



# Retirement village repairs

## Who pays for capital repairs and replacement?

Enquiries are often received about who should pay to fix or replace various items within a retirement village. This factsheet outlines the responsibilities of residents and operators in this area.



### IMPORTANT

*This factsheet does not apply to common property within a strata retirement village.*

### What is an 'item of capital'?

The *Retirement Villages Act 1999* sets out who should pay to repair or replace what are called 'items of capital'. An item of capital is broadly defined to include most items found in a village. It includes:

- buildings and other structures
- plant, machinery or equipment
- items of infrastructure (eg roads)
- fixtures, such as stoves, hot water systems and carpets
- fittings, such as taps and lights
- furnishings (eg curtains, blinds)
- non-fixed items, such as tables and chairs

### Who pays to fix or replace an item of capital within a resident's unit?

From time to time an item within a unit, such as the hot water system or stove, may need to be repaired or replaced. Under the *Act* the resident concerned is not responsible for arranging or paying for the repairs or the replacement of the item. This applies despite what it may say in a contract entered into before the *Act* began.

Of course this rule does not apply to an item owned by the resident, such as a fridge or microwave they bring with them when they move in.

Neither does it apply to items damaged by the resident, or their visitors and guests, beyond normal fair wear and tear.

### Who pays to repair or replace items of capital?

It depends initially on whether an item of capital needs to be repaired or replaced. If replacement is required it then depends on whether it is a fixed or non-fixed item. These various scenarios are discussed in detail below.

### Replacing fixed items of capital

Under the new *Act* the operator must bear any costs of replacing fixed items of capital within the village. This includes fixed items of capital in the premises of residents.

Examples of replacing fixed items of capital would include replacing carpets that have worn out or replacing hot water systems and stoves that no longer work.

The operator must arrange and pay for the replacement of fixed items out of its own funds. Money from the village's Capital Replacement Fund can be used if one exists. Statements of expenditure should not include an allowance for replacing fixed items, either directly or via depreciation. The only exception is where the operator does not charge any fee or ingoing contribution for a resident to gain entry to the village. In these few situations the ongoing recurrent charges paid by residents can still be used to fund capital replacement.

### Replacing non-fixed items of capital

Non-fixed capital items include items such as a village bus, lawnmowers, tables, chairs, whitegoods, portable air conditioners, filing cabinets, computers, fans and curtains.

The operator can use the recurrent charges paid by residents, or its own funds, to replace or purchase non-fixed items of capital.



### QUICK TIP

*The provisions of the Act that deal with this issue are sections 92 to 102.*