PO Box 2174
Wellington 6140

t (04) 473 5025
e office@ps.org.nz
w ps.org.nz

Presbyterian Support
New Zealand

August 5, 2022

To: The Social Services and Community Committee

RE: SUBMISSION
on The Retirement Villages Association's Petition to Govt

Introduction

Presbyterian Support is one of New Zealand's largest not-for-profit aged care community providers with services expanding across Residential Care and Retirement Villages through to Home-Based Care, known in every region as Enliven services. In four of our seven regions we have Enliven Residential Aged Care facilities, as well as Retirement Villages. We also provide Home Support services for older people from a further 17 Enliven service centres around the country. This national picture shows our large stake-hold in aged care, operating as seven independent regional organisations with their own range and mix of aged care services. within a Federation model

Thank you for this invitation to submit on The Retirement Village Residents (RVR) Association's Petition. As a member of the Retirement Villages Association, we support the submission of our peak-body and do not support the RVR petition. We have a number of points to raise to support the RVA's position and your deliberations.

We have a unique approach to care

We are unique to other operators listed by the RVR in their petition. We are charitable and not-for-profit, with faith-based values that underpin our service in the community. Alongside our Enliven services in aged care, each region provides Family Works social services for children, young people and their families. We invest the revenue from our aged care services, to extend not just our capability to serve older people, but all other vulnerable members of the community through these Family Works social work, counselling and group programs.

The implication from the RVR submission is that all Operators have an incentive to deliberately slow down the refurbishment of existing villas/apartments to concentrate on new developments; and promote new villas/apartments ahead of existing ones. The opposite is true, at least from our experience.

In our not-for-profit sector and at our size, it is in an Operator's best interests to have all our existing villas/apartments occupied with happy residents who help direct activities and the village environment through their paying of a monthly fee to contribute to shared costs. While occupation of a villa does not guarantee access to on site residential aged care facilities, there is much social interaction and use of amenities/provision of support that is often not on-charged.

PO Box 2174
Wellington 6140

t (04) 473 5025
e office@ps.org.nz
w ps.org.nz

Case Example from North Island: Presbyterian Support Central (PSC)

PSC like other regions of Presbyterian Support, is not a large village operator when compared to commercial providers. The majority of its 8 Villages (total 169 units) are small, in rural/semi-rural/small-town areas with limited amenities, almost all are associated with a rest home providing care across the spectrum of need. These are generally lower value Units and so provide an option for those that own a Family Home that is valued lower than the area's median value.

PSC has no shareholders only stakeholders either living in the villages, homes, or who are in receipt of social services through Family Works. Any extra funds gained are invested back into the homes and villas and social services provision.

The recent slowdown in the housing market has had a marked impact on the enquiry level and the sale times of PSC's retirement villas – slowing the turnover. Perhaps all providers, of all sizes are experiencing the same. Government-imposed lockdowns limited PSC's ability to hold Open Homes or show potential purchasers through villas/apartments, and purchasers have had difficulty in selling their family homes for the same reason.

Case Example from South Island: Presbyterian Support South Canterbury (PSSC)

In Timaru, PSSC is an even smaller village operator. The Croft Retirement Village is located on the same site as the Croft Aged Care Facility in Timaru. In the second half of 2021 development occurred at the Croft site, increasing supported living apartments to 24 by adding 9 new units. The mix now stands as11 fully independent cottages, 4 independent apartments and 9 supported living apartments. The 13 apartments are attached to the Croft Aged Care Facility. The supported living apartments came on stream from December 2021 and as at June 2022 there was only one that had not been sold.

Because PSSC is small, they do not have the facilities that you might see with a larger operator. There is no swimming pool, bowls green, community hub etc. But we understand that in most cases residents are satisfied with the current arrangements in place, appreciating the different price point available in the market by a socially motivated provider. Evidence offered by the RVA (June 2022) shows that the majority of RV residents are satisfied/very satisfied or neutral about their decision to move to a village – with only 2% dissatisfied on specific issues.

PO Box 2174
Wellington 6140

t (04) 473 5025
e office@ps.org.nz
w ps.org.nz

Impacts of Imposing mandatory buy-back times.

For smaller not-for-profit providers there is a need and incentive to have units refurbished and turned around as quickly as possible to provide much needed funds to support the aged care and social care sides of the business. The years 2021/22 have seen unprecedented material supply shortages, delivery delays, skilled labour shortages, and Covid isolation requirements which have all contributed to delays in refurbishment time. These are all aspects beyond operators' control but have provided delays in getting the vacated Unit on the market.

Imposing mandatory buy-back will run the very real risk of putting an already stretched not-for-profit aged-care sector into financial failure, slow development and increased costs for incoming residents. For PSC, the affordability to buy back villas in a very short timeframe (28 days) means it would have to borrow capital from banks or draw on its reserves. For PSSC the impact would be lessened but still significant.

The impact is greater when more than one or two units are for sale at any one time. If PSSC has a unit that requires major refurbishments, then buy back is adopted already to allow the refurbishments to get underway.

> *"The Company's average liability for the buyback of 2 units would be around $522,000 and up to $800,000 for 3 units" . Carolyn Cooper, PSSC CEO.*

The payback of villas within 28 days would have a significant impact on our charitable cashflow, causing significant financial stress in an already challenged not-for-profit sector – and potentially this could increase costs for existing residents. We would have to rely on capital reserves to fund the activity - if borrowed from banks there is the cost of borrowing to also be considered. Mandatory buybacks within 28 days may force reconsideration of PSS's position as a village operator.

We urge the Select committee to consider the viability of 28 days when a villa is destroyed by fire, accident or natural disaster and thus terminating the license. We draw attention to how mandatory buy back in these situations would impact the Not-for-Profit sector.

> *"Currently PSC is obliged to pay the Exit Payment 10 working days after we receive full payment from the insurer. If required to pay the Exit Payment within 28 days of termination, then PSC may be waiting for considerable time to receive any insurance payment." Joe Asghar, PSC CEO*

Impacts of Sharing Capital Gain

As a Not-For-Profit, sharing capital gain and immediate buy backs impacts choice for new residents by limiting the rate of building new villages. Regions with Retirement Villages would lose capability to grow and would have to reduce the scale of building. This would mean less Not-for-Profits in the sector, in the future.

Presbyterian Support
New Zealand

PO Box 2174
Wellington 6140

t (04) 473 5025
e office@ps.org.nz
w ps.org.nz

Loss of capital gain undermines the sustainability of our Not-for-Profit model Villages. Our villages are not generally in any big city; our homes are not increasing at the same rate as Auckland or Wellington, so our capital gain is far less to begin with. The Villages are also set at a much lower, affordable price. Sometimes the refurbishment costs eat into most of, if not all of the capital gain due to our ageing villas.

Whilst turnover is reasonable, it also costs when it comes to selling the property. We do not have big waiting lists so we have to advertise, run open homes, print flyers, advertise on the radio etc, all of which is getting more and more expensive. If we employed an outside agency to do this, then we may have very little or no capital gain to actually share in some cases.

We put to this Committee that any expectation of providers to share in capital gains with the resident/family, should be tempered with the expectation of residents/families to pay their share of expenses, to on-sell units.

Legislation is unnecessary

In its submission the RVA points out "retirement villages are a success story in New Zealand" given that every independent survey of residents show high satisfaction rates. The RVA also points out that New Zealand's rate of re-licensing village units is significantly faster than in Australia.

We understand the Retirement Village Association (RVA) is currently looking at the requirements under the voluntary code of conduct for village operators, after consulting extensively with local village resident committee officers. The consultation will result in a suite of industry best practice standards that all RVA members including Presbyterian Support would sign up to. They would then become part of the RVA's accreditation audit regime, a process that is undertaken every three years to ensure continued membership. We consider this a practical and good-faith approach for all concerned parties.

We hope our submission makes clear the significant financial implications for us as charitable, not-for-profit providers in the regions. We sincerely believe our model of aged care is unique and should grow as the population of older people grows in New Zealand. When our regions lose viability to provide aged residential care, the local communities will also lose broader care services and vital social services supporting tamariki, rangatahi and their whānau, that our model of investment provides.

We hope with our case examples you have cause to consider not only the impact for a regional not-for-profit charitable provider, but also for the residents with providers like us. We hope this leaves you considering the value and scope of that provision to future residents in our region. We ask the Select Committee to consider whether it is wise to make changes when those changes won't significantly improve already high satisfaction rates among our residents, while it may be a blow to the sector serving them.

Presbyterian Support
New Zealand
PO Box 2174
Wellington 6140
t (04) 473 5025
e office@ps.org.nz
w ps.org.nz

As the RVA pointed out in their submission, tougher financial settings for providers may result in higher asking prices for residents, a slowing down of new developments when the ageing population is growing, or a decrease in the range of living choices for older people in the future. None of these outcomes, in our view, are positive for residents.

Yours sincerely,

Dr Prudence Stone
National Executive Officer