

Increase in Service Fees for 2018

For those retirement villages whose financial year ends on 31 December 2017 (ie the financial year coincides with the calendar year), the village operator is entitled to increase the service fee or “maintenance charge” by **2.1%** for 2018. This percentage is based on changes in the Consumer Price Index (CPI), published by the Australian Bureau of Statistics, that took place between the December quarter of 2015 and the September quarter of 2017.

According to the formula used to calculate the percentage - specified in the *Retirement Villages (Contractual Arrangements) Regulations 2006* - the percentage increase is calculated by dividing the sum of the CPI index numbers for the last quarter of 2016 and the first three quarters of 2017 by the sum of the CPI index numbers for the last quarter of 2015 and the first three quarters of 2016.

The table shows the relevant figures for calculating the increase for 2018 for Melbourne.

| Quarter | Melbourne CPI |
|----------------|------------------|
| December 2016 | 109.9 |
| March 2017 | 110.9 |
| June 2017 | 111.0 |
| September 2017 | 111.5 |
| <i>Total</i> | <i>443.3</i> |
| December 2015 | 108.3 |
| March 2016 | 108.2 |
| June 2016 | 108.6 |
| September 2016 | 109.1 |
| <i>Total</i> | <i>434.2</i> |

Source: Australian Bureau of Statistics 6401 (All Groups)

The total of the first set of four index numbers (443.3) is **2.1%** higher than the total of the second set (434.2) and operators of retirement villages in Melbourne are entitled to increase their fees to residents by this percentage. Any proposed increase higher than 2.1% would require residents’ approval, either in the form of a majority vote at a meeting of residents or, in some cases, a resolution of the residents committee.

A retirement village operator is entitled to increase service fees by more than 2.1% 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.

This increase applies only to those villages whose financial year ends on 31 December. For most villages the financial year ends on 30 June, for which RRVV publishes the relevant increase in the June Newsletter.