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Western Australian Retirement Villages Residents Association Inc

INFORMATION PAPER No. 4

VILLAGE OPERATING BUDGETS & ACCOUNTS

Administering Body Obligations

The Retirement Villages Code (Division 5) requires:

- Not later than one month before the end of each financial year (that usually means before the end of May), the Administering Body (**AB**) must display in a central location in the village and make available to each resident on request:
 - (a) a proposed operating budget for the next financial year; and
 - (b) the information used in the preparation of the proposed operating budget that might reasonably be expected to be made available to a resident, including but not limited to:
 - (i) relevant accounts of actual expenditure; and
 - (ii) information explaining proposed fee changes or changes to the provision or availability of amenities or services.
- The AB to advise all residents with written notice when the budget documents are available.
- The AB to present the budget in a consistent format from one year to the next.
- The AB to prepare separate budgets for each village it administers.
- The budget is not finalised until each resident has had 10 working days to consider the proposed budget and a meeting of residents has been held.
- The AB to provide to the residents, by display in a central location in the village and make available to each resident on request, operating statements (income and expenditure) within one month of the end of each quarter.
- The AB to present the annual accounts of the village to a meeting of residents within 5 months of the end of the financial year.
- The AB to apply any surplus in the operating budget of a village towards the future operating expenses of the village except when the contract provides otherwise or when the residents, by special resolution, approve the application of the whole or part of the budget surplus to any other purpose generally of benefit to the residents of the village.
- The AB to comply with any reasonable request by a resident for information on a specific operating budget matter and make available for inspection any documents that might reasonably be expected to be material to that request.
- The AB to respond to a request made under the previous section within 10 working days and in the case of any refusal or inability to comply with that request to give reasons in writing.

Operating Budget Content

An indication of the items to be included in an operating budget is contained in a non-compulsory form in Appendix 2 of the Code.

<p>INCOME Residents' fees Donations Other (insert as appropriate)</p> <p>TOTAL INCOME</p>	<p>EXPENDITURE Amenities: Council rates Insurance Pest control Rubbish removal Village security</p> <p>Utilities: Water rates Electricity</p>
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	<ul style="list-style-type: none"> Gas Repairs & Maintenance: <ul style="list-style-type: none"> Staff costs Materials Contractors Grounds Maintenance: <ul style="list-style-type: none"> Staff costs Materials Contractors Management & Administration: <ul style="list-style-type: none"> Staff costs Management fees Bank fees Accounting fees Audit fees Advertising Printing & stationery Telephone Miscellaneous Vehicles: <ul style="list-style-type: none"> Registration Insurance Repairs Fuel <p>TOTAL EXPENDITURE</p>
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You should be vigilant to ensure that the AB does not include in the operating budget any item which is related to their own business costs (such as membership of industry associations, overseas travel, depreciation on the property, legal costs, marketing and advertising costs relating to sales, penalties awarded against the AB for breaches of the Act) or items of a capital expenditure nature.

Surpluses and Deficits

It is simple to deal with surpluses and deficits if the AB maintains the Village Operating Account on a “stand alone” basis – that is, separate accounts and banking, funds held in trust for use only in the village. As well the income and expenditure statement, the AB should also provide a statement of the financial position (a sort of balance sheet, showing assets and liabilities and accumulated funds).

Desirable Procedures

The easiest way to work with your AB is to set up a small Finance Committee, as a sub-committee of the Residents Committee (membership need not be limited Residents Committee members but at least one should be included for reporting to the Residents Committee). The AB is more likely to be open to working with a small group than all the residents in a large meeting and your sub-committee can build up its knowledge of the processes and issues involved in the budgets and accounts over a period of time.

You should negotiate with your AB to have the accounts presented so the current quarter income and expenditure and the year to date totals can be easily compared with the budget. You should also ask them to present both the accounts and the budget with notes attached which explain all material variations.

When the annual accounts and the budget are presented to the residents, the AB and the Finance Committee can share in making the presentation to the meeting and explaining any matters of concern.

Disclaimer: WARVRA has made every reasonable effort to ensure the information given on this sheet is accurate, but it is not to be construed as legal or financial advice. Each person should seek advice and verify information themselves.