T R A N S C R I P T

STANDING COMMITTEE ON LEGAL AND SOCIAL ISSUES

Inquiry into the retirement housing sector

Melbourne — 26 October 2016

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Witnesses

Ms Sharon Wolstenholme, acting chief executive officer, and
Mr Simon Fee, general manager housing services, UnitingCare Harrison.

The CHAIR — Our next witnesses are from UnitingCare Harrison. I would like to welcome Ms Sharon Wolstenholme, acting chief executive, and Mr Simon Fee, general manager of housing services. Thank you both very much for being here with us this evening.

Before I invite you to make some opening remarks, I will caution that all evidence taken at this hearing is protected by parliamentary privilege. Therefore you are protected against any action 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. We have allowed about half an hour for our time today. Thank you very much for your submission, which you made to the inquiry. The committee has noted the points you have made there. I would like you to make some opening remarks, and thereafter we will have questions.

Ms WOLSTENHOLME — Thank you. Thank you for having us here tonight. UnitingCare Harrison has more than 50 years experience providing housing and support and development services to vulnerable and at-risk populations. We have approximately 80 staff, and we have a breadth of programs and services that support individuals, irrespective of their age and stage of life. We have a longstanding history of developing flexible and innovative responses to meet the needs of clients' individual support and development needs as they change.

We also have significant experience as a housing and tenancy manager, currently managing 250 units of housing across 11 local government areas. These consist of 160 independent living units within 9 retirement villages, and 90-plus social housing units for low-income people, disabled adults or youth or family tenants. These programs use a mix of Uniting Church Victoria and Tasmania-owned properties, council-owned properties, community group-owned properties and private rentals, and also DHHS public housing properties. Our housing programs provide both lifetime leases within our independent living units plus social housing for short-term and longer term tenancies. We also have tenancies for individuals with high support needs, transitional tenancies and we offer other flexible responses.

A significant proportion of our total stock is designated to older persons and disability access, providing access to support and linking of tenants with complex needs into mainstream and specialist services.

Mr FEE — I will just make a few comments here. UnitingCare Harrison, as we have said, is a not-for-profit organisation and we have inherited a range of villages. Some are quite small, and our largest are still quite small — only 40 units in size is our largest, down to eight. Most of those villages are 50 years or older. As you could imagine, they are starting to be less attractive to the marketplace, so we are facing a number of the challenges of wanting to continue to provide affordable housing. We heard the previous presentation and we. are not a Lendlease. We are not trying to do this for a profit. All of the income that we derive, whether it be through deferred management fees or through service fees, is put back into the whole operation of the villages.

What I can tell you is that over the last 10 years Harrison was given responsibility for managing these villages, but prior to that they were managed at a local level by volunteer committees. As often was the way at those villages that were built in the 60s and 70s, when the federal policy allowed those sorts of developments, those people at the local churches got older and were unable to continue to meet the compliance required, so they were handed back to the synod. The synod then handed them to Harrison because Harrison has been managing other forms of housing for many decades. So we have grappled with inheriting a lot of contracts.

It was interesting to hear some of the previous speakers talking about contracts just being changed by management. We have actually inherited probably a dozen or so different contracts, many of which today do not really hold up, but we have sort of studiously honoured those commitments, as far as I am aware, through all of those contracts. It is about how we manage a very rapidly changing environment. A lot of our stock is no longer attractive in the way that it once was. The size of our units are quite prohibitively small, and certainly we know that they are not attractive to the baby boomers. They would never be attractive to the baby boomers, who want it all and want all the bells and whistles. That is not what the not-for-profit sector is mainly aiming to service. Certainly that is not what the Uniting Church retirement villages are focusing on. We have pitched our entry fees and the like at around two-thirds of the market rate, but we also have an assets test. People who have the means, we are asking them to pay more — about two-thirds is the highest amount, but down to \$60 000, \$70 000 or \$80 000 for people who do not have the means.

Then for the smaller villages where they are no longer able to attract an ingoing payment we are now moving to offer them as rental villages. We have talked a bit in our submission about some of the challenges around that, and we would really encourage the committee to think about that. We will not be the only not-for-profit operator grappling with stock that is deteriorating. We are gradually phasing some of those villages to rental villages. It would be good if there were some sort of guideline around allowing that, perhaps.

We did talk about the federal policy of ageing in place. Previously, for probably the last 20 or so years, the average length of stay has been around 8 to 10 years. It is now up to 12 years for us, and we would expect that the ageing in place policy is really going to expect people to stay for as long as possible in their current accommodation. For many people that move into a retirement village, that will be in that community. I think at the moment there is no legislative way, or there is no capacity, if you like, to support the fact that the previous model for funding is now broken in a form. That is why we were proposing that maybe there could be some legislative direction that tries to address how the villages can still make a modest amount of income so that they can put it into the capital repairs that are needed. If someone is going to stay or if many people are going to stay 20 to 30 years, then there are significant costs that probably are not being covered, particularly in the not-for-profit sector, where we are not asking the market ingoing contributions.

A couple of other brief comments from that are that we certainly do support the notion of having an ombudsman. We have had our share of residents that have raised complaints. We have always involved Housing for the Aged Action Group, and we have had consumer affairs assist us on a number of occasions, but I think that we would certainly join with residents suggesting that perhaps an ombudsman would be a prudent thing to have. Certainly, as we know, the numbers of people going into retirement villages is going to increase. I think that that type of figurehead role would probably be good for the sector.

In that respect we have also talked about the idea of accreditation. All the rest of the parts of UnitingCare's operations have to be accredited. We have just gone through this literally in the last week for all of our other health and welfare services. My experience from working in that sector for 25 years-plus is that accredited sectors generally provide better safeguards for those people that are vulnerable and often not always able to speak for themselves. I think, particularly as there are more and more for-profit operators moving into the space, that it is even more important to have certain standards that everyone needs to abide by.

The CHAIR — Excellent. Thank you both for those introductory remarks. I would just like to follow up with the regulatory regime for the not-for-profit sector. You talked about the marketplaces and the challenges in moving towards a rental-based arrangement for some of your stock. Are there any elements of the regulatory regime that currently apply that do not work for the not-for-profit sector but perhaps do for the for-profit sector?

Mr FEE — I do not believe so.

Ms SPRINGLE — Excellent; we can all go home!

Ms WOLSTENHOLME — Nothing is coming to mind at the moment.

Mr FEE — We were listening previously to the developers — all the talk about planning and the like. I could certainly understand where they were coming from in terms of having planning zones that are favourable towards aged facilities and the like. That resonates, that makes sense, though we are not in that sort of space of developing — maybe one day, but we are not at the moment.

Ms SPRINGLE — You both seemed quite surprised when you were talking earlier about the idea that contracts would be changed with the change of ownership. Could you perhaps elaborate a little more on your thoughts on that?

Ms WOLSTENHOLME — We have continued to honour the contracts for the people, for the villages that they were in, and at times we actually have found that it has made it difficult for us to run those villages. We have borne whatever we inherited, and that is just the way we have done it.

Ms SPRINGLE — Did you ever consider going down the road of changing the contracts mid-contract in terms of the resident?

Ms WOLSTENHOLME — No. I think the agency has always said that we will honour that and that is how we will continue. When you do look at the financial side, there could have been times where it would have benefited us, particularly for some people who have been in properties for a very long time. As someone said earlier, things have changed, so costs have changed. There has been a lot of change. But, no, we have decided to honour them.

Mr FEE — There is only one example that I can think of where we actually have, and that has been where we have totally negotiated that with the residents just in the last 12 months. Sharon is quite right; in some of the villages people were paying $60 a week, now, to live, and the real costs are sort of like $150 a week, so we were carrying a large deficit. So we approached the residents that were affected, with those old contracts, and outlined the financial case, and people chose whether or not they would see fit to do that. By using commonwealth rent assistance, which is of great assistance for people, they could put $1 in and the commonwealth rent assistance would put in $3. That has made an appreciable difference for those two villages' deficits. You have to negotiate those things — it has to be completely voluntary — and certainly we have never imposed any contractual changes.

Ms SPRINGLE — Just moving on from that point, what is the breakdown in terms of your residents; who would you say were low income and otherwise?

Mr FEE — Look, historically I think the Uniting Church has provided these units always in an affordable way. A lot of our residents have been residents prior to the last 10 years, when we have seen massive rises in housing and assets, so for many people they have just brought whatever they have had. They are all middle-class people, primarily. There were probably in the last few years some that have not had any assets. As I said, we are now offering rental, and it is affordable rental. Clearly private rental is also prohibitive for many of the aged people. We have seen a trend over the last few years of more older people who have perhaps been living in rental for 10 or 20 years. The owner dies, and the kids then want to sell that asset or put it up to a market rate, and the poor old couple cannot afford that, so they will come to a welfare agency. So fortunately we have had some 75 per cent of market rate properties.

Mr MULINO — One of the issues you have raised, which I think is a really interesting challenge even beyond this sector, is rising longevity, which is obviously a good thing overall but for people with limited resources can be a challenge. You have suggested the idea of the possibility of a second round of DMFs. Obviously there are some upsides to that in terms of people accessing some more of their capital, but there are some obvious downsides. I am just wondering: is anything like that available in any other jurisdictions that you have had a chance to look at, whether here or overseas?

Mr FEE — No, there is not. We have not found anything. We always try to be thinking outside the square within the agency. We do not really know that that is a solution — and it would be a brave committee that would recommend such a thing — but I guess we just wanted to foreshadow that we expect, and certainly from talking to other owners and operators we are all expecting, that our residents are going to want to stay 20 or 30 years. We still have probably 20 per cent of our residents who have been with us for 20 years, but it is going to be interesting. I think the whole sector is still trying to adjust to how that is. It is different for the for-profits, because they can just raise their ingoing contributions significantly and then they can ride that through, whereas we do not want to do that, and we believe that our niche and our mission is to provide for people who do not have half a million dollars-plus to enter.

Mr MULINO — It also struck me that maybe you raised this as an idea because the people that you help have challenges with income, perhaps —

Mr FEE — Yes; that is right.

Mr MULINO — that are greater than people in other retirement housing, and maybe it was something that occurred to you as a challenge that needed to be thought through.

Mr FEE — Yes, Daniel. One thing that I can perhaps say is that with many of the old contracts the deferred management fees were 100 per cent, that people were perhaps paying $10 000, $20 000 or $30 000 to enter the village. I have been in this role for three years. We have refreshed all of the ingoing contributions, as I said, and so our highest is around $300 000 and our lowest is around $90 000, with an assets test. But we have also introduced the 30 per cent cap, so the people that are paying the $300 000 entrance fee have a 30 per cent cap, whereas for the people that pay the lowest there is 100 per cent, so there is no cap. So when you do the maths, the organisation over the period basically receives the same amount of funds.

Mr MULINO — The last question I have, and again this is not something I suspect this committee will want to even look at, but it is almost like once you start going down the path of higher and higher proportions of assets being devoted to this, it is almost then the question of risk sharing across individuals and you are almost getting into products like annuities, which has a whole separate set of issues.

Mr FEE — Right, yes. Okay.

Mrs PEULICH — Thank you very much. Your comment in relation to the ageing in place policy, I would assume that predated your comments, because I remember being involved in the 1990s with an all-party inquiry here looking at positive planning for ageing. That was then the policy, certainly at state level as well, so I am not sure if it is just a federal concoction.

Mr FEE — I beg your pardon.

Mrs PEULICH — At the time it was a very well-received report; it was sort of a blueprint for ageing and so forth. I imagine things would have changed somewhat. At the time I remember we undertook a survey and found that an overwhelming number of people actually wanted to age in their own homes. I am not sure whether that is still the case. It is with my mother, but I keep on telling her to downsize. Looking at some of these facilities, obviously they have got companionship, or the potential for companionship — perhaps they might also be some neighbourly disputes — but there are also these upmarket things. They could save some money and have a bit to spend and live in beautiful accommodation that does not need maintenance. But one of the reasons my mother gives for not downsizing is the cost of downsizing — for example, whether it is capital gains tax, stamp duty or whatever. Are there policies that can be tweaked — and obviously they generate huge amounts of money — to actually encourage older people to downsize rather than rattle around in an ageing place?

Mr FEE — Well, you would hope so. One of the other not-for-profit organisation's submissions talked about right-sizing, didn't they? Yes, you would hope so. I think any encouragements to perhaps remove stamp duty on those sorts of — —

Mrs PEULICH — Some sort of concession perhaps?

Mr FEE — Yes, that is right; absolutely. It would be well and truly encouraged.

Ms PATTEN — We have heard much about an ombudsman versus CAV versus an advocate. Your recommendation obviously is for an ombudsman, and you mentioned that a number of your residents have gone to the CAV. Why was the CAV not adequate?

Mr FEE — Look, I do not think it is a case of saying the CAV is not adequate. I think the residents would perhaps feel that there is more influence. I think with the CAV they are usually on about conciliation. The CAV does a wonderful job with what they have, but we are certainly open to the idea of an ombudsman. We know it works well in other areas. We know that this is a growth area, and we do really believe in residents' rights. As you said, there are always going to be, and there always are, some people that no matter what you do, you can never seem to satisfy them. We generally do try hard to satisfy our residents, and from time to time we think an ombudsman would probably be a better person to be the arbiter.

Ms PATTEN — Right. I was really interested in your recommendation around recognising that one person may move out of the home into high-needs care. It is funny, but I do not feel that any other witness has raised this with us. Your recommendation is around enabling that to happen with no financial loss to the owner, and while not repeating what you have written — for not-for-profits that is one matter — do you think that a similar structure would work in a for-profit situation?

Mr FEE — I do not know if I would like to comment.

Ms PATTEN — I guess it is going to be hard to make a different rule for different villages.

Ms WOLSTENHOLME — I do not know, but I know that we try to work for the benefit of everyone, so in that case there would be three parties. We would want to manage the best outcomes for all of those people. Simon mentioned before about the agency being flexible and innovative. We are and we do try to think outside of the box. That is something that we have put forward, but how it would work for others — —

Ms PATTEN — Have you had that experience with your residents?

Mr FEE — Look, we have had it once. I did actually speak about this with some colleague managers recently. I was told that in fact where they have had that experience the aged-care facility would deem that the person needing to enter the aged-care facility has no assets. So they would not be expecting that person to be paying a significant entry fee. However, you would still perhaps wonder what type of bed would that person get if they are entering under those terms. I think there may still be some benefit in having some legislative framework that can actually give direction to all parties in this sort of scenario, because I am sure it is going to arise more often as men are living longer and they are probably going to be the ones going into aged care and perhaps their partner will stay in the retirement community.

Ms PATTEN — Just one last question, if I may. Is your stock of housing growing? Are you expanding?

Mr FEE — Not at the moment. We would be very keen to, but not at the moment.

Mrs PEULICH — Just on that point, you may have heard that earlier question and that is that the private sector is very good at catering for the middle classes rather than those who are vulnerable and need access to affordable housing, especially single bedrooms and bedsits. Is there any area where we can see that sort of growth occur? Obviously the capital growth for the private sector is not there to justify their investment.

Ms WOLSTENHOLME — I think it is a bit of a juggle. The gentleman pointed out earlier that it depends on where you are marketing, because we have found that some of our smaller properties, and we do actually have some bedsits and some one bedrooms, are not selling.

Mrs PEULICH — They are not selling?

Ms WOLSTENHOLME — They are not selling, but they are fitting a social missional need. It is some of those villages that are our older villages where we have struggled to sell. That is where we are doing that rental model, because at UnitingCare Harrison we have a variety of programs, and one of them is homelessness. As Simon mentioned before, we are seeing a need for older people who, sadly, are presenting with minimal or no assets or who are presenting homeless.

Mrs PEULICH — It is a roof.

Ms WOLSTENHOLME — It is a roof.

Mr FEE — It is, yes.

Ms WOLSTENHOLME — It is a very good roof. They are needed. I suppose again it depends on whether you are talking for profit or not for profit, but even in saying that we need to be able to get funds to keep going what we have got going. It is a balancing act.

Mr FEE — One of the challenges is that we actually operate some NRAS-funded units, and even using NRAS subsidies it is still not easy to actually build from a greenfield site and pay for all the development costs when it is only a rental model. So there are huge challenges. I know that across the nation many companies are moving into trying to purchase caravan parks and the like and converting them into rental villages, but there is a finite amount of those, and so they openly say that you cannot build from nothing and make a rental model financially sustainable. It is a challenge. I know that back in the 60s and 70s the federal subsidy was $3 for every $1 through, and that was the way in which most of these independent living units that we now have were able to be financed. That would be a radical idea for the federal government to reconsider.

Mrs PEULICH — It could be that a state government invests in that particular type of public housing stock. There is a huge mismatch of occupant and premises, because we sort of give tenure for life almost, so there are people rattling around in —

Mr FEE — Three-bedroom houses.

Mrs PEULICH — houses of four or more bedrooms, which to me is not justified when you have families living in a car.

Mr FEE — Absolutely.

The CHAIR — We will have to leave it there. Thanks very much, Mr Fee and Ms Wolstenholme. We appreciate your evidence tonight and again for being here at this hour of the day.

Ms WOLSTENHOLME — Thanks for the opportunity.

Witnesses withdrew.