

3. Increases in recurrent charges and annual meetings

Applicable law

Increases in recurrent charges are governed by section 34 of the *Retirement Villages Act 2016*. Under section 34(7) of the Act any increases in recurrent charges cannot be beyond a level shown to be reasonable in view of the accounts for the previous year, and the estimates for the current financial year, as explained at a meeting of residents under this section. The meeting must be chaired by a representative of the operator who is authorised to speak on behalf of the operator and to give responses to questions asked by residents at the meeting.

Annual meetings

An annual meeting should be transparent and provide easy to understand answers to any queries residents may have about the annual financial statements and increases in recurrent charges. Proper consultation on the annual budget can prevent disputes from occurring about increases in recurrent charges and also reassure residents that a village's budget is being responsibly managed.



It is also important that minutes of the annual meeting are accurate and easy to understand. Ensuring minutes include information about all topics discussed at the meeting allows those residents that could not attend the meeting to be kept informed. It also allows all residents to know the answers to questions that could not be answered at the meeting.

Guidelines to minimise disputes arising out of the annual meeting:

- > Ensure the representative of the operator chairing the meeting has the authority and necessary information to answer residents' questions.
- > Encourage residents to submit any questions they have before the meeting in writing to ensure that any required information can be gathered prior to the meeting.
- > If a resident asks a question at the meeting which is unable to be answered, ensure that the question is answered in writing within 14 days of the meeting.
- > Ensure minutes of the meeting are accurate and that they include all questions asked and answered at the meeting as well as the answers to questions that could not be answered on the day.
- > Where a village's maintenance fee is increased on 1 July, prior to an annual meeting being held, it can be useful to hold a meeting about the draft budget and financial statements before this date.

Applicable law

Under section 33(2) of the Act, an annual meeting of residents must be held not more than 4 months after the end of a village's financial year. The meeting must be convened by sending to each resident, at least 10 business days before the meeting, a notice setting out the time and place of the meeting and the business to be transacted at the meeting. The notice must also include financial statements as required under section 33(6) of the Act.

Financial statements

The purpose of providing residents with financial statements is to provide easy to understand information about the spending of money from residents' funds for the past financial year and to provide reasons for the rate at which the recurrent charges are being set for the current financial year.

Possible issues:

- > Some residents may have difficulty understanding financial accounts and terminology which can lead to confusion and a lack of understanding of the financial statements.
- > Disputes can arise if financial statements are too difficult or confusing to read or contain too much or too little detail or if residents' queries are not handled appropriately.
- > Residents may feel as though they have not been consulted with sufficiently if there are unexpected increases or amounts in the budget.

- > Confusion about how expenditure is divided when it is apportioned across different villages.
- > Residents may feel there is not enough detail in the statements about items of expenditure.

Guidelines to minimise disputes around the increase in recurrent charges are:

- > For the financial statements required under section 33 of the Act to be as simple as possible.
- > To give residents sufficient time to consider and discuss the statements with other residents. It may be beneficial to release a draft of the financial statements for discussion.
- > Provide residents with regular information as to how the budget is progressing and keep them informed about any issues.
- > Provide sufficient detail of each expenditure item to enable residents to assess each item. It should not disclose the salary or wage of identifiable individuals.
- > For expenditure items associated with head office or management / administration fees to be broken down to show the goods and services to which they relate.
- > If there is going to be a significant increase in charges due to an increase in costs (such as rates or other charges) to keep residents informed about this.
- > For the financial statement to show how an item has been apportioned if the cost is divided between various villages.

See also: *'2. Consultation with residents' information sheet*
'9. Top ten tips for improving consultation' worksheet

For more information:

Office for Ageing Well
Retirement Villages Unit

9.00am – 4.30pm Monday to Friday on business days.

T: 08 8204 2420

E: retirementvillages@sa.gov.au

www.sa.gov.au/seniors/retirementvillages



<https://creativecommons.org/licenses/>



Government of South Australia
SA Health