

SA retirement village information for prospective/residents

Living in a retirement village incurs several costs, such as those associated with the maintenance of property and the grounds and personal/additional services provided to residents. Funding for these items is generated in a variety of ways.

Each retirement village has its own set of fees and charges. The most commonly established or referred to fees and funds in villages are recurrent charges; capital replacement; and long term maintenance (sinking).

All village funds and their purpose should be noted in your residence contract.

Recurrent charges/maintenance fund

Recurrent charges are payable at regular intervals eg fortnightly or monthly. This fee may also include a contribution towards other village funds which are used to meet capital replacement &/or long term maintenance costs. You should be informed of expected, regular contributions prior to entering the village.

Recurrent charges might cover expenses such as:

- administration (eg stationery, office equipment, phone use);
- wages, salaries and related costs (eg village manager, office person, handyperson / gardener);
- property management (eg council rates, insurance); &/or
- food and catering.

Capital replacement fund

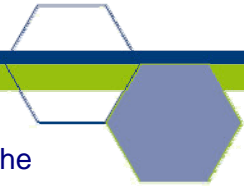
A capital replacement fund is most commonly used to replace capital items or to fund a planned maintenance program. For example, if carpet in residences needs replacing, the money could come from this fund. Replacement of major appliances such as stoves, hot water services and air conditioners may also come out of this fund.

Long term maintenance fund (sinking fund)

A long term maintenance fund is usually set up to meet non-budgeted, unplanned expenses or items requiring long term maintenance. This may include road surfaces, downpipes and gutters, painting, security and salt damp repairs. It could also be used for the repair of recreational facilities such as spas and swimming pools.

Personal/additional service charges

These relate to services specifically provided to you on a personal needs basis, such as cleaning of your residence, care services, separate meals or meals which meet special



dietary requirements. If such services are negotiated prior to you entering the village, the services and costs will be detailed in your residence contract.

Fee and charge increases

All fees and charges are subject to increases. However, recurrent charges cannot be increased beyond a level deemed to be reasonable. It's a good idea to check with other residents to find out what the annual increases have been in the past.

Many villages use the Consumer Price Index (CPI) as a budgetary guide. However, CPI cannot be automatically used to justify an increase in fees. This is because the CPI might be higher than the actual cost increase incurred by the village.

When fee increases occur

At the annual meeting between administering authorities and residents, the financial statements relevant to all funds for the previous year are presented to the residents, who then have an opportunity to question the statements. Recurrent charges cannot be increased beyond a level shown to be reasonable in view of those accounts. Depending on the timing of the annual meeting, a period of weeks or months may elapse before residents are liable to pay an increased fee. An administering authority may require the payment of this increased fee to be backdated to the beginning of the financial year.

Finance committees

The administering authority is required to undertake reasonable consultation with a residents' committee on a number of issues, including the preparation of an annual budget for the village. To undertake this role, some villages have a Finance Sub-Committee made up of residents who are knowledgeable and/or interested in accounting practices and willing to be involved. This procedure may vary from village to village, depending on its size, the needs of residents and administering authorities.

Special levies

From time to time, a special levy may be charged by a retirement village, but levies are rare. A special levy may be charged for budget shortfalls in a particular financial year eg to cover costs associated with road resurfacing due to tree root damage.

Special levies may only be imposed if authorised by a special resolution passed at a meeting of residents. This can only occur under the following circumstances:


- at least 21 days written notice of the meeting, containing a statement of the proposed resolution, must have been given to all residents; and
- the resolution must have been passed by a majority of not less than 75% of the number of residents who were present and entitled to vote at the meeting ie one vote per residence.

Meetings

In life, we all want to be informed of various matters and consulted. The best way for both residents and administering authorities to keep the lines of communication open in a retirement village is through village meetings.

Administering authorities or residents may convene a meeting by notifying all residents, 14 days prior to a meeting, of the time, place and business of the meeting.

All retirement village residents have the right to participate in resident meetings. However, if there are two or more residents who live in the same residence, only one of them may vote.





Administering authorities are required to convene a meeting of residents at least annually. Along with the notice for this meeting, the administering authority must provide residents with:

- an audited statement of income received from residents and other sources and expenditure of that income for the previous financial year (for all funds); and
- a statement of estimated income from residents and proposed expenditure for the current financial year (for all funds).

Administering authorities must invite residents to submit their questions in writing at least 7 days before the date of the meeting, although residents can choose to put their questions at the meeting. The administering authority attending the meeting must give residents a reasonable opportunity to put questions and must respond to any reasonable question to provide information &/or clarification of financial statements or proposals presented. If the administering authority is unable to answer a question at the meeting, a written answer must be provided in writing within 14 days after the meeting.

Minutes of the meeting must also be provided to each resident within 14 days of the meeting.

Residents' committees

Section 30 of the Act refers to residents' committees. The purpose of a residents' committee is to promote and protect the interests of residents.

The basic structure and functions of a residents' committee are:

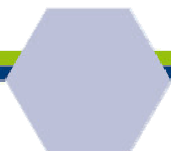
- only a resident of the village may belong to a residents' committee
- members are elected by the other residents and hold office for a term of one year but can stand for re-election
- if the need arises, a member can be removed from office by a special resolution of residents
- a residents' committee can determine its own procedures and appoint sub-committees
- it is an offence for an administering authority to deliberately discourage or prevent residents from forming a residents' committee or to obstruct a committee in the performance of its functions
- the administering authority does not need to be involved in the conduct of the residents' committee but can meet with the committee
- the administering authority must ensure reasonable consultation with the residents' committee on significant village issues
- both the administering authority and the residents' committee must, on a reasonable written request, meet with the other party.

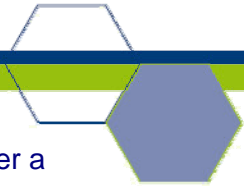
Residents' associations

Some retirement villages have established a residents' association under the *Associations Incorporation Act 1985*. These associations have their own constitution and purpose. A residents' association may be established for the purpose of for example, arranging and/or conducting social activities for their members and holding a liquor license.

A residents' association may exist in addition to a residents' committee established in accordance with Section 30 of the *Retirement Villages Act 1987*.

In a situation where no residents committee has been established within a village, the administering authority must consult with the residents as a whole in relation to matters





concerning the interests of the residents of the retirement village, irrespective of whether a residents' association is in existence or not.

- A residents' association has no power to deal with the administering authority of the retirement village about the interests of the residents as a residents' committee would do, and the administering authority has no power to deal with the residents' association on those matters.
- Where there is a residents' association in a retirement village, it is important that the group of persons elected to the residents' committee of the retirement village keep the exercise of the powers and functions of the residents' committee under the Act clearly separate from the activities of the residents' association.
- If a resident of a retirement village resigns membership of a body corporate established under the Associations Incorporation Act in relation to the retirement village, that person retains all rights under the RV Act, including rights of representation by the residents' committee under section 30.
- It is possible that the same people may be elected to the residents' committee in a retirement village and also hold positions on the governing body (e.g. the board) of the residents' association.

Disability, Ageing and Carers

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