



KEMPSEY
Shire Council

DIRECTOR CORPORATE AND COMMUNITY SERVICES REPORT

14th November 2006

DCCS6 HOMES FOR THE AGED
FILE: LA19692 LA1800 LA3435 JMC
 { Folio No. * }

SUMMARY:

Reporting on Homes for the Aged as requested by Council at its April 2006 Meeting.



DESCRIPTION:

Council resolved at the 11 April 2006 Council *meeting* "That a report be tendered to the October 2006 Meeting to review rents for the aged units".

The following report will outline: -

- Details of ownership and partnerships for the three properties where Council offers housing for the aged and disabled.
- Financial details of expenditure and income.
- Aged and Disability Pension details and how often they are reviewed.

History of Units:

- **53 Tozer Street** Aged units, West Kempsey

Kempsey Municipal Council constructed nine (9) units in 1970-1971 and three additional units were completed in 1973.

Stage I was subject to a 2:1 Government Subsidy (Department of Social Services) with the balance being provided by public subscription and Council funds as follows: -

Government Subsidy	- \$44,400	
Appeal Funds	- \$23,657	
Council Funds	- \$ 2,635	Total: \$70,692

Stage II was also subject to a 2 to 1 Government subsidy and the balance was provided by the occupants under the founder – donor scheme. Costs were:-

Government Subsidy	-	\$14,600	
Founder / Donors **	-	\$ 9,722	
Council Funds	-	\$ 1,549	Total: \$25,871

Total Cost of 12 units:- \$96,563

*** Founder / Donors were entitled to occupy a unit without payment of rental for their life-time. Upon the death of the founder/donor the unit is let by the Council under normal rental conditions.*

Note: All Founder/Donors are now deceased.

- **Sheila Blackwell Gardens**

In 1978 Kempsey Shire Council proposed to construct further homes for the aged. Land was utilised at 10 Leith Street, West Kempsey where construction of 12 units was made possible with the assistance of a Grant from the Department of Social Security of \$155,367, Macleay Senior Citizens Homes Committee donated \$22,500, and Council Loan Funds of \$120,000.

The first twelve units became available for occupation in March 1982, with an additional six (6) equity funded units under construction. The units were named after Mrs Sheila Blackwell from Rudder Street, East Kempsey, in recognition of her appointment as Citizen of the Year and her contribution to the welfare of the Shire generally.

The six (6) equity funded units have since been purchased back by Council. Under the Agreement Council had to pay out the agreed price to the vacating tenant if the property was not sold within six months of the owner vacating the unit.

In 1992 a further eight (8) units were built on the Jack Williams Crescent end of the Sheila Blackwell Gardens property in partnership with the Department of Housing. The joint venture was that the Department would meet the full construction costs if Council supplied the land and managed and maintained the units.

An additional 12 units were drafted on the original plan to be constructed on the eastern end of the Sheila Blackwell Gardens property. This stage has yet to commence.

- **Boronia Gardens Aged Units**

In 1982 Council called a Public Meeting for the purpose of discussing the possible establishment of Homes for the Aged on South West Rocks land.

The Boronia Gardens Committee raised \$125,000 toward the \$560,000 cost of the units. The Committee became defunct in 1998 and transferred their interest on the Title Deeds to Kempsey Shire Council. Deeds are held with the Department of Housing.

An activities Hall was built on this site for use by tenants and is hired out to the community groups such as the Scrabble Club, Senior Citizens, Catholic Women's League, Soccer Club, Southern Cross University, and Boronia Gardens Day Centre. Council funded \$28,833.86 from rentals received to help construct the Hall.

A plan exists for an additional 15 units that could be constructed on the vacant land at the Boronia Gardens property.

Current Position:

Council manages these three (3) properties: -

Boronia Gardens Aged Units, 12 Lawson Street, South West Rocks

10 x 1 bedroom units and 4 x 2 bedroom units – Total of 14 units

Sheila Blackwell Gardens – 10 Leith Street, West Kempsey

16 x 1 bedroom units and 2 x 2 bedroom units – Total of 18 units

Sheila Blackwell Gardens Stage 2 – 9 Jack Williams Crescent, West Kempsey

8 x 1 bedroom units – Total of 8 units

Tozer Street Aged Units – 53 Tozer Street, West Kempsey

12 x 1 bedroom units – Total of 12 units.

Overall Council is the Landlord for 52 units.

Occupancy is 100% with an extensive waiting list for Boronia Gardens with applicants on a waiting list for several years. West Kempsey Units are generally available within a twelve month period of application.

All tenants are responsible for their own electricity, gas and phone expenses. The units are unfurnished. Council originally supplied washing machines and fridges, however that has ceased as maintenance and replacement costs were too high.

Council pays all excess water charges and Open Space and Recreation maintains lawns and gardens.

Rental Reviews

Council sets the rent on the Sheila Blackwell Gardens Units and Tozer Street units yearly. This is considered at the April Council meeting to allow 60 days notice to tenants (required under the Residential Tenancy Agreement). Rental increases are applicable as from 1st July of each year.

The following table identifies fortnightly rentals charged over the last five years. All tenants on this arrangement find it very reasonable rent and most tenants receive Rental Assistance from Centrelink. Rentals are paid to Council via automatic deductions from tenants Bank Accounts.

Council Rent charged on a fortnightly basis					
Property	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
# Leith St - 1 bedroom	\$123	\$130	\$134	\$138	\$142
# Leith St - 2 bedrooms	\$153	\$160	\$164	\$168	\$172
Tozer St -1 bedroom	\$109	\$116	\$122	\$126	\$130

The repayments for loan funds for the Leith Street units have traditionally been included as a cost against the rentals of the tenants, which makes the rentals of these units somewhat higher than the units in Tozer Street.

Rental properties advertised by Real Estate in West Kempsey for 1 Bedroom Units range from \$220 - \$250 per fortnight. Council currently charges \$130 per fortnight for 1 bedroom unit at Tozer Street Complex. This Report will recommend increasing rent to \$142 per fortnight to correspond with Leith Street complex. The units in Tozer Street are being continually refurbished with new kitchens, floor coverings and window furnishings.

The 14 Boronia Gardens Aged Units at South West Rocks and the 8 units at 9 Jack Williams Crescent, West Kempsey, are jointly owned by Council and Department of Housing, where the rent is 25% of the tenant's assessable income. These rents are reviewed in May and November of each year.

The assessable income for these tenants include income received from pensions along with interest paid from monies invested. Rents range from \$125.00 to \$265.00 per fortnight. Income statements are received from Centrelink each six months and rents are adjusted accordingly.

The Criteria for applicants is that they must be on a full Pension and not own any property.

Ownership

Sheila Blackwell Gardens – Lot 2 DP 623189, Units 1 – 18, Kempsey Shire Council.

Sheila Blackwell Gardens – Lot 9 Jack Williams Crescent, West Kempsey, Units 19 – 26. 53 year lease with the Department of Housing, expires 24th August 2045.

Boronia Gardens – Lot 18, DP 864255 owned in partnership with Council and Department Housing - classified as Operational Land. Lease Agreement exists with Department of Housing. Title Deeds are held with the Department of Housing.

Tozer Street Aged Units – Crown Reserve 78747 – Crown Land. Lots 29 and 30 Section 26A DP 759080 on corner of Tozer Street and Hudson Lane, West Kempsey.

Pension Details

The following tables reflect income from Aged Pension, Disability Pension and Rental Assistance paid by Centrelink to tenants. Some tenants are receiving Veterans Affairs and Foreign Pensions.

Aged Pension and Disability Support Pension Details

Status	Maximum Pension Rate Per Fortnight
Single	\$512.10
Couple	\$427.70 (each)

Rental Assistance

Situation	Maximum payment per fortnight	No payment if your fortnightly rent is less than	Maximum payment if your fortnightly rent is more than
Single, no dependent children	\$103.20	\$91.80	\$229.40
Single, sharer, no dependent children	\$68.80	\$91.80	\$183.53
Couple, no dependent children	\$97.40	\$149.40	\$279.27

Current Budget (2006/07)

OPERATING REVENUES

070101	Tozer Street Rental Income	42,000
070111	Leith Street Rental Income	85,200
070130	Boronia Gardens Rental Income	59,000
070132	SUNDRY INCOME (rental of Boronia Gardens Hall)	500
	TOTAL OPERATING REVENUES	186,700

OPERATING EXPENSES

190104	MANAGEMENT SERVICES	71,840
	COUNCIL RATES & WATER CHARGES	
190102	Tozer Street	10,150
190112	Leith Street	26,500
190131	Boronia Gardens	15,300
	COUNCIL RATES	51,950
	ASSET MANAGEMENT PROGRAM - ROUTINE	
190101	Tozer Street	18,500
190111	Leith Street	27,000
190130	Boronia Gardens	25,000
		70,500

ASSET MANAGEMENT PROGRAM - SPECIFIC

	<u>Tozer Street</u>	
190152	- Refurbishment - Kitchen, Lounge & Bedroom	7,500
190163	- Paint Interior	3,500
190147	- Replace Built in Cupboards - Living Room/Bedroom	4,000
	<u>Leith Street</u>	
190125	- Refurbish Unit	6,350
190165	- Replace Built in Cupboards - Living Room/Bedroom	2,000
	<u>Boronia Gardens</u>	
190166	- Top Kitchen Cupboards	2,000
	TOTAL SPECIFIC ASSET MAINTENANCE	25,350
190103	DEPRECIATION	30,000
	INTEREST REPAYMENTS	
261401	Loan No. 382 - Due 30/6/06	0
261401	Loan No. 391 - Due 16/6/14	2,946
261401	Loan No. 392 - Due 22/6/07	417
		3,363
	TOTAL OPERATING EXPENSES	253,003

TOTAL SURPLUS/(DEFICIT) FROM OPERATIONS FOR THE PERIOD PRIOR TO CAPITAL FUNDING

(66,303)

CAPITAL REVENUES

	TRANSFERS FROM INTERNALLY RESTRICTED ASSETS	
520116	Internal Reserves - Homes For Aged Maintenance	5,522
	TOTAL CAPITAL REVENUES	5,522

CAPITAL EXPENSES

	ACQUISITION OF ASSETS - Annual Program to be	
190110	Determined	2,000
		2,000

LOAN PRINCIPAL REPAYMENTS – Leith Street		
550382	Loan No. 382 - Due 30/6/06	
550391	Loan No. 391 - Due 16/6/14	4,673
550392	Loan No. 392 - Due 20/6/07	11,464
		<u>16,137</u>
	TOTAL CAPITAL EXPENSES	<u>18,137</u>
	TOTAL SURPLUS/(DEFICIT) FOR THE PERIOD	
	FOLLOWING CAPITAL MOVEMENTS	(78,918)
150130	DEPRECIATION - Homes For The Aged	30,000
	FUNDS AVAILABLE TO, (OR REQUIRED FROM) RATES	
	AND OTHER GENERAL REVENUE	<u><u>(48,918)</u></u>

The units are continually being refurbished (as Budget permits).

Loan 1. – Loan 391 – Expiry date 16/6/14.
 Principal outstanding 30/6/07 - \$42730
 06/07 Principal Repayment - \$4673
 06/07 Interest charge - \$2946
 Lender – Commonwealth Bank
 Interest Rate – 6.44%

Loan 2. – Loan 392 – Expiry date 20/6/07
 Principal outstanding 30/6/07 – Nil
 06/07 Principal Repayment - \$11464
 06/07 Interest charge - \$417
 Lender –National Bank
 Interest Rate – 5.837%

Therefore as of 1st July 2007 the only Loan outstanding on the units is Loan 391 - Principal outstanding is \$42,730.

Council certainly acknowledges the contribution made by the Community for the funding of the above units, however recommending an increase in the rent is still considered much cheaper than the private market and allows Council to keep assets maintained.

REPORT IMPLICATIONS:

- **Environmental**

Nil, at this stage.

- **Social**

Providing homes in the Shire for aged and disability pensioners is an important social commitment to our residents.

- *Economic (Financial)*

Council's Budget has been adopted for this Financial Year, however future rental increases would increase the income from the Homes for the Aged, and thus reduce the overall loss to Council.

- *Policy or Statutory*

Council is required to follow the Department of Housing guidelines for charging rent for those units owned in partnership.

- *Director's Review*

The recommendation is supported.

RECOMMENDATION:

That at the time of the next annual review of Aged Unit rentals in April 2007, the rentals for the Tozer Street Aged Units be made the same as that applied to the Sheila Blackwell Gardens Aged Units.

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G B Snape

DIRECTOR CORPORATE & COMMUNITY SERVICES