

# Retirement village financial reporting and budgets



## Why have more standardised financial reporting?

More standardised financial statements and budgets will:

- improve transparency and accountability
- make it easier for residents to understand how their fees and charges are being used
- help operators understand what is required in their financial reports and budgets
- help to reduce disputes between residents and operators



## How did we get here?

- Issues with financial transparency identified in review of *Retirement Villages Act 1999* (RV Act)
- Amendments to the RV Act in 2017 and 2019 enabled new requirements for financial reporting and budgets
- Independent financial contractor consulted with industry and resident groups and advised the department on minimum requirements and best practice financial reporting for retirement villages
- A draft regulation, guidance materials and templates are now available for targeted consultation



## What are key current requirements?

- Separate accounts for the general services charges fund, maintenance reserve fund and capital replacement fund
- Annual budgets for each fund and setting of annual resident fees and charges
- Quantity surveyor reports for capital replacement and maintenance of village capital items
- Quarterly income and expenditure reports for each fund
- Audited annual financial statements and audit report



## New minimum requirements prescribed by regulation

Key proposed new requirements in the draft regulation include:

- Separate line items for key categories of income and expenditure
- Identified expenditure related to the quantity surveyor report
- Previous year comparisons for items
- Opening balance, surplus or deficit for the period, and closing balances of each fund
- Disclosure of key information in notes to the financial statements, for example, the allocation of shared expenses with a co-located business or aged care service; the amount of the capital replacement reserve and the maintenance reserve



## Supporting guidance material and templates

- Guidance material and templates will be published to assist the retirement village industry in implementing the new financial transparency requirements
- Materials will provide information on minimum financial reporting requirements and best-known practices
- Pro-forma templates (non-mandatory) for annual financial statements, annual budgets and quarterly financial statements



## What this will mean for village operators

- Operators will need to ensure their budgets and financial statements meet the new minimum requirements for the 2022-23 financial year.
- Operators will have a significant lead-time to make any necessary modifications to their accounting and reporting systems.
- Guidance material and pro-forma templates will assist operators to understand their new and existing requirements.
- Approved forms are not proposed for budgets and financial statements. The proforma templates are not mandatory. Operators may choose to adopt the templates or to incorporate or adapt their existing accounting and reporting systems to make them compliant. This gives operators more flexibility and will minimise implementation costs for operators.
- New penalties will apply to operators if financial statements and budgets do not comply with the new requirements.



## What will this mean for residents?

- New requirements will improve fairness, transparency and accountability for how resident fees and contributions are being spent within the retirement village.
- Financial statements will be easier to read and understand.
- Residents committees will be empowered in their role of reviewing draft budgets in the retirement village.
- Residents will benefit from improved and streamlined departmental compliance activities.
- Disputes about financial reporting may be easier to resolve as requirements are clearer.



## When the changes will occur

- Consultation with stakeholders on a draft regulation, guidance material and templates in early to mid-2021.
- Regulation amendments will be made later in 2021 and available on Queensland Government legislation website.
- Finalised guidance material and templates will be made available and published online later in 2021.
- Regulation requirements will apply to financial statements and budgets starting from the **2022-23 financial year**. The draft budget process for 2022-23, starting in early 2022 will need to incorporate the new requirements.
- Regulatory Services in the Department of Communities, Housing and Digital Economy can be contacted for advice once the new requirements are in place.