

Increase in Service Fees for Financial Year starting 1 July 2018

The extent to which operators of retirement villages can increase their service fees or “maintenance charge” without reference to residents is determined by the annual increase in the Consumer Price Index. The prescribed method for calculating the allowable increase is now included in the *Retirement Villages Act* (Section 38AA) instead of a separate set of regulations. Note, however, that Section 38(5) allows increases above the CPI increases without resident approval (see below).

According to the Act, the increase for the next financial year is calculated by dividing “the sum of the consumer price index numbers for each of the reference periods ending in the previous relevant financial year” by “the sum of the consumer price index numbers for each of the reference periods ending in the relevant financial year immediately preceding the previous relevant financial year”

The “reference periods” refer to the three monthly periods, or quarters, which the Australian Bureau of Statistics uses to calculate the CPI figures.

Retirement village operators now have more flexibility in choosing the latest quarter to be included in the calculation. RRVV expects most operators to continue to use the figures for the four quarters ending on 31 March as in previous years. This enables budgets to be prepared in time for presentation to residents before or near 1 July when the new financial year starts (the June quarter figures are not usually published until the 2nd or 3rd week of July).

The table shows the relevant figures for calculating the increase for the new financial year (1 July 2018 to 30 June 2019) using the latest quarterly CPI figures published by the Australian Bureau of Statistics on 24 April 2018:

Quarter	Melbourne CPI
Jun 17	111.0
Sep 17	111.5
Dec 17	112.3
Mar 18	113.3
<i>Total</i>	<i>448.1</i>
Jun 16	108.6
Sep 16	109.1
Dec 16	109.9
Mar 17	110.9
<i>Total</i>	<i>438.5</i>

Source: Australian Bureau of Statistics 6401 (All Groups)

The total of the first set of four index numbers (448.1) is **2.19%** higher than the total of the second set (438.5) and operators of retirement villages in Victoria are entitled to increase their fees to residents by this percentage. Any proposed increase higher

than 2.19% would require residents' approval, either in the form of a majority vote at a meeting of residents or a resolution of the residents' committee.

As indicated above, Section 38(5) of the Act allows a retirement village operator to increase service fees by more than 2.19% without residents' approval when the proposed increase is caused by increases in

“(a) rates, taxes or charges in respect of retirement village land or the use of a retirement village land levied under an Act or subordinate instrument; or

(b) salaries or wages paid in accordance with an award made by a Commission, Tribunal, Board or other body under—

(i) an Act other than this Act; or

(ii) a Commonwealth Act—

if the salaries or wages are paid to a manager or a person employed in connexion with the retirement village.”

Apart from this section an operator may not impose an increase above the CPI increase.