

## Sample of new mandatory content for Queensland retirement villages' financial documents

### Introduced by the *Retirement Villages (Financial Documents) Amendment Regulation 2024*

*Note: The additional detail required for future financial documents can be found in new Part 4A and Schedules 5A to 5C of the RV Regulation. The below sample is intended to provide a flavour of the nature and scale of the changes. It is by no means intended as a comprehensive list. Operators will need to work through and familiarise themselves with this new mandatory content. It is recommended that this be done in conjunction with an internal or external accountant who will be involved in preparing the relevant financial documents.*

*In this document:*

- **AFS** means annual financial statement;
- **Amendment Regulation** means the Retirement Villages (Financial Documents) Amendment Regulation 2024 (Q);
- **audit report** means an audit report for an AFS;
- **financial documents** means village budgets, AFS, QFS, audit reports and QS reports;
- **QFS** means quarterly financial statement;
- **QS report** means a quantity surveyor's report for the capital replacement fund or maintenance reserve fund;
- **RV Act** means the Retirement Villages Act 1999 (Q);
- **RV Regulation** means the Retirement Villages Regulation 2018 (Q);
- **statutory funds** means capital replacement fund, maintenance reserve fund and general services charges fund; and
- **village budgets** means retirement village budgets for statutory funds.

#### Income

Relevant financial documents will need to show, as separate line items, various sources of income (or expected income in the case of village budgets), including:

- residents' and former residents' contributions/charges;
- the operator's contributions/charges;
- interest earned on the balance of statutory funds; and
- amounts received under insurance policies.

#### Expenditure

In relation to the capital replacement fund and maintenance reserve fund, financial documents must show:

- separate sections for expenditure recommended in the relevant QS report and other expenditure;
- in respect of expenditure recommended in the relevant QS report, separate line items for each item of expenditure that is "material" (within the meaning of the applicable Australian Accounting Standards); and
- separate line items for quantity surveyor fees and tax on interest earned by the statutory fund.

In respect of general services charges, financial documents must show:

- separate sections for section 107 expenditure and other expenditure (referred to as "general expenditure");
- separate line items for each type of section 107 expenditure;

- in respect of general expenditure, separate line items for each of 10 specified expense types (e.g. audit, banking, electricity, cleaning, etc);
- a separate line item for each other item of general expenditure that is material; and
- underneath the last line item of a general services charge budget, the relevant CPI percentage increase that applies for the purpose of section 106 of the RV Act.

However, these specific requirements in respect of separate line items do not prevent operators from also listing other types of general expenditure as separate line items, if they wish.

### Statement of Assets and Liabilities

A Statement of Assets and Liabilities within an AFS (as at the end of the relevant financial year) must show:

- as separate line items, the balance of the bank account for each statutory fund; and
- for each liability of the village that is a loan, the reason for the loan.

### Comparisons

To aid comparisons between successive financial documents, the Amendment Regulation requires village budgets, AFS and QFS to display certain corresponding amounts.

For example, village budgets must state, next to each relevant amount:

- the corresponding amount stated in the last village budget; and
- the corresponding estimated actual amount for the AFS that relates to the previous village budget (note that this comparison necessarily involves an estimated actual amount because, at the time the relevant budget is prepared, the financial year to which the previous village budget relates will not yet have ended).

AFS and QFS must state, next to each relevant amount:

- the corresponding amount for the previous relevant period; and
- the corresponding amount in the relevant village budget.

Since these new requirements will only apply to FY25/26 onwards, the Amendment Regulation recognises that financial documents for FY24/25 may not include sufficient detail to readily allow the required comparisons for FY25/26. Accordingly, financial documents for FY25/26 will be taken to comply with these comparison requirements if they adopt best estimates of the relevant corresponding amounts and include an accounting disclosure note to that effect.

### Disclosure notes

Village budgets, AFS and QFS will be required to include certain disclosure notes.

By way of example only, village budgets will need to include disclosure notes addressing:

- how contributions/charges were calculated;
- the applicable capital replacement reserve and maintenance reserve;
- reasons for any material changes made by the operator for a line item of expected expenditure, compared to the amount recommended in the QS report;
- commentary on expected surpluses/deficits;
- a breakdown of any line item for material expected expenditure that comprises more than one expense type (e.g. a line item for administration and management expenses may require a disclosure note listing the expense types forming part of this line item, such as "accounting", "human resources", "web services", "IT support", "other"); and
- the method of apportionment for expected expenditure to be shared between the village and another village, entity or purpose (e.g. "head office" expenses, co-located residential aged care facilities, etc).

Accounting disclosure notes required for AFS include:

- a breakdown of material expenditure line items comprising more than one expense type (see comment above in relation to village budgets);
- apportionment of shared expenses (see comment above in relation to village budgets);
- if no amounts have been paid into or from a statutory fund, an explanation as to why;
- an explanation of any material differences regarding the income, expenditure, surplus or deficit of a statutory fund, compared to the corresponding budgeted amount;
- amounts received under insurance policies and paid to the capital replacement fund;
- an explanation of any material difference between the capital replacement reserve or maintenance reserve and the amount recommended in the QS report;
- the basis of preparation of the AFS, including any applicable accounting standards and principles;
- any payments made to or received from a body corporate for a community titles scheme of which the village land forms part;
- types of interests affecting village property (e.g. the freehold/leasehold/licence tenure of residents in their units);
- the identity of any beneficiary (other than residents) of any interest, mortgage or other charge affecting village property (e.g. a mortgagee);
- payments between the operator and a related party of the operator, relating to capital replacement, maintenance or general services for the village (note that, for this purpose, "related party" is defined broadly and includes entities in which the operator has an interest or from which the operator obtains a commission, fee or reward in relation to the entity's supply of goods or services to the village or residents of the village); and
- outstanding exit entitlements (or purchase monies for freehold villages) owed by the operator to former residents as at the end of the financial year and the reason they have not yet been paid.

Some (but not all) of these accounting disclosure notes required for AFS also apply to QFS.

### **Declarations**

AFS will also be required to include declarations by the operator:

- that the AFS has been prepared in accordance with the RV Act;
- that the information in the AFS is true and correct;
- that the AFS assumes the village is a going concern;
- whether the bank accounts for the statutory funds have been operated in accordance with the RV Act; and
- whether the operator is able to pay all its debts relating to the village as they become payable.

### **Audit reports**

Audit reports for AFS will need to state whether or not the auditor considers that:

- the operator has the capacity, during the next financial year, to meet its liabilities relating to the village as and when they fall due; and
- the AFS has been prepared in accordance with the RV Act and the RV Regulation.

### **QS reports**

Many QS reports prepared by quantity surveyors familiar with the retirement village industry will likely already contain most of the new mandatory content. However, this required content will now become standardised. QS reports will still be based on a rolling 10-year forecast.

By way of example only, QS reports prepared on or after 1 July 2024 will need to contain:

- a summary of the age of each part of the village (including, to the extent they can be easily ascertained, the dates on which construction of each part was started and completed);
- the date of the quantity surveyor's last physical site inspection of the village;
- bases or methodologies used to prepare the QS report (e.g. assumptions, exclusions, standards, guidance notes, cost calculation methods and apportionment of shared costs);
- recommended contributions to the capital replacement fund or maintenance reserve fund for each financial year covered by the QS report;
- expected capital replacement/maintenance/repair costs attributed to each financial year covered by the QS report;
- for the financial year for which the QS report is prepared – the expected capital replacement/maintenance/repair costs for each category of capital item;
- any amounts allowed for contingencies; and
- a recommendation about the expected year of replacement /maintenance/repair for each category of capital item.