



Discussion Forum

The comments and opinions expressed herein do not necessarily reflect those of the Retirement Village Residents Association (RVRA) or its Members.

GUNG HO OPERATOR INFLATES DRAFT BUDGET

Posted: Tuesday, 27 April 2010 12:26pm - By **neil**

HERE'S A STORY ABOUT A VILLAGE OPERATOR WHO GUNG-HO IGNORES THE NEW LEGISLATION BY DRAMATICALLY INFLATING THE BUDGET!

Imagine you're a resident in a village in which you lease, but don't own, your dwelling ... the home you'd hoped to live in until you left this world.

Before you bought into the village, you anticipated annual on-going cost rises would be about the same as official CPI increases (the sales people assured you of that!) and you accepted the lease terms before you handed the operators quite a large sum of money they will keep as an unsecured loan.

You knew that village running costs in the past six years, paid through Recurrent Charges, had been steadily rising sometimes beyond CPI but mostly the increases were supported by reasonable explanations so the majority of residents in the village had accepted them in good faith.

So how would YOU now feel after your village operator handed you a "draft budget" that had not even been discussed with the village's Residents' Committee as was normal in previous years, only 10 days before the date that the legislated 'transition year' Budget must by law be sent out to each resident? And how would you feel when this "draft budget" blatantly showed that the operator intended to increase the expenses by a massive 30.5% so that the Recurrent Charges would be rising by an extraordinary \$175 per month ... up from \$573 to \$748 per month?

Hang on you'd surely say: how can they justify this? The December 09 Sydney CPI was only 2.1%. The March 2010 Sydney CPI could be up a bit more but how can they honestly justify coming up with an outlandish 30.5% increase?

Well, the old adage that the "devil is in the detail" isn't holding true here because, whilst some brief explanations have been provided, the bottom line is that, in the opinion of the writers of this article, the operators have simply ignored some of the more important recent legislation changes, particularly those covering operators' cost responsibilities for "items of capital" and for dealing

with increases in statutory charges (utilities and council rates) as defined in that amended legislation.

So be warned and please pass this on to your Residents' Committee too: this village has clear evidence that at least this one operator is determined to proceed full speed ahead and damn any legislative torpedoes by using every possible ploy to pad out this all important 'transition year' budget to the hilt.

Why? Because this year's expense total becomes the benchmark for all future years. You see, from 2011/12 onwards, providing that a new year's expense total doesn't exceed the Sydney CPI, then the budget doesn't have to be approved by residents! In the meantime, all please understand that unless residents vote against all identified unjustified budget padding, they will be seriously disadvantaged financially for years to come.

Signed: 48 horror-struck residents at The Landings Retirement Village, North Turrumurra, NSW, 2074. (Names provided if requested!)

neil

Re: GUNG HO OPERATOR INFLATES DRAFT BUDGET

Posted: Tuesday, 27 April 2010 1:40pm - By **jrc**

The above story is not unique.

I have been told of a number of village draft budgets that are being "padded" by the operator in this transition year.

Before hearing of the above, the largest increase that had been brought to my attention was 22% and a number of others around the 10% mark are not uncommon.

The Sydney CPI for the 12 months to the December is 2.2%. To view the CPI figures have a look at: <http://www.natrem.com.au/inflation/index.html>

If the CPI is just over 2% how can the operators of Retirement Villages justify such large increases. The answer is of course that they if questioned they can't, but they will try by bluff and stand over tactics to get as large an increase this year as they think they can get away with.

My suggestion is for Residents to closely examine each line item in their budgets, compare the proposed amount with the 2009-10 years budget and actual figure. Ask questions and demand details and transparency in each and every line item. And do not be afraid to reject the proposed budget if you have concerns about it.

It is the budget that you accept this year that will set the basis for coming years.

jrc
