

Retirement village adjusted maintenance charge calculation

The adjusted maintenance charge is the maximum maintenance amount that can be charged unless a higher charge is:

- approved by a special resolution passed at a meeting of residents
- to cover increases in salaries or wages paid in accordance with an award, or
- to cover increases in rates, taxes or charges relating to retirement village land or its use imposed by law.

This figure is the previous year's adjusted maintenance charge increased in line with the consumer price index (CPI). It is not necessarily based on the amount that was actually charged in the previous year.

The specific CPI measure to be used is the 'All groups consumer price index' for Melbourne in original terms published by the Australian Bureau of Statistics. Quarterly CPI figures for this measure are published on the ABS website: www.abs.gov.au.

Calculating the adjusted maintenance charge

The *Retirement Villages Act 1986* sets out how the adjusted maintenance charge is calculated, as:

- A the adjusted maintenance charge for the previous year (or if the village has only been operating for one financial year, the actual maintenance charge for that year)

multiplied by

- B the sum of the consumer price index numbers for each of the reference periods ending in the previous relevant financial year for the village

divided by

- C 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 for the village.

So, the formula is: $A \times B \div C$

Example calculation of the adjusted maintenance charge

Below is the calculation for a village which opened on 1 June 2020 and charged \$1,000 per month in maintenance charges in its first year of operation.

Adjusted maintenance charge for 2021-22:

A. **\$1,000**

(the amount charged in the first year of operation)

multiplied by

B. $81.42 + 82.6 + 82.85 + 83.07 = \mathbf{329.94}$

(the sum of the consumer price index numbers for each of the reference periods ending in the previous relevant financial year for the village)

divided by

C. $80.85 + 81.56 + 82.15 + 80.69 = \mathbf{325.25}$

(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 for the village)

The adjusted maintenance charge for 2021-22 is $\$1,000 \times 329.94 / 325.25 = \mathbf{\$1014.4}$

The 2022-23 to 2025-26 adjusted maintenance charges for this example village are listed in the table below.

Year	A	B	C	Adjusted maintenance charge
2022-23	\$1,014.4	343.25	329.94	\$1,055.3
2023-24	\$1,055.3	367.09	343.25	\$1,128.6
2024-25	\$1,128.6	381.69	367.09	\$1,173.5
2025-26	\$1,173.5	391.03	381.69	\$1,202.2

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