

20 October 2023

Strategic Policy and Legislation  
Housing and Homelessness Services  
Department of Communities, Housing and Digital Economy  
Level 23, Mineral House, 41 George Street  
BRISBANE QLD 4000  
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Dear Strategic Policy and Legislation Team

### ***Proposed Retirement Villages Regulations***

Thank you for the opportunity to provide feedback on the Draft Retirement Villages (Financial Documents) Amendment Regulation 2023. The role of these regulations in supporting the lives of Queensland retirees cannot be understated and given their importance, it is critical that there is adequate time for industry to sufficiently review and consider their consequences for operators and residents.

As you are aware, our members build and operate the retirement villages and other housing types needed to accommodate Queensland's aging population. This includes the support services, designed to meet the specific needs of older residents.

As outlined in our submission to the proposed amendments to the *Retirement Villages Act 1999* ('RV Act') last year (attached), the Property Council acknowledges and supports the intended objectives of increased transparency and trust in retirement villages. While we support these objectives, we note that a careful balance is required to ensure the additional obligations don't result in increased costs and complexity for residents and an increase in inquiries and complaints to the Department.

Feedback from our members indicates the proposed regulations have been drafted in a highly complex fashion, requiring a great deal of time to adequately review and understand their potential impacts on village operations. Given the complex nature of the draft regulations, it has not been possible to provide a detailed submission within the limited consultation period, noting that a two-day extension had been granted by the Department. While this extra time is acknowledged, it is insufficient to adequately address the complexity and sufficiently consider the practical application, or consequences on operators and residents.

As communicated with representatives from the Department at the Queensland Retirement Living committee meeting Wednesday 18 October, in order to meet the deadline given, we have committed to providing initial high-level feedback only (which is attached in the Annexure hereto) that outlines key themes and concerns we believe require further consideration. Further, the Property Council and our members are committed to ongoing discussions with the Department following a detailed review and consideration of the full implications of the regulations and we would welcome this opportunity at the appropriate time.

Of particular concern to our members is the potential for increased costs for residents, an over-reliance on third parties (quantity surveyors and auditors), complex processes and reports with the potential to reduce transparency and the likelihood of non-conformity by villages due to the proposed transition periods. These concerns have potentially significant consequences, including the likelihood of increased costs for residents.

Given the far-reaching implications of some of the proposed regulations and without detailed analysis by industry given the constrained time frames, the Property Council and Retirement Living Council propose that the Department work with our members to undertake a trial of the draft regulations to test their impacts and refine them prior to their adoption. Our members own and operate retirement villages across the state, ranging in size, ownership, and management styles; and would be happy to work with the Department to demonstrate how the regulations may affect villages differently.

This trial could be extended to include resident associations, as well as third parties such as auditors and quantity surveyors who will be critical to the successful implementation of the regulations. It is also noted the Department and Australia Institute of Quantity Surveyors are preparing guidance materials and templates to assist with the implementation of the regulations. This trial would provide an opportunity for these documents to be completed, refined, and implemented ahead of the regulations coming into effect.

The Property Council and our members value our partnership with the government and are proud of our track record of working collaboratively to deliver the homes our growing communities need. A key part of achieving this is ensuring hastily enacted regulatory changes do not have unintended consequences on the industry, residents, or wider community. In their current form we believe these draft regulations will have such consequences and as such we urge the state government to pause their introduction and work with our members to test and mitigate any such consequences.

Please do not hesitate to contact me on 0499 181 366 or [jcaire@propertycouncil.com.au](mailto:jcaire@propertycouncil.com.au) if you have any further questions.

Yours sincerely



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Retirement Living Council

## **Annexure - High level response to Consultation Draft Retirement Villages (Financial Documents) Amendment Regulation 2023**

Feedback from our members indicates the proposed regulations have been drafted in a highly complex fashion, requiring a great deal of time to adequately review and understand their potential impacts. Given the complex nature of the draft regulations, it has not been possible to provide a detailed submission within the limited consultation period.

As such, the following provides initial high-level feedback only, including key themes and concerns we believe require further consideration and should not be read as a comprehensive submission. To mitigate any potential unintended consequences, the Property Council would like to partner with the Department to trial the regulations (pausing the current process) to understand how they will work on the ground.

### The need for further clarity and definitions of key terms:

The proposed regulations contain several terms requiring definitions or clarity, including:

- The requirement to report the 'value' of accommodation within the village (Section 25 Other accounting disclosure notes). It is unclear what the term 'value' is referring to in this instance, requiring further discussion.
- The definition of 'shared expenses' in schedule 7 requires greater clarity to avoid disputes.
- The definition of 'material' expenditure references a superseded standard and requires updating.

The definition and application of these terms is critical to understanding how the regulations may affect village operations and residents.

### An expected increase in detail and complexity in reporting:

While the Property Council acknowledges the draft amendment regulation's intent of increasing financial transparency, the amount of information required in the prescribed financial documents is considered onerous, unnecessary and counter to achieving the identified objectives.

Feedback from our members indicates the increased information and complexity of the financial documents is likely to result in unintended consequences for residents, including:

- **Increased compliance, administration, and auditing costs, which will be borne by residents.** Modelling by some members has indicated a potential cost of approximately \$25,000 per village per year to just comply with the auditing requirements, while another member has estimated an increase of between \$140 and \$6,500 per unit each year as a direct result of the extra requirements.

It is expected these cost increases will impact smaller operators disproportionately due to the need to engage new staff or specialist consultants to complete the necessary reporting.

- **Longer and more complicated financial documents.** The large amount of information required from operators will result in financial documents being overly complicated and very difficult for residents to understand. This is counter to the objective of improving transparency and accessible information for residents.

It should be noted that the above cost implications are a rough estimate only based on the limited consultation period and further analysis is required to understand the full impact on operators and residents.

#### Concerns around the implementation timing and transition.

While the Property Council notes the transitional arrangement outlined in the consultation draft, the proposed timing is not sufficient to adequately prepare for and implement the new requirements for the approaching 2024-25 financial year.

The process of preparing village budgets for some operators can take between 6 – 8 months and includes ongoing engagement with management, third parties and residents. Many of our members are already well advanced in drafting their 2024-25 budgets without knowing the detail and requirements contained in the proposed regulations.

If adopted in their current form, the proposed regulations would require additional steps in preparing a village budget including adoption of new procedures, training staff and engaging quantity surveyors and auditors. These additional requirements mean it is not practically possible to implement the changes *and* undertake a comprehensive level of consultation with residents for the 2024-25 Budget.

#### Reliance on third-party service providers.

The proposed regulations require increased involvement from quantity surveyors and auditors, including in the preparation of capital replacement funds (CRF), maintenance reserve funds (MRF) and financial documents (quarterly reports and annual budgets).

Based on our initial review of the proposed regulations, the amount of information requiring third-party approval appears onerous and, in some cases, inappropriate. For example, requiring auditors to certify that annual reports comply with technical aspects of the RV Act requires a level of specialist knowledge with the sector that is likely to be beyond the ability of most auditors. Additionally, requiring quantity surveyor reports to include all capital items in a village, including expected maintenance or replacement costs will be a time consuming and potentially expensive practice.

Several of our members have contacted their current auditors and quantity surveyors who have limited knowledge of the proposed requirements, suggesting there will be a period of training and education required that will take time and will likely delay compliance.

Concerns about compliance processes and potential non-conformance.

Retirement villages value their role in providing safe and affordable accommodation and will use their best endeavours to comply with the requirements of the regulations. It should be noted however that preparing for and adopting these requirements is onerous and has implications for maintaining usual business practices. This raises the potential for non-compliance, and we seek to understand the potential consequences of same.

These regulations will undoubtedly increase the level of communication and questions to village operators, resulting in increased administration and stress for operators and residents. Further, the introduction of these regulations will result in a significant increase in inquiries and potentially complaints to the Department as both residents and operators endeavour to understand and adopt the new requirements. The Property Council would like to understand how the Department will resource the response to these inquiries and complaints to ensure industry and resident confidence is maintained.