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TRANSCRIPT OF PROCEEDINGS

O/N H-1245085

THE HONOURABLE T. PAGONE QC, Commissioner
MS L.J. BRIGGS AO, Commissioner

IN THE MATTER OF THE ROYAL COMMISSION INTO AGED CARE QUALITY AND SAFETY

SYDNEY

9.19 AM, FRIDAY, 14 AUGUST 2020

Continued from 13.8.20

DAY 87

MR R. KNOWLES SC appears with MR P. BOLSTER as counsel assisting

COMMISSIONER PAGONE: Mr Knowles, for the benefit of those who have been waiting for the livestream, I should just indicate there have just been one or two unforeseeable technical problems, most of which we have resolved, but apparently one is still unresolved, as you will probably explain in a minute.

MR KNOWLES: Yes, thank you, Commissioner. I now seek to call Dr Brendan Radford, Mr Simon Schrapel and Ms Peta Harwood. And I understand that Ms Harwood's video is not operating properly, so she is just attending by audio link at the moment.

<BRENDON RADFORD, AFFIRMED [9.20 am]

<SIMON ANDREW SCHRAPEL, AFFIRMED [9.20 am]

<PETA FLORENCE HARWOOD, AFFIRMED [9.20 am]

<EXAMINATION BY MR KNOWLES

MR KNOWLES: Thank you. Dr Radford, can you please state your full name for the Royal Commission.

DR RADFORD: Dr Brendan Radford.

MR KNOWLES: Yes. And, Mr Schrapel, can I ask you to do the same.

MR SCHRAPEL: Simon Andrew Schrapel.

MR KNOWLES: And, Ms Harwood, could you please state your full name.

MS HARWOOD: Peta Florence Harwood.

MR KNOWLES: Thank you. Dr Radford, you're the Manager of Policy and Advocacy at National Seniors Australia?

DR RADFORD: Yes.

MR KNOWLES: And you have not provided a statement as such, but there are two papers on downsizing in the general tender bundle. And I will ask for them to be brought up now. They're at tabs 5 and 6 of the general tender bundle. Do you see those first pages of each of the documents there on the screen, Dr Radford?

DR RADFORD: Yes, I do.

MR KNOWLES: Thank you. And can you confirm that those papers set out the position of National Seniors Australia.

DR RADFORD: Yes, they do.

MR KNOWLES: Thank you. Mr Schrapel, you are the Chief Executive Officer of Uniting Communities?

MR SCHRAPEL: Yes, I am.

MR KNOWLES: Thank you. And you have prepared a statement dated 7 August 2020. And that is RCD.0009.0426.0001. And I will ask for that to be brought up on the screen now. Do you see on the screen the first page of your statement, Mr Schrapel?

MR SCHRAPEL: Yes, I do.

MR KNOWLES: Thank you. And have you read your statement lately?

MR SCHRAPEL: Yes, I have.

MR KNOWLES: And are there any changes that you wish to make to your statement?

MR SCHRAPEL: No changes.

MR KNOWLES: And are the contents of your statement true and correct to the best of your knowledge and belief?

MR SCHRAPEL: They are.

MR KNOWLES: Thank you. I seek to tender the statement of Mr Simon Schrapel, dated 7 August 2020.

COMMISSIONER PAGONE: Exhibit 19-3.

EXHIBIT #19-3 STATEMENT OF SIMON SCHRAPEL (RCD.0009.0426.0001) DATED 07/08/0202

MR KNOWLES: Ms Harwood you're the Manager of Development Services at Brisbane City Council?

MS HARWOOD: That's correct, yes.

MR KNOWLES: And I can now see you now. That's excellent. Thank you. Now, a colleague of yours, Ms Natasha Bowers, has prepared a statement dated 11 August 2020. And I will ask for the first page of that statement to be brought up on the screen now, which is RCD.9999.0441.0001. Do you see that first page of the statement there?

MS HARWOOD: Yes, I do.

MR KNOWLES: Now, Ms Bowers is unable to attend to give evidence today, but she reports to you; is that correct?

MS HARWOOD: That's correct.

MR KNOWLES: Yes. Now, there were two annexures to that statement that I will ask to be brought up on the screen now, as well. The first was Brisbane's Future Blueprint, dated June 2018, RCD.9999.0433.0001. Do you see that document?

MS HARWOOD: Yes, I do.

MR KNOWLES: And I will bring up beside that, if may, the city wide engagement summary report, dated May 2018, which is the second annexure to the statement, RCD.9999.0433.0021. And do you see that document?

MS HARWOOD: Yes, I do.

MR KNOWLES: Are they the annexures that are referred to in Ms Bowers' statement?

MS HARWOOD: That's correct.

MR KNOWLES: Yes. Thank you. And have you read Ms Bower's statement lately?

MS HARWOOD: Yes, I have.

MR KNOWLES: Thank you. And, insofar as it doesn't relate specifically to Ms Bowers, are the contents of the statement true and correct, to the best of your knowledge and belief?

MS HARWOOD: Yes, they are correct.

MR KNOWLES: Thank you. I seek to tender that statement of Ms Bowers, dated 11 August 2020, with the two annexures that are referred to, Commissioners.

COMMISSIONER PAGONE: Yes. Well, the statement of Ms Bowers and annexures to the exhibit are 19-4.

EXHIBIT #19-4 STATEMENT OF MS BOWERS AND ANNEXURES TO THE EXHIBIT DATED JUNE 2018 (RCD.9999.0433.0001, RCD.9999.0433.0001, RCD.9999.0433.0021)

MR KNOWLES: Thank you. Dr Radford, can I ask you first to briefly state your professional experience.

DR RADFORD: Yes. I'm the Manager of Policy and Advocacy at National Seniors. I have been with National Seniors for about five years, previously as a senior policy adviser. Prior to that I worked as a senior policy adviser in another role with Queensland Council of Social Services. I have a PhD in sociology. And I have completed an undergraduate degree where I had a planning major.

MR KNOWLES: Thank you. Can I ask you, Dr Radford, to briefly state what the role of National Seniors Australia is. What does it do?

DR RADFORD: So National Seniors an organisation that represents the interests of older Australians, generally. It's primarily an advocacy organisation, but we also provide services and other things. And we are an organisation that has a membership base, but also is – represents the broader community through our campaigns.

MR KNOWLES: Thank you. And, Ms Harwood, can I ask you also to briefly state your professional experience and describe your role at Brisbane City Council.

MS HARWOOD: Yes. I'm the Manager of Development Services at Brisbane City Council. I graduated with a Bachelor of Regional and Town Planning first class honours in 1995 and I've worked as a town planner ever since then. I most recently joined Brisbane City Council again in 2012, with one year out from that, in that period. In my current role, I am responsible for overseeing all of the end to end development assessment functions in council, which is from pre-lodgement meetings through to assessment, through to ensuring the outcomes on the ground and conditions are complied with.

I was also in the city planning branch when our aged care and retirement living incentives were being developed, in terms of the regional research and developing those incentives. I worked for Brisbane City Council, which is one of the largest local governments – which is the largest local government in Australia, with 26 wards and 27 elected members.

MR KNOWLES: Thank you. And, Mr Schrapel, you've been in the role of Chief Executive of Uniting Communities since 2010 and you otherwise have a background in social work with postgraduate qualifications in public policy and management. Is that correct?

MR SCHRAPEL: That's correct.

MR KNOWLES: Yes. Thank you. And you've stated in your statement that you have 40 years of experience in practice, administration and management in public and not-for-profit social services in Australia and the United Kingdom.

MR SCHRAPEL: That's correct.

MR KNOWLES: And you have occupied various positions in advocacy and other non-government groups and government advisory bodies, such as President of ACOS, Chair of Families Australia and Chair of Foodbank South Australia?

MR SCHRAPEL: Yes, that's correct.

MR KNOWLES: And prior to your current position working at Uniting Communities you were Executive Manager at Anglicare South Australia?

MR SCHRAPEL: That's true.

MR KNOWLES: Now, can I ask you, Mr Schrapel, in respect of Uniting Communities, your statement describes the U City development in the Adelaide CBD, a 20 storey mixed use development there. Can you briefly describe the features of that mixed use development?

MR SCHRAPEL: Yes. It's a development that we embarked on about six years ago, completed just over 12 months ago. And so we've been in the building for about 12 months. It is referred to as a radical mixed use development across 20 storeys. It has a number of functions and uses, not only accommodation. We actually have six floors and 41 apartments of retirement living. We have two floors and 18 apartments of accessible hotel accommodation, which makes the building a 24/7 operation. We have 21 units across three floors of specialist disability accommodation.

We have commercial office accommodation. We have a major commercial law firm that operates out of the building. We have a number of other floors which become part of the head office for Uniting Communities. We have a range of social services, from youth health services through to alcohol and drug programs, to allied health services, to financial and other counselling programs operating out of the building. It has a very large function centre for 300-plus guests which is a public function centre. It has bars and restaurants. It is truly a very unique mixed-use development which is what we call a vertical community which has been able to integrate all of those different functions in a very seamless way.

MR KNOWLES: Thank you, Mr Schrapel. In terms of the six floors of apartments for retirement, can you just explain to the Commissioners how they are designed to provide for people to age in place?

MR SCHRAPEL: Yes. We have designed all of those apartments which are from one to three-bedroom apartments at the Gold Livable Housing Guideline Standards,

so with all of the accessibility features. The building itself is a highly accessible building because it has been designed not only for that group of people living in retirement living, but others living with physical impairments and disability to actually ensure maximum accessibility throughout the building but we have certainly featured that in those apartments for retirement living as well. But it's not just the way we have designed the apartments. I think as critically what we have done in the building is to actually ensure there are a number of points of interaction for all users of the building, whether they happen to be people who work in the building, people who live in the building or people who work in the building.

We have a number of social spaces; some of those are dedicated just for those in the retirement living. They have their own clubhouse, but we actually have other breakout, you know, sort of clubrooms and social spaces peppered throughout the building where all users of the building come to meet and socialise.

MR KNOWLES: Thank you. Can you explain how there is an integration of that accommodation feature as well as care services that can be provided to people who live on those six floors, if they need them?

MR SCHRAPEL: Yes, I mean, integration and connectivity has really been the guiding feature of the development. I mean, we set out to ensure that we had a building that didn't segregate the different uses and, you know, they are quite discrete and different uses as I've described earlier. But the feature of the building was to ensure that we had opportunities for people to be able to come together, in a sense, to enjoy the richness of that diversity and the interactions that occurred. So as I said a moment ago, we have actually designed a number of places in the building that become the connector points for people in those residential – sorry, in the retirement living apartments as well as other people who are living in the building, as well as those people that work in the building, as well as those that actually come and visit the building for services.

We do provide care services for those through our community aged care packages into retirement living. Some of that is provided by our organisation, Uniting Communities, but people actually bring their own providers in for a variety of different care services to enable them to actually live as independently as they can in those apartments.

MR KNOWLES: Yes, thank you. In relation to other work that Uniting Communities undertakes, does it also provide social housing and residential aged care for older people?

MR SCHRAPEL: Yes. We have two residential aged care facilities, one with a sort of small house type arrangement in a suburban area, and another one of 60 beds. We have quite extensive community aged care programs. So the Commonwealth Home Support Program, and also the veterans program and aged care packages which we deliver to people in their homes right throughout South Australia.

MR KNOWLES: And is Uniting Communities engaged in any provision of social and affordable housing, Mr Schrapel?

MR SCHRAPEL: No, we are not a community housing provider. We are looking to actually develop some new properties that will have social housing components, but we are not a community housing provider.

MR KNOWLES: Thank you. Dr Radford, can I turn to you. Can you tell the Commissioners what National Seniors Australia sees as the major challenges facing older people in Australia when it comes to their accommodation needs?

DR RADFORD: Yes. National Seniors has a focus on home care and we, through our research, and through synthesis of other research have found that one of the key issues for older people in terms of staying at home is – the first is that there's a lack of accessible housing, and housing that people actually want. They're in the market. So that's probably the primary problem that we see, is that unfortunately the market is not providing housing that people want or need, and this is something that needs to be addressed. The other barrier – major barrier for older people are economic barriers. So things like stamp duty; the cost of stamp duty really stops people from downsizing to housing that they really need, and that is more appropriate for them. And along that – also just the general costs of – and the houses that are involved with downsizing to appropriate housing.

The other issue around home care and providing home care is the issue about the cost of home care and the cost of providing the actual services that people need when they're in the home. And that is something – as we know, there is a lack of packages that are available. People are on waiting lists, people are dying waiting for home care. And also there's a lot of people are – sorry, asset rich and income poor. They might own their own home, but they don't have access to income that could help them to supplement their home care packages that would them to stay at home and out of residential care.

MR KNOWLES: Thank you. Mr Schrapel, what do you see as the major accommodation challenges facing older people in Australia?

MR SCHRAPEL: I think there are a number of them. Certainly, affordability, I think we are encountering, through a number of our other programs, a growing number of older people who don't own their own homes and as they finish up their employment are then actually struggling to actually meet rental payments, you know, which were probably possible while they were actually in employment but become increasingly difficult when they are relying on a pension as their major form of income. So I think affordability is a key issue.

Certainly, accessibility. And we know that for some people, they enter residential aged care prematurely because the properties they are in are really not suitable for their needs and they can't live there independently as possible. I mean, the other major driver of people coming into residential aged care is, really, the pressure on

carers in the home. And I think, back to Dr Radford's comments, the accessibility to aged care – home-based aged care programs that can actually support people in the home is essential and we find a lot of people not being able to access those programs and they're not adequate to actually maintain them living independently in the home.

MR KNOWLES: Yes. And, Ms Harwood, can I ask you for your views on this topic as well. What do you see as those major challenges, accommodation-wise at least for older people in Australia?

MS HARWOOD: I think Brisbane City Council's perspective on this was that we have some research that indicated that we would have a shortfall in supply of purpose-built retirement and aged care accommodation. So we sought to improve the supply in Brisbane so that residents of Brisbane could age in place and stay within the communities in which they live and maintain their social connections. We are a city which is primarily an infill city now. We don't have a lot of greenfield land, and we were seeing that a number of the facilities, if people wanted to move to those purpose-built facilities, would have to move outside the Brisbane local government area to take up that accommodation.

So certainly that supply of the purpose-built accommodation. Through our planning scheme we don't necessarily retrofit – so regulate retrofit of people's houses so we didn't see that as an immediate need so it was more the purpose-built accommodation that we sought to incentivise.

MR KNOWLES: Yes. Dr Radford, in respect of the papers that are in the general tender bundle that we took you to earlier relating to downsizing that were prepared by National Seniors Australia, is there a particular focus in those papers on downsizing for people who own their own homes or at least paying them off by way of any mortgage that might be outstanding in respect of the property?

DR RADFORD: Yes, for sure. That's something that – we know that around 80 per cent of people own their own home over the age of 70, so it's important that those people have an opportunity to be able to have accommodation which meets their needs as they age or to be able to transition to accommodation that is appropriate for them.

MR KNOWLES: Can I ask you this: you have set out in your paper when you regard as the benefits of downsizing for older people. Are there broader benefits for other members of the community for the broader population?

DR RADFORD: Well, I mean, the argument is that obviously if people are downsizing, they have homes that are inappropriate for them as they got older, that this will free up housing stock. There's obviously benefits, potentially in construction, for, you know, the construction of new housing or infill housing or whether it's retirement villages or, you know, small housing projects that are catered for older people. So I think there are economic benefits of that.

MR KNOWLES: Yes. And can I bring up now a page in the earlier document prepared by National Seniors Australia, which is at tab 6 of the general tender bundle and, in particular, a chart in that particular report. This goes to the downsizing difficulties that people face. Can I just ask you, in respect of the 20.2 per cent who have said that there's too much effort in moving, do you think that has anything to do with people not planning earlier for downsizing?

DR RADFORD: Yes, I think it is. There was some other research that was done which showed that most people who downsize, downsize earlier in life and that it's much more difficult as people get older. So there's certainly a barrier if people don't downsize early enough. The problem with that is, as other research has shown, that people don't actually think about the consequences of ageing until they get much older. So we have got a real problem there getting people to think about, at an earlier age, well, what do I really need. And also people want to retain independence. They want to – you know, they want to have – they don't necessarily see themselves as being old when they're in their 60s and 70s. So there's some issues there in terms of how people see themselves and see what housing they actually want and need for a later life.

MR KNOWLES: How might – what might be done to actually solve those problems or issues that you have referred to in respect to the way in which people see themselves and perhaps aren't looking necessarily as much to the future as they otherwise ought to be?

DR RADFORD: Yes, that's probably a difficult one but, I mean – I think I go back to what our research has shown, is that people, when you ask them about downsizing, they generally say there's just not the options there that they're interested in. So, for example, we did a submission to an ACT Housing Choices consultation a couple of years ago, and we worked with the policy advisory group who were connected to the branches there and they wanted to stay in their local community. But their local community might have been, you know, a low-density residential area. There not dual occupancies, partly because of planning laws and also NIMBY issues, but they didn't want to have to move to an apartment complex somewhere near the city in Canberra. They wanted to be able to stay in their local community.

So there's just this lack of housing. If the housing was there that suited their needs they probably would consider it earlier, I would think. But you're not going to look around if there's nothing there, I guess.

MR KNOWLES: Is there a need for some sort of public education campaign as well, in the view of National Seniors Australia or are people sufficiently aware of the option of downsizing but they are just not attracted to it because of a lack of options that are available?

DR RADFORD: I think with anything, there's definitely a need for public education on this. It's just, I guess, how it will be funded and how you would go about that. One of the problems with downsizing as a concept is that people, as soon

as you say the word downsizing "I don't want to be forced to downsize", you know, and that's – that's, you know – and what we say it's not about that. It's about providing the opportunities and people can choose to do that. People should not be forced out of their home. People should not be forced to downsize, but it's about creating communities which are appealing in terms of being able to change.

And also when you come to the economic factors, things like stamp duty and the cost of housing, if those costs are minimised then there's less of a barrier – a psychological barrier for people to then move to new places.

MR KNOWLES: Yes. Can I just turn to that issue of stamp duty. Obviously, it's one of the things that's referred to in the chart that's still on the screen there. And there are stamp duty concessions for older people who might be downsizing in some states and territories across Australia. But there are differing positions from state to state. And some states and territories don't have those concessions. Can I ask this, what does National Seniors Australia say about the concessions that do exist? Does it regard them as satisfactory?

DR RADFORD: In the most part, yes. There's – Victoria and ACT and Northern Territory have fairly generous schemes. Tasmania has a new scheme, which we were lobbying for as part of our state budget process through our policy advisory groups. That's not quite as generous and probably could be better. I mean, the good thing about the ACT schemes is that, you know, it is graduated, so that, you know, people who have very expensive houses don't get that same concession. And we think that ACT and Victoria have – and the Northern Territory have the settings fairly right. And we would like to have that extended through to the other states and territories.

MR KNOWLES: Do you think, Dr Radford, that there's potential unfairness of providing stamp duty concessions just for a single demographic within the population?

DR RADFORD: No, I don't think so. I think that if it's targeted and that it's – you know, a lot of public policy is there – you know, targets particular groups within the community. And I think this is just doing that. So I think the main thing is to make sure that the way that it's targeted ensures that those who are at the lower end, who need that assistance, will get that assistance.

MR KNOWLES: Yes. And, just in relation to other alternatives, one other alternative might be replacing a stamp duty more generally with a land tax. What's the view of National Seniors in respect of that alternative?

DR RADFORD: Sorry. It was just breaking up then.

MR KNOWLES: Pardon me. So one alternative to stamp duty removal or stamp duty concessions is replacing stamp duty with a land tax option. What's National Seniors' position in respect of that?

DR RADFORD: We don't have a position on it per se, but I would say that shifting away from stamp duty to land tax has its issues. We know in the ACT, for example, that, as they're phasing in land tax and getting rid of stamp duty, the feedback that we're getting from some of our members is that there's this annual cost that they've got and they're really concerned about that. And I'm not so sure that there's – older Australians are necessarily keen to pay land tax, as opposed to stamp duty, because a lot of them have, you know – they've paid stamp duty in the past, and so it has to be transitioned over a long period and be very carefully done.

MR KNOWLES: Yes. Mr Schrapel, can I turn to you. In relation to that issue of stamp duty concessions and how there's a bit of a patchwork as to how they apply across Australia, do you think that that type of variety of arrangements points to the need for an intergovernmental national strategy for housing for ageing?

MR SCHRAPEL: Yes, I think it does. And, indeed, I think we actually need a national strategy for housing, of which a component needs to be focused on housing for older Australians. But – and I think it's very sad that we don't have a national strategy that actually ensures some coherence in relation to the way Australians are able to access housing right throughout the lifespan, really.

And, you know, as a result of that, we do have this patchwork which creates a number of inequities between the states and territories which don't have any logic to them. You know, I appreciate that different jurisdictions will want to prioritise particular groups from time to time. And, you know, we see that in terms of first home buyers allowances, but I think a national strategy that actually enabled us to best use the assets we have in Australia and to give really strong policy direction right across from, you know, dealing with issues of people who are experiencing homelessness right through to home ownership and how to deal with all of those issues in a way that actually get better housing outcomes makes eminent sense.

MR KNOWLES: And what type of issues do you see that that type of national strategy for housing – what type of issues do you think it would address in respect of older people who do not own their own homes?

MR SCHRAPEL: Yes. I think one of the key issues will be affordability, particularly in the private rental market. And whilst at the current point of time, you know, the majority of older Australians are in home ownership, we are seeing those trends shift. We're seeing them shift right across all age spectrums at the moment. And so private rental accommodation is now becoming the more predominant form of accommodation for most Australians.

Now, for some, that's a preference. For others it's an affordability issue about being able to break into the housing market. But for older Australians, who are going to be financially disadvantaged later in life when their incomes reduce after they finish their employment, it's a significant issue, because they are now caught in this trap of not being able to even retain the home that they are in, whether it's appropriate or not in terms of – from an amenity point of view. For many, they're having to actually

give up the homes that they've actually been in, because they can no longer afford to rent them.

So I think something – you know, we do have Commonwealth schemes, the Commonwealth Rent Assistance Program, which is supposed to sort of supplement for private rentals, that needs an urgent review, in my view, to actually ensure that there is greater access, you know, right across all age spectrums. But if we're talking about older people, that they can actually have a greater access to that. And it needs to be increased to actually enable people to retain or go into properties that are suitable for their needs.

MR KNOWLES: Yes. Ms Harwood, earlier on we brought up on the screen Brisbane's Future Blueprint, prepared in 2018. And one of the actions in that plan as such was to create and implement a housing strategy to ensure supply for people at every stage of life. Has that been done by Brisbane City Council, to your knowledge?

MS HARWOOD: No, that's currently underway, though. So it's in the early stages. We're currently getting some consultancies done, etcetera. We're due to deliver that next year.

MR KNOWLES: Yes. And do you think that the council would benefit, in determining in its own housing strategy, by having a national housing strategy as such in place or some sort of indication at an intergovernmental national level about the strategy for housing?

MS HARWOOD: Look, I think so. Our housing strategy will look at different types of housing typologies and how we can best support the growth that we're anticipating in Brisbane. We're actually we are providing for the whole spectrum of our community and their different needs in terms of affordability and those issues, as well. As part of Brisbane's Future Blueprint, our over 50s survey actually indicated the thing they're most concerned about in terms of affordable is that transition to aged care. So I'm sure that will feature in our housing strategy further.

I think one of our experiences has been that, in trying to incentivise more purpose built retirement and aged care retirement facilities in Brisbane we have certain levers within local government. And that is such as infrastructure charges, reductions or the way that we can modify our planning system to allow for more streamlined approvals, etcetera. But we don't really look after the building codes and those kind of things. While we have a universal housing design incentive, we can't really mandate that, but we can incentivise that through payments. So I think all levels of government working together would be beneficial.

MR KNOWLES: Yes. So a national housing strategy might be of assistance in terms of those interplays between the National Construction Code, for instance, on the one hand - - -

MS HARWOOD: Yes.

MR KNOWLES: - - - and other measures that are being undertaken at a local government level. Is that the gist of what you are saying?

MS HARWOOD: That's correct. Yes. And the state government is primarily responsible for social housing, as well. So all these three levels of government are in this space.

MR KNOWLES: What about you, Dr Radford? Do you see a place for such a type of arrangement whereby there is some sort of national housing strategy that at least somewhere deals with the housing needs for older Australians?

DR RADFORD: Yes, I do. I think that that would be a good positive step towards trying to get more housing for older people.

MR KNOWLES: Yes. While I'm with you, Dr Radford, one of the other measures that was mentioned in the chart that was on the screen earlier – and perhaps if we can just bring that back up on the screen, the chart at – in general tender bundle tab 6, page 0881. Another matter that was mentioned in that chart was the aged pension means test. Now, in the National Seniors submission that we referred to earlier, there is a suggestion that there ought to be a removal of means testing on the proceeds of downsizing, as such. How would that work in practice, Dr Radford?

DR RADFORD: So previously we advocated for the – I guess, up to a $250,000 quarantining of proceeds from downsizing from the aged pension means test and the assets test. We don't – we're not pushing that idea at the moment. But, essentially, that's to just take away that disincentive to downsize, because as soon as you free up that capital, you might get less of a pension. We're actually more interested in the idea of a universal pension which would, at the opposite end, take away new incentives to overcapitalise on housing, because people would be more likely to put their money into investments that generate income and they would probably be encouraged to downsize.

MR KNOWLES: And would that be universal pension scheme be accompanied by tax reform which would, effectively, ensure a progressive tax on people's incomes accompanied with that universal pension scheme?

DR RADFORD: Yes. There would have been to be some form of tax reform in order to pay for the cost of introducing universal pensions, but, essentially, you're shifting from a means testing approach through Centrelink to using the tax system. That way there is the safety net, but – that can operate, but those people who earn too much money, as it's done in Canada and New Zealand and various other countries, the cost of the universal pension is recouped through the tax system.

MR KNOWLES: In the National Seniors' submission, it's said that there are large impediments to that type of arrangement, a universal pension accompanied by tax reform. What are they?

DR RADFORD: Well, I guess primarily it's a significant change to the system that we have. So any change to the system like that would be difficult.

MR KNOWLES: Structural impediments, in that sense, Dr Radford?

DR RADFORD: Sorry?

MR KNOWLES: You mean sort of structural impediments in that sense?

DR RADFORD: Political impediments. And, obviously, you know, when you talk about changing the tax system, you know, there would be potential pushback from the public. But, you know, when we've raised this issue through our membership and through the broader community, we've seen general support for the idea. You know, currently with the COVID crisis, we're seeing people who are, you know, who are part or self-funded retirees who have lost significantly on their income and they're having to draw down significantly on their capital, which is actually undermining their ability to help pay for their retirement, which is then, therefore, putting pressure back on the aged pension.

A universal pension would allow somebody to get an income and then if – in the situation where they are earning enough money, they just pay it back through the tax system. In Canada, for example, there's a recovery tax which, essentially, when you earn over $127,000 a year, Canadian dollars, you no longer receive the pension. So there are ways that it can be done. It's quite a – you know, it's a huge change to the way the system is. But one of the advantages of it is that people will no longer have to deal with Centrelink. And we hear from members all the time that they get sick and tired of dealing with Centrelink, because it's a cumbersome organisation to deal with – or department, sorry.

MR KNOWLES: Just in terms of this reform, you've talked about just then consultation with the broader community. Is there ever feedback in terms of how this could potentially lead to some degree of intergenerational wealth disparity to remove means testing or to provide these other measures that you're talking about?

DR RADFORD: I mean that's one argument that's put forward, but I think if the tax system is reformed in the right way, then that won't happen, because people who earn too much will, essentially, pay it back through the tax system. And so it sounds a bit like shifting deck chairs on the Titanic but, I mean, it really is about just changing the way in which we apply means testing, so it's not means testing through, you know, this alternative of Centrelink. It's just doing it through the tax system. And provided you get those settings right, then it will be fair. And that's something that we need as a fair – currently, the taper rate that is applied to the means testing means that somebody who has $800,000 in savings, a couple, earns less than

somebody who has $400,000 in savings. The system is supposed to encourage people to save money, and that's not what's happening under the current setting.

MR KNOWLES: Just on the questions of savings and equity, you mentioned earlier people being asset rich and income poor. There is an existing pension loans scheme that provides for something in the nature of a reverse mortgage and you have referred to that or National Seniors has referred to that in its submission. Is there much – you've said there's not much public awareness of that scheme. Why is that?

DR RADFORD: I think because it just hasn't been promoted by government. We are trying to promote it as much as we can. One of the other issues is that the interest rate currently is still a bit too high. It was brought down from 5.25 per cent to 4.5 in December or January, but it is still slightly high, we think, and that's not attractive to people. But we think the scheme is actually, really – is a really great opportunity for government to allow people to release the equity in their home to help them pay for the care, particularly. You know, people are there, they've got their homes, but they can't access the money out of them. They don't want to leave their home, and we don't want them to leave their home; we want them to stay there and get home care in their home, but they can't do it unless a scheme like this is attractive to them.

MR KNOWLES: You say that interest rate is regarded as too high. How should it be calibrated?

DR RADFORD: Well, I guess from what we've seen in terms of interest rates more generally that they are dropping, you know, quite significantly, and I guess what we – what people – when people look at the interest rate that it sits at the moment, they look at what, you know, market rates are; it seems a bit too high and I think it needs to be investigated as to, you know, what is the right setting to attract people to this? I mean, the other thing about this is that it's actually a stimulus. People will take money out of their homes and they will spend it on care or spend it on things which will actually stimulate the economy so we think it's a win-win for everybody, given the low interest rate environment that the government can loan at.

MR KNOWLES: Yes. One of the things that you have also mentioned, Dr Radford, in the submission relates to, in terms of potential to improve the situation for people to age in place, is improved planning laws. And perhaps on that, if I can turn to you, Ms Harwood. What has Brisbane City Council done to promote accommodation for ageing in place, in particular, in respect of the universal housing design incentive that you mentioned earlier?

MS HARWOOD: Okay. In terms of the Universal Housing Design Incentive, that was introduced in 2019, so it is early days. But what we are offering is a 33 per cent reduction in infrastructure charges paid when the building is built, as built. And that applies from July 2019 through to June of 2021 at this point. What we are looking towards for that design incentive, it applies to a number of zones, so all the residential zones, the centre zones and the mixed-use zone, and it applies to any building including multiple dwellings, townhouses, flats, apartments, residential care

facilities, rooming accommodation and dual occupancies that incorporate gold or platinum standard under the Livable Housing guidelines. And that's really the eligibility criteria. The purpose of the incentive is really to benefit, not only the aged community but anybody living with a disability or with any other sort of mobility needs in the community.

MR KNOWLES: Yes. Why is it that you say it's only for eligible developments between mid-2019 and mid 2021? Is there a particular reason for that confined period of operation of the incentive?

MS HARWOOD: No, there's no particular reason. It was announced and commenced immediately in terms of developments being eligible in that period. That's the extent of the initiative at this point, but that's not to say that it won't be extended. At this point we have had a number of applicants taken up. We've had three applications already approved for that first year, four applications under assessment, and we've have had 14 pre-lodgements meetings. So typically we will see how the incentive is taken up and whether it should be extended, but no decision has been made to extend beyond that at this point.

MR KNOWLES: Is it too early days to have undertaken any assessment of the effectiveness of the incentive, or has that already occurred?

MS HARWOOD: I think, having only been one year for that particular incentive. The other incentives that we introduced in terms of planning rules around purpose-built retirement and aged care have been running much longer, since 2016, so we can see some results from of that, but in terms of the Universal Housing Design Incentive, it's only really in the first year so quite early.

MR KNOWLES: And just in terms of that retirement and residential aged care planning code, can you just explain briefly how that operates and what it does to facilitate a greater supply of that kind of accommodation?

MS HARWOOD: Sure. So it's a little bit more multifaceted than we have gone for with the Universal Housing Design Incentive. The Universal Design Housing Incentive is just a financial incentive in terms of infrastructure charges. The Retirement And Aged Care Incentives were twofold: there was the financial incentive, the same 33 per cent reduction on infrastructure charges for qualifying developments, but also we made a number of changes to our planning scheme. The changes to our planning scheme were really to create a little bit more of a level playing field. There's only so much land in Brisbane. We were finding that these types of facilities were competing with traditional sort of multiple unit dwelling type developments for land, and because they are unable to do presales in the same way that a multiple dwelling might, they weren't able to compete for the sites and quite as viable.

And so we made a number of changes to our planning scheme to streamline the assessment and also some process changes as well, so we offered free pre-lodgement

meetings. We had a Key Account Manager which is Natasha Bowers who made the witness statement. We also made changes to the code to reduce the level of assessment to code assessment and also allow for that in more zones across the city. So we wanted these facilities to be really well located, where they were close to centres and public transport, so in our high and medium density zones. We also allowed for a higher building height than you might get for a corresponding multiple dwelling in that zone, providing the building transitions were provided. So really to provide that level playing field.

The level of assessment change is significant because we were hearing – and I've seen it in the other witness statements as well – that there's a real uncertainty around applying for planning approval for these type of purpose-built facilities in terms of the risk of submitter appeals. So in Queensland we have code assessment, so our – changes to our planning scheme were around making these facilities code assessable where they met the requirements of the code which meant that those applicants weren't exposed to third party appeal rights. So we still took into account the submissions of the community and we certainly set up the code requirements to be a good neighbour of these developments. But it took away that risk level and provided for certainty in terms of the approval time but also the certainty in terms of not having to go to appeal as regularly.

MR KNOWLES: And has the effectiveness of that measure been assessed in some way by Brisbane City Council?

MS HARWOOD: Yes. Look, we have had 17 approvals proceed to infrastructure agreement to take advantages of the infrastructure agreement in that time. And in the witness statement there are some numbers around – indicating the take-up. Because it was a two-phased incentive program, the infrastructure charges reduction was able to be implemented immediately. So that came in in 2016. And you will see in the witness statement that typically development takes around about 12 months to respond and actually an application to go through and actually complete – or commence development. So you see from 2017 that we markedly increased the number of residential aged care beds and independent living units.

And the amendment itself was advertised in 2018 which meant we could give it more weight when it came into effect. So again, through that period that's when the other further incentives kicked in around the additional building height and the code assessment. So it does take some time for these sort of incentives to, I guess, commence, particularly planning scheme amendments but – and it does take some time for the industry to respond but we have seen a reasonable take-up and an increase in supply, yes.

MR KNOWLES: So in that regard, since it was introduced, what's the actual amount of applications that have been successful and what amount of developments have proceeded to completion?

MS HARWOOD: There's three that are actually completed. They actually have until the end of this year – December '20 – to substantially commence which means they don't have to be completed, so we have three that actually have commenced use. We have got 11 with building approval, and 27 with approval that have not yet commenced. But as I said, 17 of those have committed to an infrastructure agreement that they will substantially commence by December '20.

MR KNOWLES: Right. And does the code itself prioritise accessible dementia friendly small home models of residential aged care?

MS HARWOOD: Smaller home models was not a feature of the incentive. As I sort of foreshadowed earlier, we already – we don't really – we don't regulate dwelling houses generally under the planning scheme or certainly not retrofit if people – retrofitting their own home. Dual occupancy, rooming occupation which is a cohousing-type model, those smaller models we felt were – already had the appropriate level of assessment in the planning scheme, and we wouldn't really assess them any differently to we would with any other demographic occupying those buildings. So we didn't see a need at that point but it was more the purpose-built facilities where we needed to incentivise.

MR KNOWLES: Yes. But those purpose-built facilities, are there aspects of the code that go to accessibility and dementia friendly design?

MS HARWOOD: Definitely to accessibility so, yes, we do look to – and particularly from a design perspective but also in terms of location perspective. So we look for co-location of smaller-scale supporting uses, such as coffee shops to be accommodated with these facilities, childcare, health care, place of worship is encouraged as part of these developments. We also look for them to be located close to transport, as I said, and the zones that we have chosen where we want to incentivise these developments are close to other facilities. And certainly, also through the code we do require design elements that make the building – moving around the building, communal open space and those sort of things, very liveable and accessible for residents.

The Universal Housing Design Incentive probably goes further than that in terms of the individual, the sort of fit-out of the individual rooms or buildings and adopting that platinum and gold standard.

MR KNOWLES: Yes. Thank you. And Dr Radford, one of the things that you have said in the – or that National Seniors have said in the submission to the Royal Commission is that there has been a failure by private developments and government planning in respect of older Australians' accommodation. One matter that you have referred to is the voluntary accessible standard such as Liveable Housing Design Guidelines not having been adopted. Now, putting to one side the situation with Brisbane City Council and what Ms Harwood just describes then, but more generally what do you think should be done in response to that?

DR RADFORD: First of all, I would say that the, you know, incentivising the developers to be able to take up the living standards is one way that it can be done and I think that that's great that the Brisbane City Council has done that. I mean, the other alternative is that minimum standards could be put within the building code which there was a RIS on that – a regional impact statement that was prepared on that, but I don't think that that has been done. Because, I mean, the reality is that people want – older people that we talk to and that we see through our research, they want a diversity of housing. They are not necessarily wanting retirement villages. In fact, a lot in people – in fact there was some research done in Western Australia that said people are very wary of that model and those who had been there had wished they hadn't been in there so – because there were financial issues.

But people want to have a diversity. They want to be able to – they still – you know, the preference among older people, from what we know, is that they're still interested in detached and semi-detached housing. They're not necessarily interested in an apartment. It might be for when they are approaching retirement, they've just retired. They might be interested in that. So there has to be a diversity of housing within an area, within a local community. And in order to have that, you have to have new housing – any new housing to have – to meet the code and to meet a minimum standard. Otherwise, you're not going to have a stock. They're saying that, potentially, only five per cent of new housing in 2020 will be meeting the silver standard, which is actually the lower standard.

So I think that there is – you know, developers don't like, you know, the big stick approach. And it's not necessarily always the best way to go, but sometimes maybe we need to do that. I mean, I think Simon was saying previously, before the hearing, that, you know, with superannuation we wouldn't put money into superannuation unless it was made compulsory. It may be that government needs to do a little bit of compulsion here.

MR KNOWLES: Thank you. Ms Harwood, in terms of the measures that are described in Ms Bowers' statement in respect of promoting accessibility in housing and residential aged care for older Australians in Brisbane City Council, do you see those as being capable of transfer to other areas around Australia?

MS HARWOOD: Yes, I think elements of them, depending on the jurisdiction. Obviously, every state and territory has different planning legislation. They have different ability to modify levels of assessment or they might have more standardised zones and planning scheme provisions, so less or more flexibility in the way they can design their schemes. But certainly things like pre-lodgement meetings, key account managers who actually get to know the industry can sort of facility through the assessment process. Those things can easily be picked up.

I think the other thing that Brisbane has, obviously, done well is, you know, we've incorporated this as a core strategy for Brisbane. We've been very vocal about that, incorporating our strategic framework. And I think that that raises the profile of it with the development industry, too, and gets them thinking about different markets

or how they might be thinking about their markets, etcetera. So I think there's a role for government and local government in that space, as well. And certainly through our key account management, through Natasha Bowers, you know, we have learnt a lot in terms of having a consistent manager understanding what the different models are and the needs of these facilities in terms of our assessment.

Infrastructure charges reductions, again, you know, obviously, that depends on the financial capacity of the local government and how those things are regulated. But, essentially, you know, the model that Brisbane has adopted is we are foregoing that revenue to support these initiatives. So certainly, you know, I think there would be other local governments that would be in that position for longer term outcomes in their community.

MR KNOWLES: Thank you. Mr Schrapel, what sort of government initiatives aided the development of U City?

MR SCHRAPEL: Well we were able to receive some funding both from the State Government and from the Commonwealth Government. The State Government actually provided almost seven and a-half million. For the construction of the short term stays, it was under a program that they called respite – short term respite assistance. And so we were able to construct 18 of the apartments across the 20 floors specifically for that cohort. And that funding helped to, you know – or enabled us to do that.

We also received some assistance from the Federal Government to fit out with assisted technology the Specialist Disability Accommodation apartments. And, of course, you know, it's a very interesting thing to look at the way that the NDIS has incentivised the creation of new developments and appropriate housing for people living with disability through the SDA scheme, the Specialist Disability Accommodation Scheme, because they've actually published and given commitments to maintaining payments for eligible people under an NDIS to be able to, you know, receive those funds and to actually pay them as part of their rental contribution. And I think that has incentivises a lot of developers to create Specialist Disability Accommodation right across Australia. So it's an interesting example to compare, because we don't have those sorts of incentives in the aged care arena do the same extent.

MR KNOWLES: And how might that work in the aged care arena or more broadly in terms of accommodation for aging in place, Mr Schrapel, if one were to take that mechanism that exists under the NDIS and employ it elsewhere?

MR SCHRAPEL: Yes. I think it comes back to the questions of incentivisation. And, you know, there are probably two major ways you can incentivise, particularly if you're looking at the creation of more accessible accommodation where people can age in place and not have to actually leave their property prematurely. So – and one of those levers is to actually have capital grants. And the other one is to provide for developers some sort of encouragement to construct properties that meet a gold or

platinum standard by having some sort of additional rental subsidy, a little bit like the NRAS scheme that was established some years ago.

I mean, it was an economic development stimulus package, but it was at one level quite successful in getting developers to provide and develop new housing – affordable housing at lower cost and to ensure that, you know, that's what they were incentivised to construct. And they were provided some certainty over at least 10 years with a rental subsidy to top up, you know, what they were able to actually get from tenants. So that sort of scheme – and I think one of the propositions that's put in the paper for this hearing sort of talks to that as one mechanism. And I think it's worthy of further exploration.

MR KNOWLES: Yes. Well, you've said that in respect of the retirement apartments at U City, in the statement you have indicated that building to gold performance level under the Liveable Housing Design Guidelines increased construction costs by about 10 per cent and that that, effectively, has to be recouped through the higher costs of the apartments being – given that they are being bought by people. But, in respect of the private rental market and developments for that market, do you see what is set out in draft proposition AC2 as a worthwhile measure for the rental market? And perhaps if I can ask the draft proposition, too, which is at page 2 of the document at tab 1 of the general tender bundle to be brought up. While that is being brought up, Mr - - -

MR SCHRAPEL: Yes. I'm happy to comment on that. Yes. Yes. I mean, I think this is – I mean it's an interesting approach to actually try and incentivises. And I think that sort of supplement – I'm sure there will be some challenges about how it will be applied, you know, certainly has some merit. I guess the challenge is going to be, you know, whether you actually provide that only at the point that people who are residing in those premises that meet that standard turn a certain age.

And I think there's a challenge then as to whether you actually are only constructing properties for people over a particular age, over 55, over 60, whatever threshold is used to activate that sort of payment, or whether you actually have that as a general incentive, so that people can purchase properties or, if they're in the rental market, can construct for build-to-rent properties that meet these standards. And, even as younger people come in, that they will be able to access this sort of supplement to assist them defray the extra cost of building. Because clearly the building costs will be higher and developers will want that to be repaid in some way. So, you know, I think the payment needs to be more universal and just apply to a particular age cohort and allow sort of aging in place.

And I think it gets back to the point that was made earlier. A lot of people don't think forward in terms of what their needs might be as they age and their mobility might decrease and their requirement for a property that meets a gold or platinum standard. You know, when you are 20, 30 and perhaps 40, those are not considerations. But if we're building houses for that – you know, for that group, as well, to rent or to purchase, then in a sense we're actually facilitating an aging in

place experience, because, you know, as people get older they will be able to stay in those properties, rather than have to actually move to a retirement village that's specifically built with those requirements or specifications or, at worst case, to actually go into an aged care facility.

MR KNOWLES: Yes. Mr Schrapel, I think you might have sort of suggested this is like the carrot side of things, in terms of providing an incentive. And you have heard Dr Radford say in respect of accessibility there might be a need for a stick. What's your view in relation to the imposition of accessibility guidelines as something that is more mandatory?

MR SCHRAPEL: Carrots are always much nicer than sticks, aren't they? But I think that, you know, initially an incentivised scheme is probably a better way to commence. I think developers would need some lead time if we were going to actually introduce an imposed framework of, you know, a requirement to meet a particular standard. But I do think, over time, that's probably where we should be heading. And so that, you know, you may start with an incentivised scheme along the lines that's in proposition 2. But I think we should actually move to, over a period of time, actually require all housing to meet a specific standard.

And I think, you know, if we give enough lead time and indication that that's where we're actually heading, you know, my experience is that industries, in this case developers, will adjust and will find forms of building construction that will actually not just meet those needs, but meet them in a cost-efficient way. You know, but giving certainty that that's where we're heading is probably a very important cue.

MR KNOWLES: Ms Harwood do you have a view about the proposition AC2?

MS HARWOOD: I probably would just say that our universal housing design incentive probably creates more of a level playing field, if you're going to build a building and you incorporate the gold and the platinum standard fit out, that's creating a level playing field for you. But then that's where the incentive ends. And that's probably the extent of local government's contribution. This, obviously, would seem to provide that ongoing revenue stream, which would be more attractive, so certainly would, I would imagine, encourage more gold and platinum standard delivery.

MR KNOWLES: Yes. And, Dr Radford, can I just ask for your views on this particular draft proposition?

DR RADFORD: Yes. I think there's probably some problems in the – how this might be applied, as Mr Schrapel has said. I'm actually inclined to think that the Brisbane City Council approach, which is – you know, allows for, you know, all housing, any housing, to be – to meet a standard – provide an incentive is probably a bit more attractive and simpler in terms of the application.

MR KNOWLES: Yes. Can I return to you, Mr Schrapel. Do you see a way in which a program like this might operate more broadly for social and affordable housing developments?

MR SCHRAPEL: Yes. I mean, I think that developers in that field are probably more inclined to want to push themselves to actually meet standards – accessible standards. And if they knew that there was a supplement that was available to, you know – supplement the rents that they could charge, because for most community housing providers, particularly, you know, they're focusing on people on low incomes. They're charging in the main a maximum of 25 per cent of income, so their rent yields are fairly slim. And so a supplement that would actually encourage them to, you know, always construct to a gold or platinum standard I think would be quite attractive. And it would give them that certainty not just at the point of construction, but over time for their tenants to be able to continue to actually receive that supplement and for that to be passed on to the landlord.

MR KNOWLES: Now, while I have that draft proposition document up, can I take you, Mr Schrapel, again, to the third of the propositions, which appears on the next page of the document. And that is intended to address a potential shortage in social and affordable housing. In your experience, over your career, how significant is any shortage of social and affordable housing in Australia?

MR SCHRAPEL: I think not just for older people, but for all the population groups we engage with right across the age spectrum, access to affordable housing is probably the number one most critical issue that they experience. And we've seen a general decline. South Australia has probably been better off and has a higher density of social housing as a proportion of all housing than most other jurisdictions, you know, courtesy of programs that were implemented many, many years ago when public housing was increased to actually support industry development in this state.

But we have seen a very steady decline right across Australia in social housing. A shift of some of the management of that from public housing authorities to community housing providers, that has opened up access to Commonwealth Rental Assistance and has brought more money in to actually upgrade some of those properties.

But if you look at it in overall terms, we have actually seen a very steep decline over the last 10 to 15 years. That puts a lot of pressure. It means people are in the private rental market that really can't afford to stay in the private rental market or to afford those rents. Many of are in rental stress of paying, you know, upwards of thirty – we know people who are paying more than 50 per cent of their income to actually sustain often a not very adequate property in the private rental market. So the supply of social housing, it should be an absolute priority for the Federal Government in concert with the State and Territory Governments.

MR KNOWLES: And do you have a sense of what order of additional funding might be required each year in respect of social housing?

MR SCHRAPEL: Look, I don't – I can't put a figure to it. I mean, I think, you know, we probably need to double the level of stock that we've currently got in play across most states and territories. And that won't actually exceed the demand that's there for that sort of property, but would take enormous pressure off of particularly that group who are struggling and are often finding they actually can't make their rental payments. They keep their rental payments in the private rental market.

So I don't think it's over ambitious to look at a doubling of our social housing stock across Australia. And, in fact, many advocates in this field would be saying that would be a pretty important starting point, given the decline we've had over the last decade or more.

MR KNOWLES: Yes. Thank you. Commissioners, I have no further questions for the witnesses on the panel. Thank you.

COMMISSIONER PAGONE: Thank you, Mr Knowles. Commissioner Briggs?

COMMISSIONER BRIGGS: Yes. Thank you. We may come to this later in the day, but there's a broader question here about how some of the potential investment funds for housing infrastructure like this that is available through the national superannuation system might be leveraged for these kinds of social housing purposes. Is any of you working with the sector in that context?

MR SCHRAPEL: We are not. I mean, it's – Commissioner, we're not actually having that engagement at the moment. There is a special Commonwealth fund for the community housing sector that's providing, you know, very affordable finance to facilitate construction. But I think you're right to point out that the superannuation industry is holding a lot of funds that could be deployed in this area and, you know, schemes that could actually access that funding I think would be very welcome, but we're not having that engagement at this point in time.

COMMISSIONER BRIGGS: Mr Radford, do you have a view about whether or not there might be the potential for some kind of partnership that could leverage some of those funds for the benefit of members more generally of super funds, but also for the social purpose required?

DR RADFORD: Yes. I'm not across this area very well, but certainly have read that this is something that has been pushed. And I think it's a good idea. Any way that we can make use of the capital that's out there in super funds to construct more housing and particularly social or affordable housing or accessible housing for older people particularly would be a really great thing.

COMMISSIONER BRIGGS: And I've got a second question for you, Mr Radford, if I could. The National Seniors material that we've got in the witness statements puts reverse mortgages to some extent in a bad light. And yet every now and again, in fact right throughout this Royal Commission, we've heard a lot of suggestions that reverse mortgages were some of the answer to the question of providing older people

with the funds that they might need to enable them to stay in their own homes. Could you just explain to Commissioner Pagone and I why reverse mortgages aren't the answer?

DR RADFORD: Well, actually, we don't think they're not the answer, but in the current form they're not the answer. The commercial reverse mortgages – sorry – reverse mortgage market is very small. It's because people are generally afraid of the products. They're worried that – what are the implications financially for them in those. What we are interested in is pushing the government to use its pension loan scheme, which is, essentially, a reverse mortgage, but it provides you with, you know, a fortnightly payment, although there's some commercial ones that do that, as well, because we think that if the government gets it right, gets the rate right, because it has the ability to loan at very low interest rates through bond markets, it could be allowing people to unlock the equity.

But the thing is that there is a general view that we hear, whenever we talk about the pension loan scheme, "That's a reverse mortgage. That's terrible." So there is a psychological barrier that we have to get past. But if it's done by government and it's done right and – it's safe, because you can only loan up to a certain amount and it's done on an age basis, so that you can't overextend yourself and go into, say, negative equity or that sort of thing. I just think it's critical to the mix to allow people to – because we know – we've done surveys of our members and they say they are willing to pay, they're willing to contribute to home care as long as it's reasonable and it's within their means. And this is a way to make it within their means to allow them to stay in their home and to get the care that they need.

COMMISSIONER BRIGGS: Thank you. And thank you for correcting my misconception. That's it from me, Commissioner Pagone.

COMMISSIONER PAGONE: Thank you, Commissioner. I don't have any questions, but thank you to each of the panelists for a very interesting insight into some aspects that we're looking into. Thank you in particular for the amount of work that you've put into the material both before the hearing today and in preparation for the hearing today and, of course, the time you have spent this morning with us in answering our questions. So I formally excuse you from further attendance. And, again, thank you for your assistance.

<THE WITNESSES WITHDREW [10.36 am]

COMMISSIONER PAGONE: I think there's now to be a short adjournment. We will resume again at quarter to.

MR KNOWLES: Thank you, Commissioners.

ADJOURNED **[10.36 am]**

RESUMED **[10.47 am]**

COMMISSIONER PAGONE: Yes, Mr Bolster.

MR BOLSTER: Thank you, Commissioner. The next panel deals with the broad topic of the supply of social and affordable housing suitable for ageing in place. I, therefore, call the three panel members, the first of whom is David Jason Larmour. The second is Catherine Ann Humphrey. And the third is Michael Philip Lynch. If they could be sworn, please.

<DAVID JASON LARMOUR, SWORN **[10.47 am]**

<CATHERINE ANNE HUMPHREY, SWORN **[10.48 am]**

<MICHAEL PHILIP LYNCH, AFFIRMED **[10.48 am]**

<EXAMINATION BY MR BOLSTER

MR BOLSTER: Mr Larmour, I will start with you. You are currently the – I withdraw that. Your full name, please, if you could state for the record.

MR LARMOUR: David Jason Larmour.

MR BOLSTER: And you have prepared a statement in this matter?

MR LARMOUR: I have.

MR BOLSTER: And do you have a copy of that in front of you?

MR LARMOUR: I do.

MR BOLSTER: Is there anything about the statement that you wish to change?

MR LARMOUR: Not at this time, thank you.

MR BOLSTER: And is the statement true and correct to the best of your knowledge, information and belief?

MR LARMOUR: It is.

MR BOLSTER: Commissioners, I tender statement number RCD.9999.0400.0001.

COMMISSIONER PAGONE: The statement of Mr Larmour will be exhibit 19-5.

EXHIBIT #19-5 STATEMENT OF MR LARMOUR (RCD.9999.0400.0001)

MR BOLSTER: And, Ms Humphrey, you have prepared a statement as well?

MS HUMPHREY: I have.

MR BOLSTER: It's dated 3 August 2020.

MS HUMPHREY: That's correct.

MR BOLSTER: Are you happy with the contents of that statement? Do you want to change anything?

MS HUMPHREY: I'm happy with it. No change is required.

MR BOLSTER: And so it's true to the best of your knowledge, information and belief?

MS HUMPHREY: Yes, it is.

MR BOLSTER: Commissioners, I tender Ms Humphrey's statement, which is RCD.9999.0399.0001.

COMMISSIONER PAGONE: The statement of Ms Humphrey will be exhibit 19-6.

EXHIBIT #19-6 STATEMENT OF MS HUMPHREY DATED 03/08/2020 (RCD.9999.0399.0001)

MR BOLSTER: Mr Lynch, your statement is dated 3 August 2020. Do you have that in front of you?

MR LYNCH: I do.

MR BOLSTER: Is there anything about that that you want to change?

MR LYNCH: No.

MR BOLSTER: And it's true and correct to the best of your knowledge, information and belief?

MR LYNCH: Yes.

MR BOLSTER: Commissioners, I tender Mr Lynch's statement, RCD.9999.0421.0001.

COMMISSIONER PAGONE: The statement of Mr Lynch will be marked as exhibit 19-7.

EXHIBIT #19-7 STATEMENT OF MR LYNCH DATED 03/08/2020 (RCD.9999.0421.0001)

MR BOLSTER: Now, Mr Larmour, you are the Acting Chief Executive Operating Officer of the Bethanie Group. Could you give us a very brief summary of what the Bethanie group is and does.

MR LARMOUR: Sure. So, just for clarification, I'm the Acting Chief Operating Officer of the community division within the Bethanie Group. We have two operating divisions. So the Bethanie Group, broadly speaking, is a large Western Australian-based aged care. And we provide services in both residential aged care, community home care. We have living well centres, social centres where clients can attend for the day. We provide retirement villages. And we are also a social and affordable housing provider.

MR BOLSTER: Thank you for that. Ms Humphrey, you are the CEO of the Sacred Heard Mission which is located in Melbourne, in Saint Kilda. Correct?

MS HUMPHREY: That's correct.

MR BOLSTER: And, in a similar way, could you outline just a very brief summary of what the Sacred Heard Mission does in this space.

MS HUMPHREY: Yes. So we're a community services organisation that works with adults and older adults who have experienced, you know, persistent and prolonged disadvantage, you know, including homelessness, mental health, addictions, disability, long-term unemployment. So we provide both, you know, residential aged care services, community aged cared service, crisis accommodation for women, supported accommodation for women, supported accommodation for both adults – both genders and including a major service hub in Saint Kilda where we provide free breakfast and lunch daily to over 400 people coming into our services, and then a range of individualised case management responses.

MR BOLSTER: All right. Thank you for that. Now, Mr Lynch, your expertise and experience is quite different from that. You are the executive director of impact investing at an organisation known as Social Ventures Australia. What is Social Ventures Australia?

MR LYNCH: So Social Ventures Australia is a not for profit intermediary in the social sector. We provide consulting services to the sector, to government, to foundations and service delivery organisations. We also have what we determine as ventures, which are programs of work or enterprises that we support and catalyse philanthropic support for. And we also have an impact investing capability, which I'm responsible for, and under that we do – we have a funds management business. We have three investment funds that we manage. And we at present have four social impact bonds that we manage.

MR BOLSTER: All right. Before we get into the detail, I thought we should address some definitional issues around what social housing is, what community housing is and a couple of other matters. Perhaps if we could bring up, please, page 13 of tab 38. Some of you may have seen the New South Wales community Housing Industry Council Report that has just been published this week. Are you familiar with that, Mr Lynch?

MR LYNCH: I received it yesterday, I think.

MR BOLSTER: All right. Now, that was a report that, effectively, tried to scope the issue of public housing and social and affordable housing in the State of New South Wales. It has included within it these definitions of social housing. And I was very keen to get your perspective on whether that is the correct way to frame social housing, whether there's something about social housing that is missing from these definitions. Obviously, we know about public housing. And that's usually owned or leased by the government, be it State or Territory. And that's usually leased to members of the public on certain terms that differ from State to State and you are familiar with that – correct?

MR LYNCH: Yes.

MR BOLSTER: Perhaps for this purpose, I might focus on you, Mr Larmour. Community housing – you will see the definition of community housing there. What's your way of describing community housing, Mr Larmour?

MR LARMOUR: I think we would define community housing broadly in line with the definition that's shown on the screen here.

MR BOLSTER: All right. And if we can go down the page slightly further, affordable housing is slightly different. If we go to the next page, you will see there that it's defined as:

Housing that is appropriate for the needs of a range of low to moderate income households and priced so that the households are also able to meet other basic living costs.

Ms Humphrey, what is affordable housing, from your perspective?

MS HUMPHREY: Well, I think it's as described there, and when you were showing the previous slide with social housing, often – and I know in Victoria, affordable housing comes under the social housing banner definition. So I think it's good to see that it's separated here from the New South Wales interpretation. Because I think affordable housing actually, you know, requires a market rent that is different to the level of social housing rent that can be provided. So its suitability for some disadvantaged groups can be financially challenged.

MR BOLSTER: So let's try and be clear about the difference between affordable and social housing, from your perspective.

MS HUMPHREY: Yes, well, I mean, I think it's based on market rent. So affordable housing, there's no subsidy required. That the person's income is able to meet the market rent requirement for the affordable housing which is predominantly managed and registered by CHPs. Whereas social housing will require a rental subsidy in order to fulfil the gap between market rent and affordability.

MR BOLSTER: And who receives that subsidy at the moment?

MS HUMPHREY: So in relation to social housing?

MR BOLSTER: Yes.

MS HUMPHREY: My understanding -and not being a housing provider, so I will just caution my comments based on my lack of expertise in that space, but my understanding is the housing provider would receive that subsidy to meet the gap between the market rent and the available income that the person can afford. So generally, we're looking at people who were on Newstart, now JobSeeker who, under the previous amount of JobSeeker affordability.

MR BOLSTER: Mr Larmour, is that your understanding of the situation?

MR LARMOUR: Yes, and within scope would be those on a pension as well.

MR BOLSTER: Right. So if we could just be clear on what we're talking about, we have people perhaps living on the aged pension in their 60s, in their 70s in public housing, and we have them in the private market as well; correct?

MR LARMOUR: Yes.

MR BOLSTER: There's a subsidy available for them in the private market because they're paying private market rents; correct?

MR LARMOUR: Yes, correct.

MR BOLSTER: But in the social context, in public housing, there is no supplement paid to them; they're left – they're paying, effectively, the public level of rent which is much less than the market level of rent; correct, Mr Larmour.

MR LARMOUR: In the public housing, correct. In the social housing, the provider receives a top-up subsidy direct from the government.

MR BOLSTER: All right. Let's turn, then, to the state of the broad social housing market. Is there enough social housing to meet the demand across the country, perhaps from the Western Australian perspective, Mr Larmour?

MR LARMOUR: No, there's not.

MR BOLSTER: In your state, do you understand – or is there someone who keeps track of the gap between the need for this sort of housing and the demand for it – and the availability for it, I should say?

MR LARMOUR: I think that the primary responsibility for the monitoring and assessment of that gap lies with the state government.

MR BOLSTER: And what's your understanding of the gap at this point in time in Western Australia?

MR LARMOUR: My understanding is there are somewhere in the order of 14,000 people currently awaiting housing.

MR BOLSTER: Does anyone track the people that we're primarily focused on, the older Australians, who want to live in a home until they die? Does anyone keep track of that in Western Australia?

MR LARMOUR: Could you explain the question a little bit more, when you say "want to live in a home"?

MR BOLSTER: If I wanted to find out how many people were unable to obtain housing support under either the social housing or affordable housing but can't, where would I go? Is there someone in the Western Australian government that keeps track of those figures so that we know what the need is out there and whether it is being met?

MR LARMOUR: So of the 14,000 or so – around 1800 in Western Australia are seniors.

MR BOLSTER: They are on a priority list, I take it, when it comes to access?

MR LARMOUR: They are, yes.

MR BOLSTER: And how long is the waiting list for those people to get access to housing?

MR LARMOUR: Approximately two years in Western Australia.

MR BOLSTER: And do you come across people in that cohort who come to you for assistance and advice?

MR LARMOUR: We do. And so we only provide social housing to seniors, and the way in which people are able to access the housing that we provide is through the State waitlist. So the State manages the waitlist.

MR BOLSTER: Can you give us an example of the type of driving force that requires people to come and see you for that sort of support; what are the things that are pushing them out of the private rental market into seeking your assistance?

MR LARMOUR: So we are typically dealing with older Australians who've experienced a lifetime of disadvantage. They're typically from lower socio-economic groups and they may have had a chequered history in relation to both work but also management of their health and multiple chronic diseases. They may or may not have been involved in crime and have spent time in prison for their offences. Those typically are the issues that we are dealing with in people who have experienced issues with long-term homelessness.

MR BOLSTER: Ms Humphrey, do you have to deal with people in that sort of context coming in and seeing you for support and advice?

MS HUMPHREY: Yes. In terms of the people we see, we see a lot of people that are falling through the gaps. And if I can take the liberty to share a little bit of a story with you?

MR BOLSTER: Yes, please.

MS HUMPHREY: So we have been providing a response to people residing in hotels who have been placed in there during the COVID-19 response so that they could meet the, you know, the Victorian directions. So one – a gentleman that we've actually found, he's 67 years old. He had been experiencing homelessness for 10 years and rough sleeping for the past two, and he's someone that we really see that's falling through the gaps of the service system between the homelessness response, the community housing and social housing response and aged care. Now, he has got quite a lot of physical health issues, you know, and arthritis and a heart condition are pretty prominent, so he's not in good shape. But he has really kind of fallen through the gaps of the service system.

Now, he is an example of the group of people that we would see needing our assistance and, fortunately, because he is now in place, in terms of temporary accommodation in a hotel, the service system is now able to wraparound the support around him, whereas previously he was really ducking and weaving, sleeping rough in the CBD and not really engaging with support services. So you know, it's also a community that I would describe as really hard to reach. You know, they certainly don't have advocates or family members that are talking on their behalf in terms of managing their access to services. So it's a group of people that we really need to assertively outreach and connect with to navigate that pathway into a service response.

MR BOLSTER: All right. If we could perhaps then develop the sorts of services that Sacred Heart Mission provides for the people that you come across on a daily basis. You have got aged care on the one hand, but what do you do for these people when it comes to housing, outside of the aged care system?

MS HUMPHREY: So what we need to do is determine a housing pathway that's suitable to their needs. So if we're looking at older people – and I guess, for our perspective, we are looking at people that are over 55, which is younger than the kind of mainstream aged care services and that's in recognition that people are really ageing early as a result of, you know, that long-term disadvantage and particularly, you know, significant chronic health conditions as well as mental health issues and, you know, prolonged substance abuse, etcetera. So what we need to do is find out what's the best housing pathway for them. One can be through the public housing or community housing system.

In Victoria we run a joint waiting list for the Victorian housing register. There's currently over 50,000 people on the waitlist and there is a priority system in which older persons are one of the priority groups and there is some older persons housing. But, you know, the waiting time even if you are prioritised is anywhere from three months to two years depending on the geographical area that you have chosen to live in. We would – sorry.

MR BOLSTER: Please continue.

MR LARMOUR: We would also look to see private rental as an option. We would look at supported accommodation environments if that was needed, if people needed greater in-home support. And you know, we would also look at residential care and rooming house environments. So unfortunately, there is a lack of housing, so often we're looking at temporary housing options and often they are those shared rooming houses that are low cost in which we place people temporarily while we are trying to secure long-term affordable safe housing.

MR BOLSTER: That looks to me like a very broad navigator role that involves you dealing with the public housing and affordable housing sectors.

MS HUMPHREY: Yes.

MR BOLSTER: Do you provide affordable housing yourself?

MS HUMPHREY: So we provide supported accommodation in partnership with a community housing provider, which is called the Rooming House Plus Program. So that provides support to 67 people. It's probably similar to – you might have heard of the Common Ground model which is more focused on homelessness; this is more focused on people with a range of housing needs. They may have experienced homelessness, but they may also have disability and mental health concerns. We provide the onsite support service, so what that does is wrap the support around people so they can sustain a long-term tenancy. So that's a great supported accommodation that sits outside and probably works alongside residential aged care.

MR BOLSTER: And that's focused on people of all ages or how many of the people that you work with are in the plus-55 age group?

MS HUMPHREY: So it focuses on adults but we would probably have about 20 per cent who would be over 55.

MR BOLSTER: All right. Mr Larmour, the Bethanie Housing service provision, you run a number of community housing projects. Could you outline for us the central features of those projects?

MR LARMOUR: So in the housing space we are purely an accommodation provider and a principal support to the residents is management support to try to ensure that the tenancy is sustained. And then beyond that, as an aged care – approved aged care provider, we do in-reach into the accommodation to provide in-home aged care support. And then beyond that, we will provide support to our residents around connection and collaboration in partnership with other service providers.

MR BOLSTER: So what's the age group that you're dealing with in that space?

MR LARMOUR: Over 55s.

MR BOLSTER: And the type of structure we're talking about, is it a unit style accommodation or do people live in a community context?

MR LARMOUR: So we have a mixture of dwelling types. We have – so of our 500 or so dwellings, 200 or so would be what we would classify as older stock, and that was stock that was transferred to us from another provider. Those are typically smaller unit dwellings which are predominantly dotted throughout the Perth metropolitan area. And then in Mandurah which is 80 kilometres south of the Perth CBD, we have a dedicated site where we have – I'm just looking for the number – 200 self-contained units and that's very much a community where there are communal facilities, that the community at that site are able to use and we're very focused on building community at that site. And then in Dalyellup which is on the

outskirts of Bunbury, 200 kilometres also south of Perth, we have another similar accommodation at that site.

MR BOLSTER: The people there, what is the eligibility in terms of some form of assets test or income? What cohort are we talking about that you cater for?

MR LARMOUR: So these are all people who are accessing the accommodation through the public housing waitlist.

MR BOLSTER: And what sort of assets and income situation are we talking about, broadly?

MR LARMOUR: I'm just referring to my statement. So typically, the applicants are in the very low to – low socio-economic category. Applicants have to pass an asset test. They have assets of less than $330,000 inclusive of super and other non-liquid assets and an income test of less than $45,800 per annum. So almost 90 per cent of our tenants are lower income social housing tenants with assets of less than $80,000 and an income of less than $23,000 per annum.

MR BOLSTER: In terms of the concept of assisting people to age in place, can you split up the notion of home and care or are the two things really related, going together hand-in-glove. Mr Larmour, do you have a perspective about that?

MR LARMOUR: Yes, they absolutely go hand-in-glove but I would say that – if the ultimate goal is to age in place up to the point of a person's death for an older Australian, the accommodation – as we age and become closer to death and the care needs increase, the accommodation is not the most significant factor in whether that goal will be achieved. Care requirements are the most significant factor.

MR BOLSTER: Tell us a bit more about that. I take it you can only build a unit to a certain degree of specification for someone to age in place and, therefore, what you do with them inside the unit, inside the home, is more important. Is that right?

MR LARMOUR: Yes. We can build accommodation to a standard and if we take the highest standard, that supports a person's function over time as their functional capacity declines. As functional capacity declines, care needs typically increase, and when we look at the last year of life, that's typically where care needs increase dramatically, where people are at risk of increased hospitalisation and where our view would be that would be often that the system takes over and a person becomes denied the opportunity to achieve their goal, which is to die – to remain at home and to die at home.

MR BOLSTER: That goal, is that a goal that is reflected in what you are told by the people who you deal with?

MR LARMOUR: Yes, and that has been reflected throughout my 25 years of working in health and aged care; whether that's in the Australian context or in the

context of the United Kingdom where I originally came from. My experience is that most people want to stay within their own home for their life.

MR BOLSTER: Ms Humphrey, do you have a perspective on those issues that we've just been dealing with; firstly, the relationship between care and the home itself?

MS HUMPHREY: Yes, look, I think it looks different. For me, if we talk about ageing in community, I think that looks different to ageing in place in a residential facility. Ageing in community does require really assertive in-reach programs and, you know, I think there is some gaps in the current system that wrap good service around people in their home. And ageing in place in a residential facility, yes, you need to great functional modern building but you also really need high quality care that's not only about clinical and personal care but is also about wellbeing.

And I think that's a real gap that we are seeing at the moment during the pandemic where that kind of social inclusion and wellbeing has fallen away with the heightened risk around infection control. So I think they do look different where wellbeing activities and social inclusion can look different when you are in the community versus when you are in a residential facility.

MR BOLSTER: Is your experience that the isolation that we're told we have to go through – and particularly in your case because you are in Melbourne – is affecting or breaking down or putting in jeopardy the communities that you regard as being important?

MS HUMPHREY: In our residential aged care we have worked really hard to ensure that the social inclusion activities can be maintained in the home. We're working with a younger population who is a bit more ambulant than the traditional residential aged care recipients. So they're up and about so much like the rest of us Melbournians; they can leave the home for an hour for physical activity, and then we need to manage their entry and departure from the home during that one hour. And so we have done a lot of education and skilling up of residents around managing their own hygiene practices, using a mask, using hand sanitiser and kind of respectful behaviours.

So we probably look a lot different to your frail aged care home where they're probably essentially locking people down on their rooms as a way of managing it. For us, that wellbeing activity when we are dealing with people with mental health issues is really heightened and we need to manage that alongside and provide good care.

MR BOLSTER: Can I just pick you up there on the issue of COVID and your residential aged care, it's more the topic of the last hearing, but can you just give us the perspective of how residential aged care in Melbourne for a homeless person operates? I think you said that your residents leave the facility during the day. Can

you explain that? Has that posed a risk in the way in which current events in Melbourne are panning out?

MS HUMPHREY: Yes, I mean for us our risk has been twofold. It's around, you know, staff bringing the virus into the home but equally it's about residents bringing the virus into the home. So when we're working with a population who have had homelessness histories their social networks and connections vary. So their day's activities can still be very street-based, and that's really important to their connection to community. So there is a risk of them bringing, you know, disease, whether it's COVID, whether it's the flu, whether it's anything back into the home. So we are hyper vigilant about residents managing themselves out in the community.

And I guess the compulsory mask-wearing in Melbourne has really been helpful because it's not something that the aged care residents have just had to do; you know, all of Melbourne, when you walk the streets, everyone has got a mask on. Everyone is maintaining social distancing. And our social inclusion activities within the home have been focused on that education around managing hand sanitisation and mask wearing.

MR BOLSTER: Could I take you, Ms Humphrey, and you, Mr Larmour, to the first of the draft propositions that you've seen. That refers to having a national strategy or a national policy for the way in which older Australians can age in place; that is, in the home as a preference to going into residential aged care. Do you discern any national, let alone state, policy that gives effect to those aspirations? Mr Larmour, perhaps you go first.

MR LARMOUR: So we would be supportive of the proposition that there should be a national strategy. What I would say, however, is that that strategy should not be in isolation. We really need to connect the system, so health care is a significant driver in trying to support the outcome, if the outcome is to have Australians age in place and die at home.

MR BOLSTER: And what's your position on the state of policy; is there somewhere where you can go to ascertain assistance or obtain assistance to achieve the sorts of outcomes that you are looking for?

MR LARMOUR: So we participate in peak organisations, so Australian Housing Institute and Power-Housing Australia as bodies through which we seek advocacy to improve policy position both at state and federal levels. It would be fair to say that as a service provider, the individual opportunity for service providers to have a seat at the table, whether it's at state or federal, is a limited opportunity to participate in the dialogue.

MR BOLSTER: How does the absence of a national policy about these matters affect your operations? What are we missing out on because we don't have a national policy on ageing in the home? Is there sufficient funding for programs? Are there sufficient programs to enable the housing stock that's needed to be

developed? Or is the policy about housing in general without any particular focus on older Australians?

MR LARMOUR: I think it's a mixture of all of those things. The extent of the waitlist whether it's – from a Western Australian context or from what I've heard in relation to the Victorian context, is clearly indicative that there are problems within the system. So the assumption I would therefore make is that the problem is one both of policy but particularly of funding to resolve the issue.

MR BOLSTER: What's the key thing that needs to happen, from your perspective, on funding to enable there to be more affordable and social housing for older Australians in particular?

MR LARMOUR: Well, I think the first thing would be the development of policy to recognise and to target funding specifically for older Australians and that we need to have consistency across the states and consistency at a federal level to drive the appropriate outcome. But we also need to be clear on – and policy needs to be clear on the outcome that is seeking to be achieved.

MR BOLSTER: Ms Humphrey, what's your perspective on what needs to go into a national policy for ageing in place?

MS HUMPHREY: I think targets is really critical. Like accountability to a number really helps states and territories to kind of drive their commitments. I think that's essential that people are actually signing up to deliver on a number. But I think the other things that needs to happen from a Commonwealth level is stimulus, so that, you know, financial instruments, whether it's social impact bonds, social impact investment or the NHFIC can be used to kind of stimulate housing growth so that we are just not reliant on our public housing system through states and territories, there are other opportunities and financial instruments that can be used as well.

MR BOLSTER: Mr Lynch, I might draw you in here. Can you tell us about the sorts of investments that your organisation has been associated with that involve private capital coming in to, for example, the disability and the aged care space? Why don't we talk about the project in Hobart; could you tell the Commission about that, from your perspective?

MR LYNCH: Sure. So the Korongee Village in Glenorchy was – is a specialist dementia aged care facility that – I think Lucy O'Flaherty has given separate testimony in terms of the background so I don't know how much detail you would like me to go into as to the care model there.

MR BOLSTER: No, I'm thinking about the investment; what was it that brought Social Ventures Australia and a large industry super fund to the table to invest in a not-for-profit aged care facility, on the cutting edge of care?

MR LYNCH: Well, consistent with the mandate for that investment trust is to look at high social impact investments and particularly ones that support innovative models of care in something like aged care. So it was very consistent with the objective of the fund. It also has to produce a financial return that's commensurate with the risk that has been taken in that investment. In that particular case, it is a – as an investment it is not a project financing as such in terms of a financing specifically of that village. It's a financing for Glenview as an aged care provider as an organisation. So it was – it made a significant contribution to the cost of that village. That was the core purpose of the loan and that was also alongside with some Federal Government grants and cash reserves of Glenview to fund the total building cost.

MR BOLSTER: Do I take it that the move to invest came from the particular fund that was looking for some sort of social impact investment?

MR LYNCH: Yes. That one in particular was – it actually came through HESTA itself who referred it to us as the manager of that particular fund in terms of where that investment would sit across their entire portfolio.

MR BOLSTER: Can you tell us then a bit about the social impact investment market? What's the state of it; how big is it and who are the key players?

MR LYNCH: So, we would categorise the market as having three subsegments. One would be social enterprise; generally, relatively smaller investments. Examples of social enterprises include organisations like Street in Victoria or Vanguard Laundry in Queensland. They typically will borrow money or take investment from a range of different sources which could be from commercial banks to more specialist fund managers like ourselves or an organisation like CEFA.

The second category that we – would be social impact bonds which are driven by outcomes-based contracting with state governments and they are generally for the provision and providing working capital for a specific service. And there is roughly, I would say, 15 of those in Australia at the moment, and they are relatively small in size ranging from $5 million to about $15 million. So it's not a deep liquid traded market of securities. And the last category which I think is obviously the most relevant for this discussion is we – and probably the greatest opportunity for investment is the broader housing space across social, affordable, disability and aged care.

MR BOLSTER: I think you state in your statement that there is a problem with investing in social and affordable housing. There are barriers to entry for investors. What are they?

MR LYNCH: With social housing, given some of the previous discussion, it's very clear that it's very difficult to have an income model that would generate a sufficient return on investment to actually attract mainstream capital into that area without a significant intervention by government with some kind of subsidy or grant. In affordable housing there are a number of models that work without government

intervention. The Nightingale projects in Melbourne, for example, are examples of affordable housing sold into the market, roughly 20 to 25 per cent cheaper than comparable properties in the areas that they're being developed. They are very bespoke developments.

The idea there is that there is literally no – very limited margin or no – no developer's margin in those properties so the cost is taken out by – effectively something has to give in the structure to produce properties that are sold at a significant discount to market, whether that's being developers' profits, its contribution of land by governments or some other concession that's in the structure, so not necessarily large-scale scalable, although the Nightingale model has demonstrated its ability to expand into – across a number of projects now. But it's necessarily a cookie cutter approach to scale affordable housing in Australia.

Disability housing is very different again. Under the NDIS there is the availability of a subsidy to eligible people, which is called Specialist Disability Accommodation allowance. That's an allowance that people can have attached to their broader NDIS package if they are eligible, and that subsidy belongs to them. So the idea of that subsidy was to generate development of new disability housing stock into the market. That housing stock is – it's a relatively new or it's a nascent market, it's a growing market and many of the houses are starting to come out of the ground now. That – the interesting thing about that model is probably that because the subsidy owes to the individual that the investors do take a vacancy risk on the properties so you are exposed to a tenant moving out and taking their SDA package with them.

The importance of SDA packages in that model is that generally the construction of that housing is significantly more expensive than a comparable house in the market. Under the NDIA guidelines that is kind of roughly 20 to 40 per cent more expensive, and in many States it's different as well because of the building classifications which are national but apply differently across States.

MR BOLSTER: Just in terms of the NDIS model, you are involved in a project at the moment, I think you refer to it in your statement.

MR LYNCH: Yes.

MR BOLSTER: What's the difference between the NDIS model and affordable and community housing that makes it more attractive?

MR LYNCH: It's simply having that access to that subsidy which generates returns that are more comparable with the risk. And disability is different because, clearly, you've got a smaller pool of people that are actually eligible and looking for that type of housing. So it's – the subsidy is designed to compensate investors for taking that vacancy risk as well as the additional cost of constructing housing for people with disability.

MR BOLSTER: If there were an incentive like that in the case of older Australians to keep them in their social or affordable home, in the longer term, would that make it more attractive to this sort of investment, and this sort of interest from capital?

MR LYNCH: I believe it would. If you had a subsidy that was generating a comparable return to, say, what disability housing can produce, then clearly capital potentially could be agnostic between the two – two assets classes. I would say there would be a difference in a sense that it depends how much modification would be required to the property and if it's very similar to aged care, and I think looking at some of the, you know, the propositions of – in terms of the class of housing, so the cost of producing that housing may be very similar to what you have in disability housing. Your vacancy risk is potentially lower because you've got a larger pool of people than you have people with a specific disability that the housing might be aimed at.

I think the challenge might be in terms of how long people may occupy those properties and which made me – would pause to think about a direct replica an SDA-type subsidy may be more challenging in aged care because of potential shorter tenure that people may have in the housing.

MR BOLSTER: Let me pause there. Let's just try and get a handle on that. I mean, the disability funding models assume someone comes into the system in their 20s, 30s and 40s and stays there for life; correct.

MR LYNCH: Correct.

MR BOLSTER: And that's what makes it attractive as an investment model?

MR LYNCH: Yes, as an investor we would look at that and one of the – the most important – or the critical risk for us is vacancy in a property. And if you know you have the security of having a long-term tenant, potentially for 40 years in a property, then you are creating a nice – or, you know, a long-term revenue stream or – and return on investment.

MR BOLSTER: But I take it you've done the background, the homework to ascertain the economics of that, the market for that particular form of housing in that particular location; correct?

MR LYNCH: Yes, we do. There is issues with the availability of data and, of course, we try to match specific designs of properties to acuity of disability. So we need to be sure that we are building a house in an area where there is actually demand for that level of property. So the data is not perfect yet. It's growing. But that's probably the core issue in that market at the moment is availability of great data in terms of who is looking for housing in a particular area of a particular type.

MR BOLSTER: Assume that you price the subsidy by reference to a sliding scale that increased for the period of time or the age, the duration of the lease so that it

increased over time to make up for the perhaps shorter duration of the lease or the licence situation. Is that a way around the long lifespan of the NDIS model?

MR LYNCH: You know, potentially it is. I would suggest that a more appropriate model might be one where a subsidy is attached to a property rather than to an individual as it is with disability housing. So you are creating a property that is – has an ongoing long-term subsidy to its return based on its residency. That may be a way of mitigating that potentially shorter tenure of residents.

MR BOLSTER: Just on the disability model, how scalable is that? Is that something that we are going to see more and more of in the disability space or is it a smaller component of disability housing?

MR LYNCH: No, we think, based on, I think, the Productivity Commission's estimate there's 28,000 people in the NDIS; approximately six per cent of people are eligible for – under the NDIS for – to be eligible for SDA. We think that most of those – 12,000 of those people are estimated to be in no form of appropriate housing at the moment so they may actually be in residential aged care or they're in hospitals or they're living at home or in other inappropriate accommodation. Of the 16,000 that are in housing at the moment, anecdotally from our experience that many of those people are in inappropriate housing as well, so will need to be rehoused in the short-term. So we believe there's probably – at least 20,000 people that need to be housed over the next five to 10 years.

That's going to require investment in the region of $10 billion. The objective of our managed fund is to invest in a billion dollars of housing over the next five years and certainly the pipeline of opportunities that we're seeing today would evidence that that is a realistic objective, so it's a significant opportunity. The challenge for us as with – and we're not the only people doing this in the market, is to attract scale capital in the billions of dollars to invest into that market.

MR BOLSTER: And what incentives are needed to attract that sort of capital, assuming there's a market there for a similar form of investment in the case of people living in their homes in their 60s, 70s, 80s and hopefully longer? Is there anything to stop that investment in that sector?

MR LYNCH: Conceptually, there shouldn't be. It shouldn't really be any different. I think one of the big issues would be regulatory risk and strong bipartisan support for any kind of subsidy program into aged care would be critical in attracting investment. It was – it was a flaw, or an issue, early days of SDA which government has worked to address. So that would be first and foremost is whatever – whatever was created would have to not only clearly provide the right level of returns for investors but would have to have strong legislative support so that there was very limited risk of that – of that subsidy being removed. You would have to be set at a level that compensates for additional cost of building specialist facilities as per SDA.

You would need to think about things like, you know, location factors which you have in SDA as well so that you are clearly having, you know, consideration for the cost of land in Sydney versus Adelaide, for example, which SDA does, still not to probably the right level but it does try to address that. But, importantly, and listening to a little bit of the last session as well in terms of attracting institutional investment of scale from super funds and other institutional investors, it's actually going through a process of educating them on a market in disability housing. It's a new investment class and the way that we've approached it is effectively: run a pilot or an initial seed fund as a proof of concept to show that this is an asset class that can be scaled, and then attract that institutional investment as the next phase of fundraising, which would be something that you could have a similar approach to in aged care.

I would hope that something like disability housing as we get there and we get investors comfortable at scale with investing in that that's – it would create a bit of a pathfinder for significant investment into social, affordable and aged care as well. So we are getting investors up the curve, in a sense, in terms of that kind of investment environment.

MR BOLSTER: You refer to work that needs to be done in relation to the sole purpose test. It seems clear from your statement that at least one very large superannuation fund has looked at the sole purpose test more broadly than a percentage rate of return. But what is needed, from a policy perspective there when it comes to the sole purpose test?

MR LYNCH: I think that – and in a lot of – I think the understanding and the application of the sole purpose test has probably improved in recent times particularly as we talk to people about disability housing, it's not in the conversation any more. In many of the earlier conversations that we had been having over the last several years of trying to generate and bring more scale capital into the areas of affordable housing in particular where we do make models work or other different types of investment, there's often a reference to the sole purpose test and I think that's more of a misconception in many cases that when you are talking about investing for social purpose that you are doing so at some sort of concessional return such that you are not meeting the objective or your obligations under the sole purpose test.

We – I think some clarification would be useful in terms of how, and in terms of government playing a role in educating the market, is that you invest for social impact as well as meeting your obligations under the sole purpose test. And it feels like investors are starting to move that way so it's probably less of an issue than it was a couple of years ago.

MR BOLSTER: A lot of your statement refers to outcomes. It seems as though your organisation is very much focused on outcomes investing. Is the outcome of the older Australian living in their home until their 60s, 70s and 80s in this space, is that an outcome that would be attractive to institutional investing at the moment or is that a niche area?

MR LYNCH: Yes, I think – I mean it's the extent that there's evidence that living at home improves people's quality of life and connection to community, which seem very obvious things to me. So there's a positive impact on the people that are ageing in place and their families and carers, then they are outcomes that people are interested in. And I think, from a broader perspective – you know, from a government perspective and whatever subsidy that you are – you know, the analysis would need to be done in terms of saying what is the savings in the system of providing such a subsidy and in terms of looking at it as an investment and not a cost. So the subsidy is in terms of you are reducing obviously – hopefully, people presenting in need of health services, the caring models are clearer. So I think all those sorts of benefits would be something that would be attractive to investors from a social impact perspective.

MR BOLSTER: What would an office of social impact investing, a Commonwealth office, do? You refer to the New South Wales office; how would a Commonwealth office assist in drawing capital to these sorts of very worthwhile social ventures?

MR LYNCH: We think it would – effectively, it's a doorway and connectivity into – to government and what we don't have at the moment is if you want to – if you wanted to have a discussion with government and advocate for some kind of a subsidy model into aged care, where would you go to do that? Would you go to Treasury, would you go to PMC? Where – and the objective here is to have a team that allows people to come with innovative models to government to try and drive outcomes through investing and test those, and I think that the challenges at the moment, I say in my statement, is that it's very difficult to find the right people to have that discussion with in government as it is set up today.

MR BOLSTER: Just in terms of how that operated in terms of the NDIS situation, which is attractive, how did involvement flow from the fact that there's an NDIS supplement? Is that more of an accident than something that was planned? Is it that people just simply took advantage of the policy?

MR LYNCH: No, I think the policy was – it was always thought out and designed to be part of the NDIS. It's – clearly one of the big issues was significant undersupply of appropriate housing for people with a disability. So there wasn't – in a lot of ways you were trying to design care models under the NDIS but people didn't have appropriate places to live for that care to be provided. So it was a very obvious part of providing a broader solution under the NDIS. In terms of where in this example of how we approached government to help address some of the shortcomings of that was really going direct to DSS, the Minister and advocating for changes.

MR BOLSTER: I might bring you back in, Ms Humphrey and Mr Larmour. Do you see an equivalent essential need for housing in this space that requires the involvement or the introduction of a supplement comparable to the NDIS? Ms Humphrey, perhaps if you could go first.

MS HUMPHREY: Yes. Absolutely, I think there's a real gap in the availability of social and affordable housing in Victoria for older persons who are disadvantaged. And so I think a supplement through an investor approach would actually work. And I think, you know, Victoria has a social housing innovation growth fund. I think that presents opportunity for community housing providers to look at co-investment opportunities. But they do need a supplement in order to bridge that gap around the market rental as I said before.

MR BOLSTER: Mr Larmour?

MR LARMOUR: I would agree with those comments. The other area that I think would benefit from focus is there needs to be a recognition that – a recognition that there is substantial infrastructure that already exists in Australia in the built form of many Australians' own home, whether that's a home that they own or a home that they rent. But the quality and condition of that home in terms of meeting a standard that would support ageing in place is not there currently. So this doesn't entirely have to be about new build. It can also be about making existing infrastructure fit for a different purpose or fit for a future purpose that would enable people more readily to remain in the home that they already live in. I want to acknowledge that one of the most significant life events for any person is moving home and if we can avoid people having to move home to live out their days, that would be a significant outcome to be achieved in and of itself.

MR BOLSTER: Let's talk about that briefly; when people who are in the private rental market who are elderly, who are on the pension who are in rental stress so paying between 30 and 50 per cent of their rent to a private landlord, when they ask for modifications to the home to let them live in place, what's your experience of them getting that sort of assistance?

MR LARMOUR: Look, my answer is probably more anecdotal than evidential. Anecdotally, I think that there is a spectrum of landlords who, on the one hand, are positive and are supportive of their tenant and are supportive of particularly minor modification to properties. But on the other end of the spectrum, there are tenants who are not happy about a picture frame being put up in a home, let alone having the bathroom modified to accommodate someone's needs, so it's a challenge.

MR BOLSTER: There's no policy in place that you're aware of that enables the landlord to be protected and receive compensation or reward for meeting the needs of the tenant; correct?

MR LARMOUR: Correct. And I think if policy were to exist I think it's about incentivising private landlords to be wanting to have their home – homes modified to support ageing in place.

MR BOLSTER: From the other perspective, the older person in public housing, how suitable, generally speaking, is public housing stock for ageing in place?

MR LARMOUR: Again, there's a spectrum. So if we look at new housing stock then that's built to an appropriate standard. But from our perspective – and we would include our own housing stock within this conversation, existing housing stock which is historical in nature, so our homes typically are around 20 to 30 years old; you know, almost all of that stock is not built to a current standard prescribed, whether that's gold or certainly platinum but most of our stock would certainly not meet those current standards.

MR BOLSTER: You mention, I think, correct me if I am wrong, that there should be some thought given to building standards being amended to deal with this particular prospect; is that right?

MR LARMOUR: Yes. Look, I – it – it can be protective of a future state if we move now to ensure that every home that is built in Australia moving forward is of a standard that supports ageing in place.

MR BOLSTER: Ms Humphrey, do you have a perspective about the suitability of existing housing stock in Victoria for ageing in place, particularly for your clientele who would really struggle in most situations?

MS HUMPHREY: So with public housing, you know, there is – has been a renewable plan but a lot of the low rise and high rise is really old stock which is really not suitable for ageing in place. In terms of affordable private rental, it's usually older properties on the, you know, on the – you know, kind of in the suburban areas of Melbourne and, again, is not conducive to ageing in place and landlords would be highly unlikely to fund modifications for. So whilst the state department does have mechanisms in place for modifications to public housing properties, I'm not sure kind of what the numbers are in terms of people waiting for those modifications and how timely they are.

But certainly, older stock is really a problem and I think I would agree with David's comments about, you know, from a future perspective of kind of mandating some standards going forward into new builds would be really important.

MR BOLSTER: The public housing stock in Melbourne would be even older than the Western Australian stock, would you - - -

MS HUMPHREY: Yes, absolutely.

MR BOLSTER: What sort of buildings do you come across when you are delivering your wraparound services for older people?

MS HUMPHREY: I mean, you would have seen the high-rise towers in the news, so we're talking high-rise towers or what we call walk-ups which are kind of three level, you know, flats. And most of those were built in the 1950s, if not earlier. So they're very old. They have probably had some modifications over time but they are

not really fit for purpose any more. But it is a big challenge about what you do around a renewal program for them.

MR BOLSTER: Does Victoria engage in a process of modernisation of its stock for their priority older client segment?

MS HUMPHREY: They've been in a process around renewing all of their public housing and prioritising, particularly the walk-ups, and that has been slow to start. I think, you know, there have been some barriers for that policy being enacted but certainly it's there and, you know, COVID is kind of getting in the way of some of those developments at the moment.

MR BOLSTER: Is there sufficient matching, though, of the older person to the more appropriate or the newer stock or is it really just a very large system where everyone gets allocated as a number, more so than a person?

MS HUMPHREY: So they do have dedicated older person stock. Again, in terms of the kind of quality of that stock, I could not kind of provide evidence on. But, you know, my opinion would be it would tend to be older stock.

MR BOLSTER: All right. Mr Lynch, in the paper that was sent to you last night, there were a couple of solutions that were put forward by the authors. One of those was an affordable housing tax credit. Have you had an opportunity to have a look at that suggestion?

MR LYNCH: Yes, it's not – unfortunately, I didn't have a lot of time to think deeply about it. What I would say is, I guess, I would question the difference between that and, say, what NRAS was, which was a tax credit system for affordable housing. So that – I think there's – to me it's an interesting opportunity to replicate an NRAS-type structure particularly given that there's a bit of a – and it certainly has its issues as well. But there's a bit of an industry that has developed around that that could actually be used, particularly now as NRAS subsidies are starting to run off, which is creating its own issues but there is a bit of an infrastructure there that could potentially be used to support a new type of subsidy.

So I think there's definite merit and then, you know, if you think about a lot of that investment though is bringing in – I will classify them as more mum and dad type investors into the space with NRAS. You would have to probably refine that model to bring the scale capital to address such a significant issue as lack of aged care stock or appropriate stock for ageing in place. But I think there's definite merit in a tax credit. I think using either a tax credit or a subsidy model which is either like SDA in disability housing or what's a – in – if you're familiar in New South Wales, there was a social affordable housing fund that was using a subsidy model to provide returns to investors which was based on contributed land from faith-based organisations in many cases, or other organisations that could contribute land.

So there's – again, you know relatively small in scale in terms of addressing a larger social issue but there are a number of different ways, I think, that you could approach getting to a solution. I think that, to me, the way that you need to think about it or people should be thinking about it is how much capital do I need to attract to the space and what is the return I need to give that capital? How could I mitigate risk for that capital? And then I can design the mechanism to reach that goal.

MR BOLSTER: I think your perspective is that different players in the social investment market have different expectations about return, obviously linked to security and other matters. Could you expand on that, what you mean by that?

MR LYNCH: Yes, I think – and you're using the example – there's many – I will classify them broadly as impact investors or their focus is really in investing for impact. They will potentially have a different risk return parameter to a large institutional investors in the sense that they will value the social impact more than a financial return in some senses or they will be prepared to be more flexible with the financial return and the structure of the investment given the social impact. That is where you find it potentially challenging to translate that into institutional scale, and when you come across things like the sole purpose test where you necessarily have that kind of flexibility to take or give full value to the social return as well as the financial return.

Unfortunately, though, the investors that would have that pure or that greater social lens or give greater value to that social is probably going to be – have a limited capacity to support a market of, you know, of a pool of investment. So probably in the hundreds of millions rather than the billions.

MR BOLSTER: The other suggestion is a financial corporation investment fund established by the Commonwealth outside of general government that could invest in affordable housing developments guided by a concrete rate of return benchmark. I think that sort of links with what you have just been telling us, but what was your reaction to that suggestion?

MR LYNCH: Look, I will go back to – you know, if it provides the right return it will get support. My reaction would be whether you would be over-engineering something potentially by doing that and I think there's potentially more efficient ways than creating another vehicle to do it. You do obviously have NHFIC as a vehicle that's provided low cost financing into community housing providers and I think that has been very successful in doing that. If the question is would you extend that organisation or create something new or, I guess it's can you use what you have got rather than build something completely new.

MR BOLSTER: Commissioner Briggs has a question for you, Mr Lynch .

COMMISSIONER BRIGGS: Thanks, Mr Lynch. I've been very interested in the evidence we've heard from all sorts of people. It seems to me that in the current economic depression that we're in now, investors of all kinds, large and small but in

this case particularly super funds, I would think, would be searching around for areas where they can invest that would deliver reasonably secure ongoing returns. So I'm wondering, and I'm familiar with the work that you have done with HESTA to bring into play the kind of work that we have seen in Tasmania. How could this potentially be upscaled by a wider partnership, not just between Social Ventures Australia or other providers of community housing with the superannuation industry, for example, to deliver on that kind of ongoing returns promised but also to achieve the kind of social outcomes we're talking about?

MR LYNCH: So Commissioner, I would say there's a couple of things to consider there, and I think there's a little bit of a misconception about how super funds may work and how they make investment decisions. They are looking at a balanced portfolio which is, you know, there is some dynamism to that in terms of they're looking at whether, you know, am I investing in public equities off-shore or onshore; am I investing in property onshore or off-shore, infrastructure and so forth. So they will make very informed decisions about how they structure their investment portfolios. In saying that, they are looking for opportunities to scale but the other important consideration is liquidity, and if you take disability accommodation, for example, it's a relatively illiquid asset class. And in an environment, particularly of uncertainty in financial markets and people looking to be more liquid and cash heavy, given uncertainties, that actually works against it.

So there's almost like two competing things. One, I think there's a genuine desire amongst institutional investors that I've spoken to to play a strong role in the rebuilding of the economy post-COVID, but it's finding the methodologies to actually do that and keeping that within the constraints of the balances of their portfolios and their liquidity requirements, in particular, where government policy has allowed people to withdraw from super at the moment, which may be creating a lot of problems that this Commission will be addressing in 20 or 30 years time.

But that is a significant issue because they are not planning for short-term redemptions of money. So that's kind of, I guess, had an impact in terms of that liquidity consideration. I think if we can create an investment class that has scale with a form of liquidity then I would be confident – and with the right return dynamic, then I would be very confident that you could bring scale capital to either the area of aged care or social affordable housing in general.

COMMISSIONER BRIGGS: And so would you imagine that that would be through some of the larger scale organisations that – or one of them in particular, I think it's AIST that coordinates some of these investments, or how would you see that kind of thing working?

MR LYNCH: I think that depends probably on the size of the institutional investor. So they will use a manager model which I think you would have seen in HESTAs testimonies; that's the way that they operate through external managers such as ourselves. Many others are adopting a more direct investment model so they're producing their own investment opportunities and using their own staff to do due

diligence, etcetera. And that – but that's – you need to have a concern scale, clearly, to be able to do that to support the cost basis of having that. So generally a manager model is probably more prevalent across the broader industry.

COMMISSIONER BRIGGS: Thank you. Go on, if you wish to, sorry.

MR LYNCH: Sorry, I was just going to ask did that address your question?

COMMISSIONER BRIGGS: The other general point I felt I should make in response to some of the evidence is, I think investment in housing for elderly people is not such a short-term issue as the industry may fear. People are living much longer these days and we can look at 10 years and 20 to 30 years. So I think that hurdle is pretty easy to get over. But the point you make is a role for government in ensuring that investors are aware that these risks that they might have in their head may not be true in reality, is a very valuable insight and I appreciate that. Thank you, Mr Bolster, I have asked my questions.

MR BOLSTER: Thank you Commissioner. I have finished on that topic. I wanted to raise, before I sit down, one last topic perhaps with you, Ms Humphrey. The homelessness – homeless supplement, how important is that to you when it comes to the way in which you approach the delivery of residential aged care to these people?

MS HUMPHREY: Well, it really ensured our viability so that we can provide, you know, the best level of care possible to our residents. Having been with the organisation a long time, I'm very much aware of operating without the supplement and we were operating the program as a deficit cost centre year on year until the supplement came into play. So we were always spending above our income in terms of the government accommodation income and the supplement has actually bridged that gap. It has also meant that we could invest in continuing to upgrade and improve the building. So, you know, that was the other important thing where we're not – we don't have residents coming in with accommodation bonds or now called RADs.

So having that bridge of being able to generate some profit for purpose that we could reinvest back in to continuing to upgrade the building as required was really important.

MR BOLSTER: How adequate is it, when you sit down and you think about the cost and you budget for having to meet the complex needs of the homeless group of people?

MS HUMPHREY: Look, it's a balancing act because we certainly don't get the higher fees that your mainstream aged care providers would get because we have probably more behavioural complexity than care complexity. So your high ACFIs tend to be provided for residents who have high levels of personal care requirements but for our residents it is more behavioural-based. So they can – you know, that kind of care can consume the same amount of time and complexity as does personal care.

So the weighting of what we get for our ACFI is quite low in comparison to mainstream aged care.

MR BOLSTER: Mr Larmour, do you have a view about policy around the homeless supplement and is it adequate? What would you change about it?

MR LARMOUR: Commissioners, I would say this is an area that I don't have expertise in. We don't provide support to the homeless. So I would rather avoid comment, thank you.

MR BOLSTER: Ms Humphrey, what would you change about that policy? Where does it fall down? It's $21.64 a day at the moment; is that enough?

MS HUMPHREY: No. I mean, I think the other element, it doesn't account for that, in the absence of family, who purchases people's clothing, you know, their personal care needs. So that gap around financial assistance to the resident. Now, we're able to bridge that as a charity. We are able to call on the community for support. But you know, certainly, if we need to fund people's, you know, access to toiletry needs, to continence pads, to clothing, that gets challenging. So once people have paid for their accommodation, the availability of funds less their payment for pharmacy is pretty limited.

So we are working with a population that, unfortunately, are cigarette smokers. The gap of actually leaving them with some income to have a quality of life is quite challenging. So we often bridge that gap. And I think the funding that is received doesn't acknowledge the financial disadvantage of the cohort and their ability to enjoy a reasonable quality of life.

MR BOLSTER: All right. Could I give each of you an opportunity to raise any other matters that you think the Commission needs to know about on this topic? Perhaps you, Mr Lynch?

MR LYNCH: Nothing in particular, counsel. I would just make one point in terms of – just to reflect on the question about the office of impact investing and so forth and just to – I don't know if the Commission is aware but there is a social impact investing taskforce that is being run within PMC at the moment which is due to report later in the year.

MR BOLSTER: Mr Larmour?

MR LARMOUR: I think one of the things I would just like to reflect on through the conversation as we come to closing is really the consideration that housing or accommodation in and of its own cannot be looked at in isolation. If we are to support getting the best outcomes – and there has been a large thread through this conversation today about outcomes – many of the things that governments choose to fund are not directly related to evidential outcomes. So it's funding for activity predominantly rather than funding for a specific outcome. But my observation

would be it would be fair to say that if we do not resolve the accommodation issues for older Australians moving forward and look at those in its entirety, the outcomes in the system will be that we will be required to build more and more hospitals to accommodate people, and we will be required to build more and more residential aged care homes to accommodate people when principally that is not the broader wish of the community.

MR BOLSTER: Thank you. Ms Humphrey?

MS HUMPHREY: Look, I think, you know, the housing is fundamental and if we don't make that investment into social and affordable housing supply then what we are going to see is people turn up at hospitals and that will be their pathway into residential aged care, which is an expensive service model. So what we need to be building up a system that allows people to age in community, and put the necessary supports in place to enable that. So you know, do we need to enhance the home care program to increase the level of packages that support people who have had histories of homelessness to sustain their housing and also to provide their care.

Do we need to be intervening early so that people aren't falling out of housing and then ending up in the hospital system as an entry into residential aged care. And I would certainly support the extension of the ACH program which really acts as that service navigator. It's currently really underfunded and under-resourced and there's not enough programs of that type across Australia.

MR BOLSTER: Commissioners, those are my questions.

COMMISSIONER PAGONE: Thank you, Mr Bolster. Commissioner Briggs, is there anything else you would like to ask?

COMMISSIONER BRIGGS: No, thank you. I'm fine.

COMMISSIONER PAGONE: Thank you. Mr Lynch, I wonder whether I might just ask something arising out of the question that you answered from Commissioner Briggs a moment ago, and possibly a more strategic kind of focus if you were in an ideal world. So I'm assuming that investors who simply look for returns will not just base their investment decisions on, I suppose to use the phrase that was used, what's in their head but on some form of actuarial estimates based upon past performances, but what people like your organisation try to do is to harness that group of potential investors who are more – who value more an outcome that's not just the return on investment so that they won't be looking just at actuarial calculations based upon past performance and expected outcomes but will say, well, we want to invest in something that will give us possibly less return but in part of the return that we get, we get something that we regard as valuable.

In an ideal world, focusing upon aged care and housing in aged care, what could usefully be done and what could usefully be recommended by us to nudge investment in that direction?

MR LYNCH: So I think that, Commissioner, there's a number of things that I think if the objective was, indeed, to bring scale capital into investment in new stock of aged care housing would be to address some of that. One, do the design work to figure out what does that look like and what you are trying to solve for in terms of what is the right and fair return for investing in the space. I think that's where I would start. I think that – and in that you need to compensate for additional building costs and vacancy risk and so forth. But I genuinely believe that you start there, you will find something that will work for investors.

Importantly, I think you need to provide the data to evidence what the true outcomes are of just – rather than counting a person that has gone into a house. So what does that really have in terms of generated value for, as I mentioned before, their – not just for the person's wellbeing but for their families, their other carers and then potentially what does it save the system if you have got someone in a place like that. So I think having – investing and understanding the data of true outcomes will actually help with that discussion with investors. I think we need to think about – the broad notion of impact investing as not an asset class but a lens to look at investments through.

So every investment that you make will have an impact. It might be negative. It might be neutral, or it might be positive or it could be all three depending on where you are. But having the data to actually show the value of investing and we use measurements like the sustainable development goals which are very broad but to have some hard data is to say, well, if we know that we provide someone who is 65 that's at risk of homelessness with secure accommodation, this is the impact that it has on their lives. And this is the impact it has on the system in terms of reduced hospital visits or whatever. So I think that's, to me, having the availability of strong data to provide measurement and demonstrated outcomes would be very important as well.

COMMISSIONER PAGONE: Thank you, Mr Lynch. Ms Humphrey, can I ask you about the supplement. How important is the supplement – how important is it to the supplement to be, as it were, ring-fenced?

MS HUMPHREY: So ring-fenced as in that it's only available for providers that can demonstrate that they're actually meeting the homelessness response.

COMMISSIONER PAGONE: Yes.

MS HUMPHREY: Absolutely. I think that's really important.

COMMISSIONER PAGONE: Why is that?

MS HUMPHREY: Because I think it's up to a provider to demonstrate that they have a home that's providing a dedicated response to people who have had histories of homelessness and financial disadvantage. You know, the risk is if you plonk it into the mainstream system and it's a case-by-case basis, then you're no different

than if people who are currently required to provide concessional places aren't actually providing them. So it's actually incentivising the system to provide specialised accommodation support for this cohort.

COMMISSIONER PAGONE: All right. Thank you. Well, now, the last thing I need to do is to thank each of you for the time that you have given us, both in the immense preparation that you have done in helping us to do the preparation and our staff do the preparation. So thank you for that. Thank you for the time that you have given us this morning, and I now formally excuse you from any further attendance. Thank you, indeed.

MR LARMOUR: Thank you.

MS HUMPHREY: Thank you.

<THE WITNESSES WITHDREW [12.23 pm]

COMMISSIONER PAGONE: I think we have now planned an adjournment and we should resume at 25 past.

ADJOURNED [12.23 pm]

RESUMED [1.25 pm]

COMMISSIONER PAGONE: Mr Knowles.

MR KNOWLES: Thank you, Commissioners. I now call Mr Robert Pahor, Adjunct Professor Stephen Cornelissen and Mr Frank Weits.

<ROBERT PAHOR, AFFIRMED [1.25 pm]

<STEPHEN PAUL CORNELISSEN, SWORN [1.25 pm]

<FRANK WEITS, AFFIRMED [1.25 pm]

<EXAMINATION BY MR KNOWLES

MR KNOWLES: Can I start with you, Professor Cornelissen. Can you state your full name for the Commissioners?

PROF CORNELISSEN: Stephen Paul Cornelissen.

MR KNOWLES: Thank you. And, Mr Pahor, can you please state your full name as well?

MR PAHOR: My name is Robert Victor Pahor.

MR KNOWLES: Thank you. And, Mr Weits, could you please state your full name for the Royal Commission?

MR WEITS: Frank Weits.

MR KNOWLES: Thank you. Professor Cornelissen, you are the group CEO of Mercy Health?

PROF CORNELISSEN: That's correct.

MR KNOWLES: Yes. And if I could ask the operator to bring up a witness statement prepared by you dated 7 August 2020, that is WIT.00007.0001.0001, and you will see in a moment the first page of that statement on the screen. Do you recognise that as the first page of your statement, Professor Cornelissen?

PROF CORNELISSEN: Yes, I do.

MR KNOWLES: Thank you. And have you read your statement lately?

PROF CORNELISSEN: I have.

MR KNOWLES: And are there any changes you wish to make to your statement?

PROF CORNELISSEN: No, there's not.

MR KNOWLES: Thank you. And are the contents of your statement true and correct to the best of your knowledge and belief?

PROF CORNELISSEN: They are.

MR KNOWLES: Thank you. I seek to tender the statement of Professor Cornelissen dated 7 August 2020.

COMMISSIONER PAGONE: Exhibit 19-8.

EXHIBIT #19-8 STATEMENT OF PROFESSOR CORNELISSEN DATED 07/08/2020

MR KNOWLES: Mr Weits, you are the Chief Executive Officer of ACH Group?

MR WEITS: Yes, I am.

MR KNOWLES: And you have also prepared a statement for the Royal Commission dated 7 August 2020, and I will ask that the first page of that statement be brought up on the screen before you now. The document identification number is RCD.9999.0427.0001. Do you recognise that is the first page of your statement, Mr Weits?

MR WEITS: Yes, I do.

MR KNOWLES: Thank you. And have you read your statement lately?

MR WEITS: Yes.

MR KNOWLES: And are there any changes you wish to make to your statement?

MR WEITS: No.

MR KNOWLES: And are the contents of your statement true and correct to the best of your knowledge and belief?

MR WEITS: Yes, they are correct.

MR KNOWLES: Thank you. I seek to tender the statement of Mr Weits.

COMMISSIONER PAGONE: Exhibit 19-9.

EXHIBIT #19-9 STATEMENT OF MR WEITS DATED 07/08/2020

MR KNOWLES: Mr Pahor, you have not made a statement for the Royal Commission but you are a director of Spowers Architects?

MR PAHOR: That is correct.

MR KNOWLES: Can you briefly tell the Commissioners of your professional experience, particularly insofar as it relates to the design of accommodation for older people?

MR PAHOR: Well, I've been a director of Spowers for 30-odd years, I suppose. Probably the last four or five years, we have been involved with – or my responsibility has been the delivery of aged care projects predominantly for Japara but amongst those, we are also involved in and I'm also involved in the delivery of education project, hospitality and some commercial projects also.

MR KNOWLES: Professor Cornelissen, can you briefly outline the nature of aged care services provided by Mercy Health?

PROF CORNELISSEN: Yes. We provide aged care services in Victoria predominantly but also in Western Australian, the ACT, New South Wales and Queensland, Far North Queensland. We provide both residential aged care, independent living and home and community care services in the aged care sector.

MR KNOWLES: Thank you. Mr Weits, can I ask you to briefly outline the nature of services provided by ACH Group for older people in Australia?

MR WEITS: We provide a whole range of aged care services. We provide services into people's home and community services. We provide retirement living offerings. We have eight residential aged care sites. But also, importantly, we provide community-based healthcare and health studios as well as transition care in partnership with the health networks.

MR KNOWLES: Thank you. Can I ask you, Mr Pahor, what design principles do you regard as being integral to good design of residential aged care facilities?

MR PAHOR: It's a very broad question, isn't it? There are so many parameters in my view in terms of not just the principles for aged care but, in essence, the principles that we've been using and have been evolving of late has been using the principles of designing clusters, albeit it might be in a somewhat large building but breaking down the number of rooms into areas and clusters and trying to ensure that each of those areas are, whilst integrated into the whole facility, in a form potentially standalone. I don't mean that by subdividing, having doors or anything like that but just by nature of the design. A lot of that depends on the site, the geometry, the planning considerations and, of course, other such issues.

MR KNOWLES: Yes. Can I ask you in relation to accessibility and dementia friendly design principles, what do you take from them in the design of residential aged care facilities?

MR PAHOR: Well, paramount to incorporate those things. You know, accessibility is without a doubt extremely important. We can refer to regulations and such things but I think we like to or we believe that we should be going further and we actually employ, on all of our projects, independent – when I say independent, they're separate consultants, to review and assess accessibility within and from without the building, yes.

Dementia, whether you call it dementia, whether you call it memory support, there's a lot of debate going on around those issues at the moment. Even amongst our clients, we have individuals who might not agree fully on the way to deliver those. But of late, probably partnering with our clients, we've been trying to develop an approach where we don't segregate such – such occupants or residents. We really try and integrate them in – within the rest of the facility and, where possible, even within the public.

MR KNOWLES: Yes. Can I ask you, in relation to dementia friendly design, what are some of the key features of that that you seek to deploy in developments of residential aged care facilities?

MR PAHOR: Well, the fundamentals are not necessarily in any order of importance but looking at providing – you know, the terminology that's often used are the word human scale, providing less than noisy areas, perhaps less stimulation, being able to be seen and, indeed, freedom of movement and to create spaces that become familiar. Now, there's a whole lot of other issues that you can, you know, interrogate and review. But if I may add, these sort of issues should not – in our view, should not just be dedicated to the dementia area or the residence as such. They are good principles throughout the facility and by introducing such principles throughout the facility, I think it gives the operator much more freedom and much more flexibility.

MR KNOWLES: What do you mean by that when you say "it gives the operator much more freedom and flexibility"? Are you referring to people being able to stay in rooms over a longer period of time or do you have - - -

MR PAHOR: Yes, if I may perhaps just use an analogy. We still have some clients who believe the model should be to dedicate a wing for these people where you close them, you make them secure, they're safe and that's the philosophy. The other philosophy is to integrate them into the whole facility, as I said. So I use the example that if someone moves into a facility, the residence, who may be 80, 85 with no specific dementia requirement, and familiarity is an important aspect.

Why do we have to move these people if they become – perhaps in five or so years time, become more dependent and having symptoms of dementia? It's quite, I think, a common approach that residents don't like moving house, don't like moving. And if you move, then that automatically, in our view, contradicts the scene of being familiar with our surroundings. So I think it gives the operator, therefore, more freedom to manage the facility in terms of how the residents might progress in age and in health.

MR KNOWLES: Yes. Professor Cornelissen, can I ask you, what input do residents at Mercy Health facilities have into where they actually reside in a particular facility?

PROF CORNELISSEN: That actually would depend on when they came to us in that facility. If it was a new build, they would have quite a bit of choice about that,

particularly if it's a new built environment on a small household level, where they could perhaps have input into the house they might move into and the sorts of people they might have co-interests with or get along well with. We don't segregate disease processes. We try and let people live where they have the right social connections and the relationships can flourish. If it was in a more full home, then, obviously, part of that comes down to where the availability is. But, again, we do always work with our residents when they are coming in about what their preferences are, the sort of people they wish to live with and try to take in those social elements and those relationship-based elements into where we place them within the context of whatever built form we are looking at because we have various built form options.

MR KNOWLES: What does Mercy Health have in place by way of measures to avoid relocating residents and allowing them to age in one particular place in terms of their own space within a facility?

PROF CORNELISSEN: Yes, so all of our sites are ageing in place sites. So we try and create – every single resident that comes should be able to age in place. What we have done more recently is starting to convert into what we are calling these small household models and not cohorting people by disease process but recognising a disease is just part of the symptomatology of their life and we're still building those relationships. So if we are grouping people on relationships, then we place them in their home, they stay in that home for the duration of their life. The only time they may move is if the symptomatology became at risk to them or others and that is very infrequent.

MR KNOWLES: Just on that, you heard Mr Pahor mention earlier that there were some of his clients who had a particular view about dementia specific wings or wards in facilities. What's the place of those type of secure dementia wards in Mercy Health facilities?

PROF CORNELISSEN: Well, we do have some in our older built facilities. When I say "old", in the last sort of seven years and past. We would prefer they didn't exist but, unfortunately, with built form designs, some of them are there. Again, we would prefer not to. We believe that our learnings of the last five and seven years have indicated people living with dementia can live in built form that is more suited to them and everyone in aged care, where they can wander freely and meaningfully, where they don't suffer from loneliness and isolation and where – we need to remember that people living with dementia are not a homogenous group. The disease is not homogenous and nor are the people who live with the disease.

We need to cater for their entire social elements and dementia being just one part of that treatment of symptomatology that we look at. So we do have them, we prefer not to and we are working slowly about eliminating them place by place. We eliminated one in Western Australian. We eliminated a similar unit in New South Wales and we are trying to reduce the needs for these units where we can and eliminate them completely from our portfolio.

MR KNOWLES: I think Commissioner Briggs has a question.

COMMISSIONER BRIGGS: Thank you. Might I ask, that process of eliminating these arrangements, what kind of time period is associated with the effective utilisation of the capital stock in order to be able to facilitate these sorts of changes?

PROF CORNELISSEN: I can only talk to – as per facility rather than the entire portfolio. In a facility – well, I think there's a number of issues. We would have to – obviously, it depends how you are doing it, but decanting and recanting, it would be anywhere from 12 to 18 months. Sometimes we can do it quicker; it can be nine months, but in that nine to 18 month timeframe tends to be the reasonable process of trying to change and rebuild because we are going from usually somewhere about a 24-bed unit to maybe 8-bed self-contained places and each one of those takes time to build, operationalise and then move people around. Does that make sense?

COMMISSIONER BRIGGS: It does but can I just ask, I suppose the first order question is, I'm assuming there's a certain period of time that you would want to use your existing capital stock before you replace it, is really what is behind that.

PROF CORNELISSEN: I see what you are saying now. Well, our new build stock is okay because it's building into the way we want. We have got buildings – I will be very honest, we've got buildings that are just about 10 and 12 years old and we are certainly already designing to remove the dementia elements out of those. Some of them are because of the land-lock situation and the exact built form; removing them is not as easy as it would be. But we don't – I wouldn't believe that anything over that five-year period that you could certainly after five years start to reinvent those. But Commissioner, there's also things I think you can to do to deinstitutionalises those locked units as well and create less institutional elements in them which are built on treating a disease as opposed to treating the human being behind the disease.

COMMISSIONER BRIGGS: Thank you, that's very helpful. I'm sorry, counsel.

MR KNOWLES: Not at all, Commissioner. Mr Weits, what's the approach of ACH Group with respect to cohorting residents by diagnosis or care needs?

MR WEITS: Thank you, counsel. So look, at the moment we do cohort the various residents with different needs: people with dementia, people without dementia, people with high care needs, but with one exception. We have one particular site that ..... where reablement is the main focus, what we do. And so in that site we do focus particularly on reablement and that's also then the direction that we would like to take in our future design whereby we would like to take an opportunity to think about the different cohorts that we currently co-house and perhaps into the future looking at small-scale living and make that built form more specific to the various needs that we see arise.

MR KNOWLES: So do I take from that, that at the moment there is an approach whereby people are potentially grouped by, on the basis of their particular diagnosis for instance, in terms of dementia?

MR WEITS: Yes. Yes, that is correct.

MR KNOWLES: Is that an approach that ACH Group intends to continue and, if so, what's the rationale underpinning it?

MR WEITS: So in my case, I'm speaking to many residents and, again, so when you have a diagnosis of dementia, in our case we fully appreciate that the care needs specific to people with dementia do lend itself to a small-scale environment where the household model is most appropriate. It is in relationship-based care model where a participatory model is expected people are together with us, living a normal life. And indeed, that sort of inclusiveness is giving the good life outcome for residents with dementia. That's what we truly want to see. Whereas at the moment we do have a mix of dementia and non-dementia living together. If I then speak to my residents who don't have a dementia diagnosis, not always but I do hear comments that they would like to live sort of in a group without people with dementia.

And I am, together with my team, trying to find a way how do I accommodate those with dementia needs and those who have different needs because ultimately that is a reflection of society, that everyone wants to live in their own cohort, and we don't need to create a one size fits all in our view and we are working through the options for the future that we can group people the way they want to be grouped.

MR KNOWLES: Can I ask you this, Mr Pahor: you heard a moment ago that Mr Weits referred to reablement. What sort of role can accessible design principles play in enabling restorative care?

MR PAHOR: Again, I think it's a factor that is almost mandatory. It's very hard to reable or refurbish or whatever you want to call it in certain circumstances. Primarily, we have come off a project like that where we've refurbished and reabled a wing and it was occupied. So the difficulty, in my view, is not so much the design or the incorporating of accessibility and those sorts of issues, it's more the staging component and how one deals with that.

MR KNOWLES: I think I've been unclear.

MR PAHOR: No, sorry, I'm not understanding you.

MR KNOWLES: It's me, I'm sure. When I talked about reablement, I mean of the person rather than of the actual built form.

MR PAHOR: Sorry, okay.

MR KNOWLES: But in that regard, though, do you see a role for accessible design principles in respect of enabling restorative care?

MR PAHOR: Again, I think accessibility principles are paramount throughout the whole facility, so the short answer, yes, absolutely.

MR KNOWLES: Do you think that provided they allow sufficient flexibility and stay up to date with changing practice that there's a place for development of national aged care design principles to encourage consistency in the accessibility standards?

MR PAHOR: There is, and I think that would be a big benefit. The concern I have, as a designer for any such standards is that they become almost accepted and not really then allowing any – allowing the designer to think beyond. So what I'm always concerned about is that designers can come along and tick the box and say yes, yes, yes, yes and I've accepted all these principles and I'm all okay. There are always site-specific issues, and I think one has to be really mindful of that. It's not one approach solves everything. But it would certainly aid, yes.

MR KNOWLES: Yes. And do you think that the concern you have is something that comes back to the drafting of the principles, how they might be drafted and otherwise how compliance with them might be assessed?

MR PAHOR: Yes. Yes. An example I might use there is, say, one of handrails. And on the other side of the equation, trying to deinstitutionalise a home, and we've been involved in a situation where we've eliminated handrails by ensuring that the client has a management protocol in place. Likewise, if you look at an individual room you might have your lifting rails up in the ceiling. It looks very institutional. Is that homely; obviously not. So quite often you have – you know, you will rely on the management to overcome these issues.

MR KNOWLES: Yes. In terms of any such national aged care design principles and guidelines, what else would you see in them, in terms of aged care other than accessibility. Would there be other matters that they would be directed to? I mean we have referred to dementia-friendly design. Would that be something that they might encompass?

MR PAHOR: Yes, I do believe so. Because the regulations at the moment don't cater for these things and I think they should also probably also include in the early planning stages whether you call it, you know, planning approval or development approval, but it will certainly benefit from that, yes.

MR KNOWLES: And when you say regulations, what specifically are you referring to there?

MR PAHOR: Well, the building regulations, the NCC, the planning regs.

MR KNOWLES: Do you think that in terms of accessibility guidelines at least the livable housing design guidelines provide useful assistance. Are you familiar with those guidelines?

MR PAHOR: I would be lying if I said I know them verbatim or every word of it but, yes, the principle of it, yes; I do believe it's a good guide. It's a starting point in my view as opposed to an end product.

MR KNOWLES: Yes. In terms of an end product, can I ask you this: are you familiar with the NDIS SDA design guidelines? The National Disability Insurance Scheme Specialist Disability Accommodation guidelines?

MR PAHOR: Yes, I read them. I'm probably – I'd be – again, I'd be lying if I say I'm very familiar with them.

MR KNOWLES: But is that the sort of end product that you would see in respect of guidelines that might be useful for the aged care sector?

MR PAHOR: From my memory of having a glance at them, I think it would – again, it would help, yes. I'm not being too specific there, I'm sorry.

MR KNOWLES: That's all right. I might turn to Professor Cornelissen; do you see a place for this type of national approach to aged care design principles and guidelines?

PROF CORNELISSEN: I do but I caveat that with a couple of issues. Firstly, I think we've got to make sure that we keep flexibility because, just like our people, communities aren't homogenous where design would be one design that fits everywhere. Secondly, I think that we need to make sure that in the development of any design principles that we don't lose the fact that built form is only one part of our solution to resolving aged care issues. The second part of it that must go hand-in-glove is the issue of an effective operational model. And if we take either parts of those away and we don't have a relationship human rights-based model with a built form that facilitates that, we actually don't change the system at all. So I am just cautious that I would not like to see guidelines being thought of as the way of solving an issue.

MR KNOWLES: Yes, I understand. But as a suite of measures that might be introduced, do you see it as having some – provided it has the flexibility you referred to, do you see it as having some merit?

PROF CORNELISSEN: Look, I do. I do see it having merit. And the guidelines you've mentioned to date – I don't know the NDIS ones as well but when I look at the other guidelines some of them are so vague though that I would – if you look at the ..... guidelines – and I'm again not an expert in them but when I look at those accessibility guidelines I would doubt there'd be many aged care facilities not built in the last 25 years that wouldn't – wouldn't meet most of those platinum level

guidelines. Where they don't it would be because some of those facilities don't relate to them such as – the kitchen isn't in a domestic house; it's a commercial kitchen in the back area. The laundry is not a domestic laundry; it's a commercial laundry. So we have got to make sure those standards do build those principles of interactions, involvements and relationships.

MR KNOWLES: Yes. And indeed, those guidelines expressly are stated not to – well, they don't they're not to apply to the class 9C buildings but they do say that they are expressly intended to apply to other classes of buildings.

PROF CORNELISSEN: That's right. So could I just add there, too, please. I think the other thing with those guidelines is that where they conflict with building regulation and 9C compliance is – by way of an example, as we try and build more domestic-type home product, the facing of 9C compliance raises considerable issues both in affordability but also in how does a place look domestic when it has to be industrial. An example is I had to refurbish three servery kitchens and try to make them domestic kitchens in three houses of 10 people living in them, and I'm required to put a grease trap in there worth $50,000 per kitchen which is probably dearer than the entire kitchen. Neither makes it very livable or normal and completely unnecessary. So those guidelines have to be more than just guidelines; I think they need to challenge some of the standards which are being built for 100-bed facilities when we're trying to get down to these small 10, eight-bed spaces with domestic - - -

MR KNOWLES: Perhaps to give that some context, Professor Cornelissen, you're talking about circumstances in which, in some of Mercy Health's facilities, they have been divided into these eight or so person households and each household has its own kitchen and living area where residents can get involved in the actual cooking of food and the like.

PROF CORNELISSEN: That is correct. And the particular house I was referring to actually was about 30 years old, built as an old style and we have acquired it since. But it was again an example of a house that was domestic in build but operating in institution. So a servery kitchen is not a real kitchen. So once we try to then turn it into a more domestic product that can give high care need you end up being very compromised with some of the standards.

MR KNOWLES: What does that require then to solve that tension that you're describing?

PROF CORNELISSEN: Well, that's a really good question.

MR KNOWLES: Does it require amendments to the National Construction Code in respect of what class 9C buildings require? What does it require?

PROF CORNELISSEN: You are not speaking to an expert here in these areas but I guess what I would be saying is those 9C issues are really for large commercial builds. And whilst we're a large commercial site, how do we go down to the built

form requirements of a small residential facility within a large commercial build? Are there ways of making those nuances more understood in those regulations? And Robert would be much better to answer that than me.

MR KNOWLES: Mr Pahor, do you have a view about that?

MR PAHOR: Look, yes, under current regulations, one does have the ability to seek dispensation, and if you are able to produce enough evidence, one can probably get the building surveyor and other authorities in that sense to classify and to therefore review that as to other than 9C. There are means. Perhaps you have got to be a bit clever about it. And some people may not think about it in that sense but it's certainly not descriptive in any of the regulations.

MR KNOWLES: So I guess you're saying you work within the circumstances that you meet in the National Construction Code and other regulatory frameworks?

MR PAHOR: Well, you have to. Otherwise you won't get approvals.

MR KNOWLES: Unless those regulatory frameworks are changed?

MR PAHOR: Yes.

MR KNOWLES: Now, Mr Weits, I didn't ask you the question. Do you see a place for a national set of aged care design principles and guidelines?

MR WEITS: Yes, I do, to be honest but I do see them as a design principle phase, not in a specific constructional phase. So our view is that at the moment, you have got the universal design standards, you have got the NDIS standard, you have got the livable housing design standards that we have recently applied in one of our retirement living projects. I think it's almost like we need to look at those standards and we need to then apply one specific for residential aged care. But, again, as a design guideline, not as a "you shall do". So that will be my overarching statement.

Then, specifically, it might be tempting to then say everyone in the industry needs to build small scale living with household models and lots of kitchens and the like. The challenge that I would have with that model, if it becomes too strict, is that I genuinely believe that the future residents in aged care, residential aged care that is, might not all have a diagnosis of dementia. And if you are a person that simply wants to be re-abled or might want to palliate, right, you need the flexibility in the guidelines to create in built form that is not specific for dementia needs but is specific for just to palliate or to re-able. So I would say, welcome the design principles but let's make them flexible enough to cater for the different customers that we see coming through.

MR KNOWLES: Just if I can follow up on that, Mr Weits. As I understand it from your statement, you see the future of residential aged care catering to specific purposes and the majority of people remaining in their homes or in homes, in private

residence or residence that are not residential aged care. Can you just expand on that a little bit for the Commissioners.

MR WEITS: Of course, counsel. So if I am a person with, I don't know, a diagnosis of dementia, and it's still mild and I'm at home and can't sleep and I'm a bit restless, then as a consequence I myself get a bit agitated and even worse I make my partner equally agitated because they can't sleep. Then I think prevention is better than the cure. So should we not design a residential aged care offering that allows the person with dementia to come into my residential aged care for two weeks, not in a passive respite model but in an intense reablement model, and my team is educating the person with mild dementia, let's say two weeks, to learn how to sleep. And we equip them with the tools to go then back home and hopefully stay at home much longer.

That is much better for the person, arguably less costly. We are not awaiting on a health event that people then have to go to the hospital. We need to think with residential aged care in a built form as an opportunity to prevent an issue, re-able, teach people how to, in a way, get better and maybe, above all, get rid of this notion that there is one linear direction to the exit. People can re-able themselves and reablement at the moment is very limited. There's no funding. There's no mindset. And that's what I would suggest in a built form sense. If we are willing to accept a society that you can re-able yourself, then we can make that work through built form codes.

MR KNOWLES: And do I understand your evidence to be, Mr Weits, that the built form that would be appropriate to achieve that end is not necessarily a small home model but that could be a more institutional – I shouldn't say that necessarily but more traditional or institutional model, a larger setting, because it would be for a short period; is that your evidence? Have I got that right? A health hotel, I think, is how you described it?

MR WEITS: Yes. So we have – the organisation actually has built that health hotel model about 10 years ago. You could say we were ahead of our time and then the funding disappeared. But the model is, it was in built form, where we had larger private rooms with at times inbuilt kitchens, smaller community areas because in a reablement model, and I think in a palliation model, it's more about the individual, it's more about them. And if they want to participate in a group setting, absolutely, we can welcome it but that's not the purpose. It's about the individual and what they want. So, therefore, you have slightly – almost like a hotel model in our mind, less so a household model.

Let me again state very clearly, I'm very much for the household model and the predominant group of people that come to residential aged care have a dementia diagnosis and, therefore, deserve the household model. Perhaps what I'm advocating for is to not create a one-size-fits-all household model because, in a way, then we create the institution of the future.

MR KNOWLES: Can I ask you just on the topic of small household living, Professor Cornelissen. You indicated in your statement that Mercy Health is committed to new developments being designed in accordance with that model and, obviously, from that, I take it that Mercy Health regards the small home model of accommodation as preferable to the traditional more institutional setting?

PROF CORNELISSEN: Absolutely. And it's unequivocal in both the – I mean, I think in terms of the evidence we see when we walk into these homes that are built differently as well as what we have seen in international research, both published research, which are very small studies indeed, but also in terms of our own visual reviews of those places, we fundamentally believe that – I probably differ a little bit from Frank here in that whilst dementia people, small households, we believe that a small household and a relationship based model built on people's human rights is built good for everybody who needs aged care.

We need to remember that whilst for us, 48 per cent of people have a diagnosis of dementia living with us, there are a number of people also who do not. It doesn't mean we also don't do reablement within a residential aged care setting, which I know Frank wasn't saying, but we do always look at reablement and people being able to be in control of themselves for as long as possible. So the small household model by its design facilitates people being involved, being in relationships and it also facilitates a lack of loneliness, a lack of isolation, particularly institutional isolation, and also an increase in meaningfulness. We know that those three factors all have material effect on premature death in elderly people.

So when we increase meaningfulness, I will give you an example, if there's someone living with dementia in a house which has people who aren't – many people aren't living with dementia, they tend to get into a co-caring relationship and someone who has the physical means may be assisting someone living with dementia, someone who is bound to a princess chair because of mobility issues has other people looking after them, and that creates that sense of meaningfulness and community that we live in and we, as relational beings, function as.

MR KNOWLES: In relation to the delivery of care, you heard earlier Mr Pahor referred to handrails and ensuring that you don't have handrails. Are they the sorts of things that you would regard as being typical of a more traditional or institutional setting?

PROF CORNELISSEN: There is a number of things that are in traditional settings and, again, I don't want to assume that we can suddenly turn the entire system around and say, "We won't have any larger institutional aged care." We always will and for a period of time, we are going to have that but getting rid of handrails is one thing, very logical in every sense, and taking those out. Nurses' stations is another one that we don't need, places where we believe that we put ourselves in offices. At Mercy Health, we are trying to say that we go to work in someone's home, that they don't come to live in our workplace, and I think it's a deliberate distinction but it's

one we make and because that then creates the atmosphere of our carers being true companions in protecting the rights of the people they are there to support and serve.

MR KNOWLES: Just to get a sense of this, and this is coming back to your point about the small home model requiring not just a focus on the built environment but looking at the care arrangements as well, where do people do the tasks, say, the paperwork or the like that they otherwise might have done if they were sitting in a nurses' station?

PROF CORNELISSEN: Look, we have a multidisciplinary care worker and they're very similar to other statements you've got where the care companion, we call them, does the basic caring, the cooking and the cleaning and the domestic duties with those residents that can participate and wish to participate, or even just involving those that can't participate by them being present and having the auditory and, I guess, the sensory stimulation associated with that.

Nurses' stations are nothing more than a study nook or a study desk and we try and say that if you were to go into someone's home – and we use this analogy, if I was to walk into your home and do a home visit to you and said, "Hello, sir. I'm here to visit you. Would you mind if I just went into this room for a second and wrote some notes up and shut the door," you would think they're quite bizarre, so why do we do that in someone's home in residential care? So we simply have a study nook with a computer and our staff sit at that in the main area of the lounge room, the living area, as you would in any home when homework is being done at the kitchen table or the things we have been used to, living with our whole lives, are done in that manner.

MR KNOWLES: Can I ask you this, Professor Cornelissen. In terms of Mercy Health's aged care facilities, from what I understand in your statement, there are 35 facilities all up?

PROF CORNELISSEN: That's correct.

MR KNOWLES: But it's only two of them that have presently moved across to the small home model; is that right?

PROF CORNELISSEN: There's only two that have been purpose built in that model. We have had another four that we have sort of refurbished into that model in varying forms, and then we have two which would be larger variations of that theme with 15 beds or the like. We are now looking at the rest of our portfolio and even with our significant refurbishments we're doing, we are trying to get those philosophies along with the operational care model right. We are trying to get those philosophies right where we can create those same sort of meaningful hubs and communities throughout all built form.

MR KNOWLES: Just in terms of Mercy Health as a provider and having both built forms in play or at least both models in the sense that you might have a larger building but then it's divided up into smaller households with smaller groups of

dedicated staff, are you in a position to indicate from your knowledge how each setting has performed in recent times during the COVID pandemic?

PROF CORNELISSEN: Look, I think it's really too early to speak and as you know in Victoria in particular, we are in the midst of the COVID pandemic so I think any comment now would be far too premature. I think what we have noticed the most in our very early findings and, certainly, some of the indications coming from overseas regarding COVID is that it is the size of the facility but I don't want to think that it's just limited to size.

I think it's more limited to the consistent assignment of the staff. It's limited to the same people looking after the same people and where we are in smaller facilities and, particularly, we are probably seeing less staff move between multiple facilities or multiple services, which we know has been a risk factor here in Victoria. So I have a home that had a staff member with COVID in it. It's now in day 35 with no other transmission. We – touch wood – we hope that stays that way. But that's not in a – that's a traditional built home but it is segregated with consistent assignment of staff, the same staff working with the same residents all the time. And it appears that that – and our early intervention in terms of contact tracing, immediate implementation of PPE and infection control processes and all that has paid dividend in that home, but that is one example.

MR KNOWLES: Mr Weits, do you have a view about that in terms of COVID, infection control and the like, which of these two respective models might fare better?

MR WEITS: I must say I commend Stephen for his small scale. I think clearly if the built form in itself allows less residents but most importantly what I think Stephen said is it's then in a household model you will have the same workers looking after the residents. It's a much more – because of its household nature you will have a consistency of staff. Those two things together will absolutely help in this terrible situation in the industry and, indeed, the families are finding themselves and the residents. So I think small scale living in a household model is a really good thing to prevent future COVID challenge. It clearly will not eliminate it but it makes it much more easy to control.

MR KNOWLES: Professor Cornelissen, just going back to what you said a moment ago about the number of facilities that are presently or are going to be based on the small home model, can I just ask you this: how long do you expect it's going to take – and this goes back to one of the questions that Commissioner Briggs asked you earlier – how long do you think it's likely to take, given the commitment of Mercy Health to this model and the preference for it, despite that, how long do you think it will take for the complete stock of facilities to move towards that setting?

PROF CORNELISSEN: Well, we also live in a fiscal world, as you know, counsel. We have to say how much capital do we have access to over what period of time and what profits do we make to support that capital. So that is a big issue in terms of

how we roll that out and the speed of it. What we will be rolling out, though, is our – that sort of human rights relationship-based model of care, the consistent assignment of staff regardless of site, and then the taking away of nurses' stations. We've already started that. The taking away of some of those institutional elements then as we can afford to move into those smaller-type arrangements or clustering arrangements, also with – we haven't mentioned with points of destination for people to go to.

Because it's important when you're in a house not to just be locked in a house. We can be very lonely and sad in a smaller environment; but to be able to leave that place and go to a physical point of destination that is quite different to the house I'm living in. So I get the range of stimulation of visiting a high street. We are trying to create those sorts of environments in all of our homes, but I couldn't give you definitive time because a lot of it will be capital. We have seen this model being slightly more expensive operationally and I've put that in my statement there. So those elements we need to keep reviewing and making sure we can do this in a sustainable way going forward.

MR KNOWLES: In terms of what you say in your statement about the operation aspects, you say that there should be an increased supplement for accommodation and operating costs in respect of a small home model to account for the greater level of cost; is that how it is to be understood?

PROF CORNELISSEN: I think that's a good thing that we could look at, and I think there's also the right incentive to create with that without also wanting to ensure that we have a regulatory overlay burden that becomes administratively ridiculous. And so I think, yes, we would like to see that but I think – I think in item 58 I put a small table there where I say one is the relationship model and one is the built form and I think if we had a sliding scale of fees across that which would reward those built forms, yes, I think we could see industry change at a much faster level. I'm not so much convinced on capital grants because I think they reward the building of it but not the operating of a model.

MR KNOWLES: How would you make the distinction in that regard, though, between the general living environment, the small home which you say is the preference of Mercy Health for small home models, and what Mr Weits has referred to as a sort of a reablement setting where people might go to for a shorter period of time, albeit in residential aged care as such?

PROF CORNELISSEN: I don't think they're mutually exclusive. I think Frank is quite right. I think you can develop certain – I think we don't want a one size fits all. You can develop certain products for certain people's conditions. Subacute hospitals used to have those sort of renablement hotels in them 15 and 20 years ago where they had small little houses that people would stay in overnight for up to three to 10 days while they reenabled back into full living back in the community. And they sort of disappeared along – as Frank identified, with the funding. But a small household with the right sort of backend supports, and this includes good clinical support, good

allied health support and gymnasium and wellness functions, you can still achieve that in the right institutional field regardless of where that is.

So I don't think a small household would eliminate restorative care. And I guess the other part I say is everything should be a restorative focus if the person – as much as we can try and encourage the person to do that within their right to choice.

MR KNOWLES: Can I ask you this, Professor Cornelissen, on that point that you raise about the small home model being capable of being deployed in a variety of build settings. Have you had an opportunity to read the statement of Dr Judd from HammondCare?

PROF CORNELISSEN: Yes, I have.

MR KNOWLES: Yes. And did you see that he was a bit sceptical about the ability to achieve that end as successfully in a larger – to convert from a more institutional setting to a small home model?

PROF CORNELISSEN: Yes, I did.

MR KNOWLES: And I take it you don't agree on the basis of what you have just said.

PROF CORNELISSEN: No, I think if I go back to that item on page 58 where I said I think it is a sliding scale. You can do degrees of that and the success of those degrees depends on your model of care, your operating model and then the type of the built form. I don't want to say one is right or one is wrong. I think we are living in a system that has got lots of variation. But as we move to more models built on relationships and more models built on small scale living opportunities, we will get varying degrees of success in there. So I don't disagree with what Stephen is saying at all.

MR KNOWLES: In terms of that built form – and that's one of your axes that you have in your statement.

PROF CORNELISSEN: Yes.

MR KNOWLES: At the maximum end of that built form, are we talking separate buildings, separate eight-bedroom buildings on a larger site? I fully appreciate what you say about limits of capital and the like but is that really where one gets to in terms of the maximum beneficiality of the built form?

PROF CORNELISSEN: I think we've got to come back to what Robert said and it is also that this depends on geography, it depends on places. An outdoor flowing building would be fantastic in Queensland, maybe, where you could have 14 different houses with some community sections that you could walk indoor or outdoor. It may not be so good in inclement places, and we have seen that over in

Europe, for example, where they put them more under one roof and that's certainly what we have done here in Melbourne also. I think you can have all of those variants. The concepts have to be around the relational model, and it has to be around those small community groups working together and then having points of destination to meaningfully wander to. And then we see reductions of behaviours, we see reductions of medication and all the – and the other indices that Stephen referred to in his report.

MR KNOWLES: Just coming back to what you say about the time scale of moving into the small home model, and I take from your answer it could be quite a while, and there's no criticism in that from me. I'm just – that's how I understand you to be answering. It's a bit unknown and it could be quite a while.

PROF CORNELISSEN: That's correct. I mean, if we had all the capital in the world and we could do it in a managed process we could probably do it in eight years, but I think that it could be quite a while before we achieve that.

MR KNOWLES: And in that regard, is there any sort of measure that you can see that might promote that move towards that model in a faster time? What are the sort of things that might assist with that?

PROF CORNELISSEN: Well, I think it comes down to that issue what I said, I do still think that a supplement-type process which rewards those sorts of movements is good. Most of us can raise the capital we require if we're making profits to be able to pay for these things and then repay them, particularly now with the low interest rates and everything. So I think if we had those incentives coming through in supplements we could certainly move through in a quicker rate to achieve some of those. The issues of changing your care models, I think, are more able to be implemented anyway and that's what we are doing.

MR KNOWLES: Yes. Can I just ask, for those who can't raise the capital do you see a place for capital grants being directed to approved providers who are implementing good built form and built design in terms of accessibility standards, dementia friendly design, small home models?

PROF CORNELISSEN: I'm hesitating because I worry about the capital grant building the building and nothing happening about changing the way we operate within them and that just does worry me a little that we end up building something that doesn't see material change, and I think that's a real risk. That's why I'm probably more akin to a supplement which can then pay back debt finance. At the moment interest rates are low enough to probably achieve that but we are probably larger and able to do that a little bit more differently than a small provider.

MR KNOWLES: Appreciating what Mr Weits has said in relation to particular purposes of residential aged care but your view is that save for those particular purposes, the small home model is the desirable one; would there be a place for

imposing standards in respect of new and substantially rebuilt facilities in future that move towards a small home model?

PROF CORNELISSEN: I think the implication of standards that move towards models of care that promote relationships and human rights which include some built form would be very good, yes. So I'm not answering your question directly because I don't see them as mutually exclusive.

MR KNOWLES: So that might not be a building issue; it's something really that goes into the regulatory framework under any aged care legislation; is that really, do I understand you to mean that, Professor Cornelissen?

PROF CORNELISSEN: I think I'm meaning both. I think the building regulations could change but we would want to see the other regulations change as well so we are seeing a movement towards the human rights and relationship-based care, and then built form that facilitates that to happen as that co-existent process. Does that make sense?

MR KNOWLES: Yes, indeed. Mr Weits, can I ask for your views on those sorts of standards that might be imposed on new builds in the future; do you see a place for them?

MR WEITS: Look, I do. I do, and perhaps – maybe this is terminology, but I sort of think that if I were to build something new, it will be a small-scale built form home, right. So built form is small scale. Small units. Anywhere up to 12, that's the built form. Within it I might have a health hotel approach for reablement or palliation or I might have health care – in our case a household model. So the built form is small scale. It doesn't have to be, by the way, just a small house. It could be in a bigger house as along as the units have that small scale. Small scale is the built form. Then you have got a health model approach, in our mind and a household model approach.

The good thing if you agree with that sort of – that sort of health model approach, you could apply that to older style residential buildings that are not – cannot be repurposed for a small-scale built form because it is just too difficult. You could potentially have the reablement approach and what I consider those old more institutional residential buildings because the health model is, I think, more an individual model. So perhaps it could be seen as an opportunity to repurpose those older facilities. Instead of writing them off, come up with a reablement model because it is simply too costly to repurpose them in a small scale. That's how - - -

MR KNOWLES: So they would be repurposed for your health hotel conception; is that right, Mr Weits?

MR WEITS: Yes, that is one option, correct. The other option is to then repurpose them and throw a lot of capital against them but I would question whether that is a feasible option for some of the buildings.

MR KNOWLES: Yes. Mr Pahor, you talked earlier about some of the residential aged care facility buildings that you had designed and said that you designed them in accordance with instructions that went to having clusters in the large building where each area was in a form at least of a stand-alone place. Are those clusters separate in the sense of what Professor Cornelissen has described? Do they have separate eating and dining areas dedicated to them?

MR PAHOR: In terms of formalising the brief, if you will, with the client, a lot of that can be managed through the timing of the meals. So from a fiscal point of view, you don't want to replicate too many of these functions. However, in conjunction with understanding the model and the timing and the frequency and all those sort of things, so – but in essence, yes, we have really endeavoured to design each cluster with a little lounge area, a meals area, and – but in such a way that it's not only and solely dedicated because you do want to get, I believe, the integrated approach where others can come and visit, "others" being other residents or family or other visitors but in general terms, yes.

MR KNOWLES: So is that a situation in which residents can get involved as I think Professor Cornelissen is contemplating for the two newest facilities of Mercy Health, where they can get involved in the preparation of meals in the kitchen and the like, and things like that?

MR PAHOR: As architects, again, that final decision is not ours, obviously. However, the basic model that we have been working on of late is if there's a major kitchen, a commercial kitchen, then the food is transported to the local kitchenettes as opposed to the big kitchens, and then it's managed from there. So in a way it certainly is, yes, but the major facility of the commercial kitchen is elsewhere.

MR KNOWLES: Right.

MR PAHOR: Does that make sense?

MR KNOWLES: Yes. But from what you're saying, in that sense, they are not really akin to the design or the formulation that is in the Mercy Health setting necessarily, where there would be a separate engagement between staff and residents at mealtimes actually cooking meals together?

MR PAHOR: There's no reason why it can't be. I think that designs can be flexible enough where that can be a methodology that can be adopted.

MR KNOWLES: Yes. Can I - - -

COMMISSIONER PAGONE: Commissioner Briggs has a question.

MR KNOWLES: Yes, pardon me.

COMMISSIONER BRIGGS: Thanks, Commissioner Pagone. Can design be flexible enough to have just small community homes in the community that aren't part of a massive institutional framework?

MR PAHOR: You are addressing that at me, Commissioner?

COMMISSIONER BRIGGS: At anyone in particular, I think.

MR PAHOR: From a design point of view, there's no reason why it can't be. I think the parameters that may influence that would be town planning, planning issues, understanding whether you do really want to get, you know, ageing in place and the policies and the planning framework of each site may have restrictions on that. But from a simple design point of view, there's no reason why that cannot happen.

MR WEITS: Yes, and maybe to answer that question, in my case, I've got a Dutch background. I think small scale living in its origin was very much developed in Europe. In the Netherlands, you've got a lot of residential aged care settings, in older houses, in all sorts of built forms, truly integrated in community, often run where the care manager, who is also the owner of that site. I would almost say ..... living small scale management, but it then also comes with a risk profile where if a resident is wandering, gets picked up at the bakery and the bakery person says, "Frank, one of your residents is here," then that's fine. We are not panicking. It's not front page news. It is society accepted and we all work together in a community setting. And I would say the ..... could happen in community but I think with it, there's also a societal expectation that people as they age, including behaviours like dementia and wandering, are more expected. I'm not sure in the current climate that if I have got one of my residents wandering, I fear the front page news and the negativity that sits around it.

PROF CORNELISSEN: And, Commissioner, I fully support what Frank said there and Robert and, certainly, the Dutch models are amazing, how they do that, but their community does have very different ways of considering how their elderly are integrated in community and looked after within community. The other thing, again, it's not a one size fits all but a larger facility can create a sense of purpose and a larger cohort. It's almost like if you could think of a retirement village but in a retirement village for aged people in small houses, and I think that village concept brings together likeness and support and like activities creating a more meaningful environment.

COMMISSIONER BRIGGS: Thank you. Yes, I understand what you both said. The key thing for me is what I am taking out of this evidence is that a variety of possibilities of housing kind of responses are required and, to date, we have generally had one kind and that kind is no longer generally fit for purpose and we need to be more flexible in what is occurring. I'm getting nods. Back to you, counsel.

MR KNOWLES: Thank you, Commissioner. Just on that question about retirement villages, Mr Weits, ACH Group operates many more retirement living homes than residential aged care facilities. What different building design considerations apply to each of those particular settings?

MR WEITS: It's a good question. So perhaps – so, often, 900 homes. I've got 200 homes in Victoria and 700 in Adelaide. Some of them are clustered in groups of, I don't know, four. Other ones are clustered in groups of 200, where the higher clustering happens. Often, it's then – it goes together with community hall and very strong social network and, arguably, the attraction in the more bigger ones is that people live there because of its community feel, where some of the smaller clusters, whilst there is community, it is truly more integrated in the broader community.

But, often, these settings are in suburbia and we proudly recently have commenced a new retirement project in the inner city together with a community housing provider and, indeed, the state government, we built a 13-storey building. ACH Group underpinned that project by taking the top three floors and 16 units. They were purposely built with the livable housing standards in mind. 10 were platinum, to be specific, and six silver to create different price points. But the other 10 floors are managed by the community housing provider, of which 40 were bought by the housing trust, and as a product, it creates ageing in place for our residents.

It creates a sense of community in terms of the housing community tenants have purposely been selected as of older age, most of them in their late 50s, early 60s. There is a community café at the bottom of the building that is managed by the residents and as an organisation. Hopefully, the other floors of community housing customers one day might become my home care customers. That's, of course, their choice. So it's a great project. We purposely did it to prove that through partnership, we can create affordable living in an inner city environment that would otherwise be not affordable for, often, single women with not enough capital.

MR KNOWLES: So just to be clear on the actual nature of the project, is it Spence on Light?

MR WEITS: Yes, Spence on Light, correct.

MR KNOWLES: Can you just explain. It's the top three floors that are single women over 55 are the occupants; is that the cohort on those floors in those apartments?

MR WEITS: We are not just excluding it to single women but it tends to be – it is – we acknowledge that particular women, as they age, have a housing affordability challenge and so, therefore, we feel because of our purpose, we were established to look after war widows and the notion of affordability, particularly with women, is something that historically has always been part of our DNA. And the women that are coming and they are – so the Aged Care Act allows from 55 plus but it's fair to say that most of the women that we get are in their 70s. Very able but like to have an

inner city living with amenities close by. Again, whereas in suburban model, the amenities are not that close by and we as a housing provider felt that it was very important that we supported this project to simply demonstrate as an aged care provider that affordable living can be achieved, and it doesn't always have to have government funding to make it work because we created that partnership with two other parties.

MR KNOWLES: Can I just ask you about the funding arrangements. How was there funding for this project to go ahead if there wasn't government funding?

MR WEITS: Again, so the Housing Trust were taking off the 40 homes. So the Housing Trust, the state government bought the 40 units.

MR KNOWLES: I see.

MR WEITS: They own those units. So instead of providing a grant of sorts, they as a Housing Trust provider, their inevitable – their purpose is to continuously build new stock and they decided to underpin the project with the uptake of 40 particular units as well as ACH underpinned it by their 16 units, and then the community housing provider funded the balance. What I like about that model is it wasn't based on a grant or asking the government for money. It was actually the government paying but it was getting something which was the stock.

MR KNOWLES: Yes. How do the tenants – sorry, Mr Weits. I don't want to cut you off.

MR WEITS: No, I could keep on talking about that project but I was .....

MR KNOWLES: I'm keen to hear. All I was going to say was how do the tenants on those top three floors – what sort of rents do they pay and how are the rents – are the rents supplemented in some way? What are the arrangements in place there?

MR WEITS: They are predominantly – they are based on the retirement donation model. Some have – so there is a donation – that's the independent living unit – where there is a non-refundable donation that we ask and that's the way – because of the incoming capital, that's the way how we can fund the approach. So it's not an affordable rent model. The rent model is being pursued by the community housing provider and, indeed, the state government, but we ask for the donation for our residents, who often then age in place for 15 years, which makes it a really good proposition.

MR KNOWLES: Yes. Can I ask you also, Mr Weits, just in relation to the retirement living and thinking about people who are of lower means there, to what extent is that retirement living option available for people who don't own their own home and are otherwise – would have been in rental accommodation beforehand?

MR WEITS: It is – so over our 900 homes, we have about 150 homes that are pure rental but what you see, often, those units, when we start them in the economic lifetime, they become based on the donation model. Then as the stock ages, still very safe, let me be very clear, with good amenities but we then have our older stock that are then becoming a rental model option. And then where there is rental needed, we then, in this case, in Spence on Light, decided to collaborate with other providers to have the opportunity to provide that rental model in combination with us. We then do the more donation model that is traditional in a retirement living domain.

MR KNOWLES: Can you just elaborate on what you mean by the donation model just for my benefit at least?

MR WEITS: Often, when in retirement living world, a customer can – there are different models that people buy. They either purchase a unit at full capital value and at the time of access, they get 60 per cent back of the original contribution, that is one model, which is a high upfront capital but they get 60 per cent back when they leave, or another model is a much lower entry contribution but then that becomes a non-refundable when people leave along the way. So you have got different models that I myself had to learn when I started this job 18 months ago but that tends to be the predominant nature of the – what are called the donation model in retirement living.

MR KNOWLES: Yes, I understand. Pardon me, Commissioners. Can I ask you, Professor Cornelissen, you've indicated earlier that some of the services provided by Mercy Health extend to home care services. What sort of services – in terms of what that includes for people who are living in their private homes, what services are provided by Mercy Health to make sure a person's home is best suited for them to age in place?

PROF CORNELISSEN: So we would provide the normal home care package services that the government funds through the various-tiered package services and, obviously, within those level 1 to level 5 people can have within their home modification programs. So we would support and enable those sorts of things as well as the key coordination for in home care until such time they couldn't be at home or their package expired or they no longer needed it.

MR KNOWLES: I don't have any further questions for these witnesses, Commissioners.

COMMISSIONER PAGONE: Thank you, Mr Knowles. Commissioner Briggs?

COMMISSIONER BRIGGS: No. Thank you. I have asked my questions.

COMMISSIONER PAGONE: Thank you. Thank you, Mr Knowles. Well, it just leaves for me to thank each of the panellists for participating in the exercise today. It has been very, very informative. We are very grateful to be able to rely upon the depth of experience and knowledge and expertise that you each have. We have been

really greatly informed by what you have done and we are very conscious of the amount of time that you have given us before the hearing and preparation, then preparation for the hearing and now in this afternoon in answering questions, so we are grateful to you. The issues are complicated and interesting, so we thank you very much, and I formally excuse you from further attendance.

PROF CORNELISSEN: Thank you, Commissioners. Thank you, counsel.

<THE WITNESSES WITHDREW [2.42 pm]

COMMISSIONER PAGONE: Mr Knowles, do I understand that you would like a short adjournment?

MR KNOWLES: Yes, if the Commissioners please.

COMMISSIONER PAGONE: All right.

ADJOURNED [2.42 pm]

RESUMED [2.57 pm]

COMMISSIONER PAGONE: Yes, Mr Knowles.

MR KNOWLES: Thank you, Commissioners. Commissioners, at the end of yesterday you made directions in chambers. The directions that were made permit any further submissions to be made on matters the subject of this hearing, and in particular the propositions document at tab 1 of the general tender bundle by Friday, 4 September 2020. Submissions received will, subject to your discretion, be published on the Royal Commission's website.

Commissioners, you've heard evidence in this hearing about suitable accommodation for older people to age in place and as necessary receive aged care services. Can I express my gratitude to all the witnesses who have appeared to assist the inquiry of you, Commissioners, further in respect of this topic. In short, what they made clear by their evidence, is that there is far from enough suitable accommodation of this kind and that is so whether the accommodation is owner occupied, privately rented or social or affordable housing. For instance, Dr Brendon Radford this morning told us that the market is not providing housing that people want to downsize in the community. He added that there's also a barrier in getting people to think about downsizing early enough. He told us downsizing is also more difficult as people get older.

Both Ms Cathy Humphrey and Mr David Larmour noted the considerable need for more and improved accommodation in social and affordable housing. This was a recurring theme across the evidence that we have heard, generally, in terms of the availability of suitable housing for people to age in place. Of course, as Mr Larmour acknowledged, accommodation and care go together hand in glove. That was something that was also exemplified by the evidence of Mr Schrapel about the U City development. That development is one in which people who live in the retirement apartments are able to access the services provided by Uniting Communities or other providers in those particular apartments. It equally applies, of course, in residential aged care as was preferred by Professor Stephen Cornelissen and Mr Frank Weits.

So what is needed to resolve the shortage? This will be something that will need to be considered further by you, Commissioners, in the next months leading up to the provision of the final report. Ms Peta Harwood, though, from the Brisbane City Council stated that the council does not have a mandate to incentivise particular beneficial design and considered that all levels of government should be working together and that that would be beneficia. Mr Schrapel supported a national strategy to ensure some coherence in relation to the way Australians are able to access housing right throughout their lives.

Having regards to Michael Lynch's evidence, it's clear that building a large and robust social impact investing market in Australia will also require ongoing coordination and leadership from governments. Adjunct Professor Stephen Cornelissen has said that there should be incentives also to transition to small household living models for residential aged care providers and that that could be done through additional supplements.

In general, witnesses were supportive of greater compliance with appropriate design standards whether that be generally for buildings in the community, or more particularly, in respect of residential aged care. Mr Schrapel told us that general compliance with accessible design standards could initially be achieved through an incentive scheme, however, over time what we should be doing is moving to a requirement of a specific standard that is actually something that is – has to be complied with.

Others were also supportive of an approach such as this, including Dr Radford. Dr Radford told us that what older people want in terms of their housing is diversity and innovative accommodation models such as cohousing could achieve some of that as well for some people, but that is only one part of the solution. But nonetheless Mr Lynch explained how a cohousing project in Melbourne, known as Nightingale, has demonstrated the ability for impact investment to ensure that these projects are able to occur on scale.

Just in respect of that particular model, I obviously should mention the first two witnesses, Ms Brenton and Ms Argent who exemplified the benefits of a model of cohousing insofar as it promoted greater community, independence and agency and

autonomy in one's life in older age. Ms Argent indicated to you, Commissioners, that she thought it was her responsibility to make plans for her old age and she observed that in that regard, the OWCH group managed themselves. She said:

> *People think it's easier and safer to put us away somewhere and we have to stop making old age and old people a problem.*

Likewise, we have to stop the accommodation for older aged being a problem and we need to find solutions to it, Commissioners, and hopefully the evidence that has been heard today and yesterday will go some way towards that. Thank you, Commissioners.

COMMISSIONER PAGONE: Yes, Mr Knowles. Thank you for your submissions. We are indebted to counsel for the submissions and the assistance they have given us during this hearing. Please pass on our thanks to the others who are not in the room but who have, no doubt, we know, assisted a great deal in the preparation and, indeed, we need to thank all of the people throughout the country who have been working behind the scenes, including the tech support and all of the other administrative assistance that has made this all possible. So thank you to each of you.

Now, I think the only other thing I need to do now is formally to adjourn to the 31st of August at 10 o'clock and there's another hearing taking place in Sydney.

MR KNOWLES: Thank you, Commissioners.

MATTER ADJOURNED at 3.04 pm UNTIL MONDAY, 31 AUGUST 2020

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