Government Rating.

Councils normally include in their general rate charges the cost of providing services such as roads, drains and street lighting up to the boundary of a rateable property. In the case of retirement villages Council services do not go to the property boundary and a part of these services is provided by the village and is charged for in the service fee. The Council is indeed

saving considerable cost by applying the standard rate to retirement village properties and the residents are effectively paying twice for the services. This has been recognised in the Local Government Act by way of a rebate on rates for residences within retirement villages. However it is not mandatory and many Councils refuse to acknowledge that there is a legitimate case for a rebate. This is often in the face of continued application by retirement village residents with logical reasons and with often stubborn resistance on the part of Council. Residents see this as an injustice, but are unable to resolve the issue with an intransigent Council. It is therefore strongly recommended that the rate rebate is made mandatory with a minimum level of the order of 20 percent. A detailed assessment of the direct operating costs of Manningham City Council, indicates that the savings are in fact of the order of 24% and would justify a rebate at this level. In addition there is no Council capital expenditure within retirement villages.