

Increase in Service Fees for Financial Year starting 1 July 2017

As in previous years the operator of a retirement village in Victoria is entitled to increase its service fee or “maintenance charge” by a percentage based on changes in the Consumer Price Index (CPI as published by the Australian Bureau of Statistics). The formula used to calculate the percentage increase is given in the *Retirement Villages (Contractual Arrangements) Regulations 2006*.

According to this formula, this year’s percentage increase is calculated by dividing the sum of the CPI index numbers for each of the four quarters June 2016 to March 2017 by the sum of CPI numbers for the corresponding quarters in 2015/16. The table shows the relevant figures for calculating the increase for the new financial year (1 July 2017 to 30 June 2018) for Melbourne.

Quarter	Melbourne CPI
Jun-16	108.6
Sep-16	109.1
Dec-16	109.9
Mar-17	110.9
<i>Total</i>	<i>438.5</i>
Jun-15	107.1
Sep-15	107.6
Dec-15	108.3
Mar-16	108.2
<i>Total</i>	<i>431.2</i>

Source: Australian Bureau of Statistics 6401 (All Groups)

The total of the first set of four index numbers (438.5) is **1.69%** higher than the total of the second set (431.2) and operators of retirement villages in Melbourne are entitled to increase their fees to residents by this percentage. Any increase higher than 1.69% would require residents’ approval, either in the form of a majority vote at a meeting of residents or a resolution of the residents’ committee.

A retirement village operator is entitled to increase service fees by more than 1.69% without residents’ approval only if their costs have increased as a direct result of changes in items of expenditure which are set by governments, such as award wages, rates, and taxes.