

ACFA Recommendation: Limit Bonds to 95% of Average Bonds = \$500k bond and then use MPIR to calculate the daily charge equivalent (with no retentions)
 LSA Victoria - Local Median House Price usually determine what a provider can charge as a lump sum bond
 Below is a comparison of MPIR in Rural Victoria and the income that will be generated from bonds

	2012 Median House Price #	Resident must be left with	Balance Available for Bond	Interest on Bond pa @ 4.60%	Per day interest on bond	Daily charge on basis of MPIR	Cost to Build at \$200,000	Average WAACC 8.30%	Depn at 2.5%	Accomm Operating Expenses	Annual Accom Costs	Daily Charge RATE RECD	difference MPIR and cost to Build F & M
	A	B	C	D	E	F	G	H	J	K	L	M	
Wonthaggi	\$203,000	\$40,500	\$162,500	\$7,475	\$20	\$33.92	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$38
Sea Lake	\$50,000	\$40,500	\$9,500	\$437	\$1	\$1.98	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$70
Ballarat	\$285,000	\$40,500	\$244,500	\$11,247	\$31	\$51.04	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$21
Stawell	\$175,000	\$40,500	\$134,500	\$6,187	\$17	\$28.08	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$44
Wangaratta	\$248,000	\$40,500	\$207,500	\$9,545	\$26	\$43.32	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$29
Taralgon	\$170,000	\$40,500	\$129,500	\$5,957	\$16	\$27.04	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$45
Sale	\$192,000	\$40,500	\$152,000	\$6,992	\$19	\$31.73	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$41
Bendigo	\$301,000	\$40,500	\$260,500	\$11,983	\$33	\$54.38	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$18
Colac	\$144,000	\$40,500	\$103,500	\$4,761	\$13	\$21.61	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$51
Manjorrough	\$150,000	\$40,500	\$109,500	\$5,037	\$14	\$22.86	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$50
Shepparton	\$195,000	\$40,500	\$154,500	\$7,107	\$19	\$32.25	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$40
Echuca	\$250,000	\$40,500	\$209,500	\$9,637	\$26	\$43.74	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$29
Benalla	\$200,000	\$40,500	\$159,500	\$7,337	\$20	\$33.30	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$39
Swan Hill	\$320,000	\$40,500	\$279,500	\$12,857	\$35	\$58.35	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$14
Keang	\$220,000	\$40,500	\$179,500	\$8,257	\$23	\$37.47	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$35
Mildura	\$258,000	\$40,500	\$217,500	\$10,005	\$27	\$45.41	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$27
Kyneton	\$400,000	\$40,500	\$359,500	\$16,537	\$45	\$75.05	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	\$3
Geelong	\$362,000	\$40,500	\$321,500	\$14,789	\$41	\$67.12	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$5
Tongala	\$135,000	\$40,500	\$94,500	\$4,347	\$12	\$19.73	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$53
St Arnaud	\$127,500	\$40,500	\$87,000	\$4,002	\$11	\$18.16	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$54
Warrambrool	\$240,000	\$40,500	\$199,500	\$9,177	\$25	\$41.65	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$31
Portland	\$240,000	\$40,500	\$199,500	\$9,177	\$25	\$41.65	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$31
Seymour	\$140,000	\$40,500	\$99,500	\$4,577	\$13	\$20.77	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$52
Alexandra	\$285,000	\$40,500	\$244,500	\$11,247	\$31	\$51.04	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$21
Eildon	\$250,000	\$40,500	\$209,500	\$9,637	\$26	\$43.74	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$29
Bannockburn	\$290,000	\$40,500	\$249,500	\$11,477	\$31	\$52.09	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$20
Grovedale	\$369,000	\$40,500	\$328,500	\$15,111	\$41	\$68.58	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$4
Woodonga	\$256,000	\$40,500	\$215,500	\$9,913	\$27	\$44.99	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$27
Rutherglen	\$350,000	\$40,500	\$309,500	\$14,237	\$39	\$64.61	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$8
Donald	\$169,000	\$40,500	\$128,500	\$5,911	\$16	\$26.83	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$46
Manfield	\$263,000	\$40,500	\$222,500	\$10,235	\$28	\$46.45	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$26
Horsham	\$117,000	\$40,500	\$76,500	\$3,519	\$10	\$15.97	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$56
Yackandandah	\$275,000	\$40,500	\$234,500	\$10,787	\$30	\$48.96	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$23
Bairnsdale	\$238,000	\$40,500	\$197,500	\$9,085	\$25	\$41.23	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$31
Warragul	\$267,000	\$40,500	\$226,500	\$10,419	\$29	\$47.29	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$25
Pakenham	\$275,000	\$40,500	\$234,500	\$10,805	\$30	\$49.04	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$23
Mallacoota	\$249,000	\$40,500	\$208,500	\$9,591	\$26	\$43.53	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	-\$29
MELBOURNE	\$530,000	\$40,500	\$489,500	\$22,517	\$62	\$102.19	\$200,000	8.30%	2.5%	\$4,816	\$26,416	\$72	\$30
AVERAGE for VICTORIA			\$201,326			\$42						\$72	-\$30

A = established from www.realestate.com and REIV
 B = Government determined
 D = Current 6 month term deposit rate as at 12 November 2012
 E = annual interest earned on a bond converted to a daily equivalent amount
 F = the conversion based on ACFA recommendation to convert lump sum to a daily charge using the MPIR
 G = Average cost to build today (some will do it cheaper others will pay more)
 H = WAACC as per Hogan report, Access Economics papers, Deloitte. Can be higher in many organisations 12.5% to 18%
 J = depreciation of buildings as per ATO
 K = average Stewart Brown Benchmark on Repairs and Maintenance for residential care per bed per annum
 L = annual operating costs G by H by J plus K
 M = Daily charge calculation as per PC calculations

Note I have omitted the value of land for the purposes of this exercise but has been estimated at \$22500 per bed by Grant Thornton
 land will appreciate as well and this value will be reflected in the selling price as a going concern whereas the building will depreciate over much shorter life.

Comparison with the cost of building today and expected returns on investment to determine what the daily charge should be as per the Productivity Commission Recommendations.

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