

Submission to the Independent Pricing and Regulatory Tribunal (IPART) in regards to the Review of the Local Government Rating System

Who we are

Warrigal Care is a not-for-profit community owned organisation, endorsed as a deductible gift recipient by the Australian Taxation Office, and operates retirement living and aged care services in the Illawarra, Southern Highlands and Queanbeyan regions of NSW.

Our purpose is to support older people to have great lives. We do this by creating communities and offering services so that older people can be independent, respected, happy and connected.

Executive summary

We appreciate the invitation for submissions responding to the Local Government Draft report reviewing local government rating systems (“the report”). Our submission addresses ambiguity around land use within the report and also raises points around rate exemptions for land used for charitable purposes.

Our organisation operates in three distinct aged care segments – residential aged care, retirement villages and community (in-home) care. At many of our locations all three segments operate from one parcel of land. The report appears to be silent on two out of the three of these distinct land uses.

(a) Exemptions based on land use not land ownership (6.2)

Charitable and PBI status should be a relevant factor in determining rate exemptions. Leaving up to a local council to assess how land is being used is subjective and the council may not have the information they need to make this assessment. Charitable organisations and PBIs have their objectives tested by the Australian Charities and Not-for-profits Commission (ACNC) whose explicit responsibility is to monitor charities and audit their compliance with their charitable purpose.

The typical purpose of an aged care provider is to support vulnerable older people. Charitable aged care is not being run for the purpose of a “business” as any surplus is reinvested into care and support. More than half of our aged care residents do not have the means to pay for their accommodation and they are not required to contribute towards the care they are provided. Clearly, the land on which the aged care operates is used to generate substantial public benefits and not to generate private benefits.

Goulburn Mulwaree Council has already started to charge rates on the basis of their council-deemed land use rather than on the basis of our charitable status. The council asserts that we are running a “business” because there are fees paid by residents and therefore they are charging us residential rates. In addition, the council does not understand that there are multiple uses of the land as they have

charged residential rates for the full parcel of land. The fact that they don't understand the charitable works of our business shows the council is uninformed to make assessments as to our purpose.

(b) Residential aged care versus retirement villages

The report does not mention aged care at all with respect to the land use exemption. It only mentions retirement villages, and so it is unclear whether the report intends for these two different services to be lumped in together as one land use.

Residential aged care and retirement villages are quite distinct.

Residential aged care

Residential aged care (also referred to as "nursing home") is a public service. It is vital local community infrastructure like a hospital. The report recommends that even privately operated hospitals be eligible for rates exemptions. To apply the exemption to private hospitals and not apply it to residential aged care is inconsistent. The nature of aged care accommodation is very similar in nature to a hospital, although we work hard to create a home-like environment instead of an institutional feel.

Residential aged care is not an accommodation of choice. It is a relocation of people who can't be supported in their own homes and is often a last resort for people. Most residents require considerable support; they do not leave the care home unescorted and they no longer consume council resources despite many having paid rates for decades prior to entering the facility. The resources needed by residents are provided in house for them, not by council. We agree that aged care residents consume water and waste services, but they do not consume other council resources.

The fact that profit and non-profit providers are treated differently has been identified as a problem in the report. We argue that, just like hospitals, there is no reason for private providers not to be given an exemption for residential aged care. As per Box 6.1 in the report, exemptions should be granted "where an activity provides substantial public benefits to the community, it may be equitable and efficient to exempt it from pay rates...requiring them to pay rates may result in them reducing their services below a socially optimal level". This is exactly the case for residential aged care homes.

Loss of the rate exemption would cost Warrigal in excess of \$20,000 for our residential aged care services alone. Because this industry is mainly funded by government (this funding has recently been dramatically cut) with limited opportunities for increasing revenue, removal of rates exemptions is yet another burden on charitable providers of care. There is little way to cover these increased costs without reducing staff, which is not good for the community or the residents.

Retirement villages

These are places for older people to live in a community and are generally for those that are who do not require the services of an aged care home or hospital. The

average age of moving into our villages is 76 years, with the average age of those currently in our villages being 81.

Many village residents do not independently leave the village so therefore they no longer consume council resources despite usually having paid rates for up to 50 years. Most villages provide many of the services previously provided to these people by council.

Charging full rates to village operators means that village residents are not able to access the pensioner concessions that they would enjoy if they lived in another style of accommodation. If council rates are imposed (and they already have been in Goulburn Mulwaree Council), they will need to be passed on to the residents in the village. The anticipated cost to Warrigal if all councils were to impose rates would be almost \$50,000 amongst our eight villages (and 294 villas).

Community care

Another service operated out of some of our aged care homes is community (or in-home care). People receiving in-home care services are already paying their own rates (or rent). If the office that runs these programs is being charged rates, this would likely increase the fees that need to be charged to the clients.

In closing

It is disappointing to see that this change to rates exemptions would impact some of the most vulnerable members of society. It is also disappointing to see one council in particular jump on applying these rates before the draft recommendations are put in to effect and when the details of how aged care homes should be assessed has been clarified.

We respectfully ask that you take into account our points as detailed above, and we thank you for your time to review them.

Warrigal