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The Chair,

Parliament of Victoria Legislative Council – Standing Committee on Legal and Social issues

Inquiry into the Retirement Housing Sector

Submission from the Residents Committee of Athelstan Independent Living – [redacted]

Reference number (5) - The impact of local government rating on retirement housing

In 2012 the Parliament of Victoria passed the Local government Act 2012 which introduced Section 161(2B). This section provides that the relevant Minister may by notice published in the Government Gazette make guidelines for, or in respect to,

(a) The objectives of differential rating
(b) Suitable uses of differential rating powers
(c) The types and classes of lands that are appropriate for differential rating.

By reason of Section 161(2A) a local government Council must have regard to any Ministerial guidelines made under sub section 161 (2b) before declaring a differential rate for any land.

Further Section 161 (4) provides that on the recommendation of the Minister, the Governor in Council may by Order in Council prohibit any Council from making a declaration of a differential rate in respect of a type or class of land, if the Minister considers the declaration would be inconsistent with any guidelines made under subsection (2b).

Guidelines have been prepared to guide Councils in the application of differential rates under Section 161 of the Local Government Act 1989 (the Act). Councils must have regard to the guidelines before declaring a differential rate for any land. The guidelines aim to promote good practice and greater consistency in the application of differential rating in Victoria.

Pursuant to section 161 of the Act a Council may raise any general rate by the application of a differential rate if it uses the Capital Improved Value system of valuing land.

For some time concerns have been raised with Government as to how a particular Council may or may not be meeting the objectives of the Act by the application (or non application) of differential rating decisions affecting them.

Reasons why Councils should apply differential rating valuations to residents of Retirement Villages.

Property valuations

Council valuations are usually based on the expected sale price of an apartment in a Retirement Village. Such valuations do not take into account the loss of capital suffered each year by the ratepayer in a Retirement Village for deferred management fees, usually 3% a year capped at 30% after 10 years of the sale price. In addition at the end of a period of tenure a further 3% of the sale price is charged covering a 2% refurbishment fee and a 1% fee as a contribution to a long term maintenance fund.

Consequently the executor of an estate of a retirement village resident, or a departing resident, does not receive the sale price of the apartment being sold, but rather a discounted price of up to 33% of the sale price. Council valuations do not reflect these arrangements which in effect cover a lifestyle component in the capital price.

Council expenditure

Council rate valuations do not reflect savings made by Council due to the Retirement Village sector paying for its own expenditure on items such as internal roads, footpaths, street lighting and cleaning, green waste collection, community services and private contract removal of garbage. These services are paid by residents via a monthly service fee.

Gains for Councils from having Retirement Villages in their municipality

Councils have gained significant additional revenue from rates charged to residents of Retirement Villages because higher density living income is much greater than residential living with one house per allotment.

Retirement Villages provide facilities and activities for older residents which help maintain a healthy lifestyle, encourage social interaction reducing isolation, depression and anxiety plus retain the social, civic and economic contributions of older adults. This lessens the workload on a number of costly services that are provided by Councils.

Financial circumstances of Residents in Retirement Villages

Residents in Retirement Villages are largely self funded retirees and in many cases do not have a guaranteed source of income (unlike most other salaried ratepayers) to meet rising costs including annual increases in Council rates. The present rating system imposes a financial burden on Athelstan residents on fixed and diminishing incomes enhanced at best by CPI increases. This is exacerbated by constantly escalating prices of essential services such as electricity, water and health costs all of which are above the CPI level.

Summary

The Ministerial Guidelines refer to certain principles of equity, including "capacity to pay". We submit that for the reasons outlined above local Councils have an obligation to ensure the equitable imposition of rates and taxes rather than simply adopt a "one size fits all" approach. Most Councils have not recognised this principle even though the Ministerial guidelines require such consideration.

We submit that government should impose a legal obligation on Councils to provide an appropriate rebate on rates charged to residents of retirement villages to reflect the above circumstances.

Athelstan.

Athelstan is a residential independent retirement living complex (Retirement Village under the RVA 1986 Act) comprising 66 two and three bedroom apartments located at 450 Camberwell Road, Camberwell. There are 93 residents.

Submission by [redacted]

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Date: 9 May 2016

~~Submitted on-line through the e-submissions area of the Standing Committee web site.~~

Confidentiality for this submission is not sought.