

## Introduction

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██████████ supports the objectives outlined in the draft report of a local government rating system that is fair, equitable and efficient. However, we believe that there is greater scope for recognising the contribution of not-for-profits to Australian society in relation to Recommendation 10. In response to that recommendation, this submission sets out ██████████ views about the role of not-for-profits in Australian society and outlines alternative proposals relating to the retirement living and residential aged care sectors.

## The role of not-for-profits

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Not-for-profit organisations play an important role in Australian society, providing support and services to people and communities facing difficult circumstances. In many cases, charities and not-for-profits provide services that are not met by other government and non-government organisations. If public benevolent institutions were to cease providing the services they do, it would leave a significant void in society with an adverse impact on individuals, families and communities that are disadvantaged.

In other situations, charities provide services that are ostensibly comparable to those provided by private or publicly listed companies. Yet even when these services appear to be comparable, the services provided by not-for-profit organisations do not necessarily function in the same manner as those run by profit-making businesses. Services provided by charitable organisations are distinguished by a particular commitment to serving people and communities that are disadvantaged. Neither do charitable organisations simply ‘deliver’ services; rather, they are committed to enriching and building up communities and the people who belong to them.

This focus on supporting people and communities with more pronounced or particular needs means that charities and not-for-profits operating in competitive environments forgo significant earnings. At the same time, it is common for charities to invest the surpluses they generate into research and innovation that enables them to develop more effective and efficient services to support people who are truly in need.

As a charitable organisation, ██████████ is no exception. Its very existence is founded in its commitment to supporting those in need. Our goal as an organisation is not to secure our own prosperity but to support people facing difficult circumstances. It is our mission and privilege to identify and understand the needs of needy people, finding real solutions that meet those needs.

To that end, ██████████ supports older people who are financially and socially disadvantaged, reducing and waiving contributions and fees. As an organisation, we invest significantly in research to better understand the needs of older people – especially those living with dementia – and how they can best be supported to live meaningful lives. We have also pioneered new service models – unique to Australia – aimed at improving outcomes for individuals and communities.

As a recognition of the significant public benefit derived by the community as a whole from public benevolent institutions, governments at all levels have traditionally exempted them from taxes and levies, including local government rates. We believe that IPART’s proposal to base council rates predominantly on land use, rather than ownership, fails to adequately consider the overall contribution made by public benevolent institutions such as ██████████

**Recommendation**

*That IPART reconsider the role and place of public benevolent institutions in Australian society in determining the grounds for local government rate exemptions.*

## Residential land, public benefit and harnessing non-government innovation

The draft report notes that land used for residential purposes generates a private benefit but no substantial public benefit. Yet the two need not be mutually exclusive. It is possible for a housing community to generate significant private benefit for residents, while also fostering social cohesion and significantly reducing reliance on other government services. This is particularly the case when housing communities are run by public benevolent institutions to support vulnerable and at-risk groups in society.

Any proposals that would threaten the full and vibrant involvement of non-profits in social housing and retirement living would not only have a detrimental effect on vulnerable populations. It would also have the potential to jeopardise various other policy objectives of the NSW Government.

The State Government clearly recognises that non-government organisations have developed expertise in supporting vulnerable people and communities, including through social housing and retirement villages. In its 10-year plan for the state's social housing, the NSW Government (FACS 2016 B, 11) acknowledged this considerable expertise and commitment to service excellence:

*“By harnessing the innovation of the non-government sector the NSW Government will deliver better outcomes for the most vulnerable people in our community, including those living in social housing.”*

Again, the NSW Department of Family and Community Services, in its recent Discussion Paper on Homelessness in NSW highlighted the importance of non-government stakeholders in developing increased social and affordable housing options. In doing so, it posed the following question (FACS 2016 A, 11):

*“What needs to change to get greater private sector involvement in delivering social and affordable homes?”*

It would be unfortunate if changes to local government rate exemptions reduced the ability of experienced public benevolent institutions to provide crucial social housing and retirement village services at a time of growing demand.

**Recommendation**

*That IPART reconsider the public benefit of social housing and retirement communities provided by public benevolent institutions.*

## Retirement villages

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The draft report recommends that retirement villages should be considered rateable as they are primarily used for residential purposes. It could be argued, however, that retirement villages generate significant public benefit as well.

While most lifestyle villages promote themselves as over-55 communities, the reality is that the average retirement village resident is much older. According to a survey of operators and residents in Australian retirement villages found that the average age of residents when they moved in was 73 and the average age of all residents is 79 (Grant Thornton 2011). A more recent Census found the average age of residents was 81 and the average length of stay for current residents was seven years (PwC 2015).

This data has two important implications. Many retirement village residents are likely to have significant care needs themselves and a number of villages – especially not-for-profit ones – either provide or facilitate access to care for residents. Villages run by not-for-profit organisations are more likely to be co-located with aged care homes, leading to a greater orientation towards care provision. The relatively long average length of stay also indicates that retirement village residents are more likely to receive additional benefits and support from living in a village community that in turn reduce the risk of hospitalisation – an indirect public benefit.

Retirement villages run by public benevolent institutions are more likely to provide support to residents with low financial means, either through concessional rental arrangements or discounted sales. For example, 13 per cent of [REDACTED] independent living units are currently made available through either a concessional rental arrangement or a discounted sale, and plans are currently underway to increase this proportion.

If the changes outlined in Recommendation 10 were to go ahead, then IPART ought to consider the attributes of retirement villages that differentiate them from normal residential properties. Many retirement villages also have significant private facilities and amenities, such as cafes, swimming pools and libraries, which lower the demand for council services. For these reasons, retirement villages may meet the requirements of communities of interest (Recommendations 6 and 7) and receive flexibly reduced rates as a result. Given that most retirement villages have a high proportion of pensioners among their residents, consideration should also be given to adopting a sliding scale of rate reductions based on the proportion of Age Pension recipients living within a village.

### **Recommendations**

*That IPART reconsider the public benefit of retirement villages operated by public benevolent institutions.*

*If retirement villages run by public benevolent institutions were to lose their rate exemption, consideration should be given to their distinguishing attributes including the private facilities they provide and the proportion of residents who are receive the Age Pension.*

## Residential aged care facilities

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If IPART does decide to recommend a change in the basis for local government rate exemptions from land ownership to land use, it must provide clearer recommendations around the treatment of residential aged care. The draft report states that properties are being used for residential purposes when they are:

- Predominantly used as a place to live;
- Occupied by the same resident continuously for periods of three months or greater;

It then goes on to state that retirement villages meet this requirement, but does not give any indication of how the proposed changes would affect residential aged care facilities.

██████████ strongly believes that aged care facilities should not be classified as land used for residential purposes. This is because residential aged care facilities serve a dual purpose, providing care as well as housing. Just as IPART recognises that hospitals which care for patients provide a clear public benefit, it should acknowledge the public benefit generated by aged care homes which have responsibility for providing personal care, clinical care, meals, furniture and furnishing to residents, in addition to housing.

The *Aged Care Act 1997 (Cth)* and the relevant subordinate legislation require that accredited aged care facilities must provide care to residents as well as housing. The *Approval of Care Recipients Principles 2014 (Cth)*, for example, note that to be eligible for residential care, a person must be assessed as:

- Having a condition of frailty or disability that requires ongoing personal care
- Being incapable of living in the community without support.

The real need for ongoing care among aged care residents is further supported by the wealth of data on their care needs. At June 2015, more than a quarter of the 170,000 residents with an Aged Care Funding Instrument (ACFI) assessment required a high level of care across all three of the Instrument's domains: activities of daily living; behaviour; and complex health care. A further 20 per cent of residents had high care needs in two of the three care domains and medium in the other (AIHW). In addition, over 50 per cent of permanent aged care residents had a diagnosis of dementia, while more than 80 per cent required assistance to manage incontinence (AIHW).

Aged care residents are much less likely to use public services beyond the facility where they live than members of the general public. Aged care facilities significantly reduce the demand for care in State Government-funded hospitals as well as council services.

Given that residential aged care facilities are used as a place for people to receive continuing care as well as to live, they do not meet the proposed criteria for residential land use. As services providing ongoing care and support to people whose needs cannot be met in the community, they also generate a clear public benefit.

In addition, residential aged care facilities operated by public benevolent institutions are commonly distinguished by one or more of the following factors:

- Supporting a high proportion of financially and disadvantaged residents.

- Operating in regional and remote locations.<sup>1</sup>
- Engaging in innovative, evidence based service design and development.

In [REDACTED] aged care homes, for example, 46 per cent of residents are concessional. In addition, for the past 20 years, [REDACTED] has developed and implemented an innovative model of dementia-specific residential aged care in around 80 per cent of its aged care homes. As part of our charitable identity, we have also pioneered the following services within residential aged care facilities:

- A special care unit for people with severe behavioural and psychological symptoms of dementia (BPSD).
- A palliative care suite.
- A cottage service for people with younger onset dementia.

**Recommendation**

*Residential aged care facilities – particularly those run by public benevolent institutions – generate a clear public benefit and provide ongoing care and support – as well as accommodation. Regardless of the changing policy environment, they ought to remain exempt from local government rates.*

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<sup>1</sup> According to the Aged Care Financing Authority, 64 per cent of residential aged care facilities in rural and remote locations are run by not-for-profit organisations. Of the remaining 36 per cent, 32 per cent are run by state and territory governments.

## Sources

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Aged Care Financing Authority (ACFA). 2016. Financial Issues Affecting Rural and Remote Aged Care Providers, Australian Government, Canberra.

Approval of Care Recipients Principles 2014 (Cth).

Australian Institute of Health and Welfare (AIHW), 2016, Residential Aged Care and Home Care 2014-15: <http://www.aihw.gov.au/aged-care/residential-and-home-care-2014-1> [Viewed 10 October 2016].

Grant Thornton (2011). 'Retirement Living: Industry Trends and Prospects', January 2011, Retirement Village Association.

NSW Department of Family and Community Services (FACS), 2016 A. Foundations for Change – Homelessness in NSW, NSW Government: [http://www.facs.nsw.gov.au/\\_\\_data/assets/file/0007/380545/3879\\_HNSW\\_Homelessness-DiscPaper\\_WEB\\_R-2.pdf](http://www.facs.nsw.gov.au/__data/assets/file/0007/380545/3879_HNSW_Homelessness-DiscPaper_WEB_R-2.pdf) [Viewed 10 October 2016].

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PricewaterhouseCoopers (PwC), 2015. 2015 PwC/Property Council Retirement Census.