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### **What is the Management Fee?**

The management fee is a fee charged by the Administering Authority to the owner of the retirement village. Under the Retirement Villages Act 1987 the owner is able to recoup this charge by including the fee as a cost item in the recurrent charges (ie maintenance fee).

### **Why is the Management Fee charged?**

The owner of any retirement village in South Australia is bound by the Retirement Villages Act 1987 to provide and administer a "retirement village scheme".

The "retirement village scheme" must operate within the guidelines of the Retirement Villages Act 1987 and achieve the objectives of;

- a) To provide a regulatory framework for the operation of retirement villages in South Australia under which a balance is achieved between the rights and responsibilities of –
  - i. Residents of retirement villages; and
  - ii. Operators of retirement villages
- b) To encourage best practice management standards among the operators of retirement villages;
- c) To ensure that there is proper disclosure of information to prospective residents of retirement villages;
- d) To regulate the making, content, operation and termination of residence contracts;
- e) To ensure that residents are properly consulted about matters affecting their residence in the retirement villages;
- f) To provide for dispute resolution processes.

The Administering Authority charges a management fee to the village owner for these extensive range of services provided.

### **How is the Management Fee calculated?**

The management fee is calculated as a cost per residence in each village.

This method of calculating the fee is an industry standard and allows for the fact that every resident within a network of villages have equal rights under the Retirement Villages Act 1987.

The current fee is \$18.87 including GST, (\$17.15 ex GST) per week, per residence.

### **How does this fee compare to Industry Standards?**

Lifestyle SA has conducted an independent review of the management fee it charges and it has been revealed that the current fee of \$18.87 is in the lower range of the market rate.

Other village management companies in the review included, Village Care, Optimum Retirement Services and Aveo. Their management fees range from

\$18.78 (inc GST) per week per residence (Optimum Retirement Services)  
to  
\$23.10 (inc GST) per week per residence (Village Care Pty Ltd)

Upon this review, a revealing aspect to Lifestyle SA was that many of the services and reporting processes to residents, supplied as standard by Lifestyle SA were considered "extra services" by other operators who charged residents accordingly.

Lifestyle SA as the Administering Authority is committed and obligated under the Retirement Villages Act 1987 to meet all the regulations and requirements on behalf of the village owner. The owners of the villages have tendered this contract to the open market and upon the owners review have determined that Lifestyle SA provides the most cost effective management services for their villages.

### **What does the Administering Authority do for its fee?**

The Administering Authority is contracted to the village owner (as per previous) and is obliged to administer the retirement village scheme as per the Retirement Villages Act 1987.

A contract has been entered into between each village owner and the Administering Authority, to carry out the objectives set out by the Retirement Villages Act 1987.

### **How does Lifestyle SA spend their Management Fee Income?**

As with any business entity, Lifestyle SA has its own set of financial accounts representing income and expenditure which it reports to its shareholders.

Lifestyle SA is a Proprietary Limited company meaning that it is a privately owned company limited by shares.

Under the Corporations Act it has no obligation to disclose financial information to anyone other than its shareholders.

To ensure Lifestyle SA Pty Ltd is a workable business and can continue to offer the full range of services to the village owner and hence the residents, a balance must be struck between setting a fee at a competitive market rate and achieving a realistic operating margin for its shareholders.

We believe that this balance has been achieved as previously outlined.

### **Why does the Management Fee need to increase each year?**

As with any business entity the role of an effective compliance framework is an integral part of the organisation's overall business success.

In order for retirement village management companies to carry out their obligations as stipulated under the Retirement Villages Act 1987 and to ensure continuing compliance with other Government regulations certain external factors in relation to compliance requirements are placed on these entities which increases their operating costs over time hence the reason why there are annual increases to the management fee.

### **Why has the management fee or maintenance fees increased at a higher rate than CPI?**

The fee increases are not directly related to Consumer Price Index (CPI).

CPI measures the rate of inflation for a consumer's cost of living for a "standard basket" of goods and services.

The maintenance fees charged to residents in a retirement village, is not represented in the "standard basket" of goods which the CPI measures.

The "standard basket of goods" are commonly purchased items by all consumers regardless of living in a retirement village and represents 'average cost of living'.

We trust this information has been of assistance.

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