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Aged Care Quality and Safety Commission

The Financial and Prudential Standards

2025 reforms

February 2025





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Acknowledgement of Country

Artwork by Dreamtime Creative





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Engage
Empower
Safeguard

Speakers

Host

Liz Hefren-Webb, Commissioner, Aged Care Quality & Safety Commission

Panel

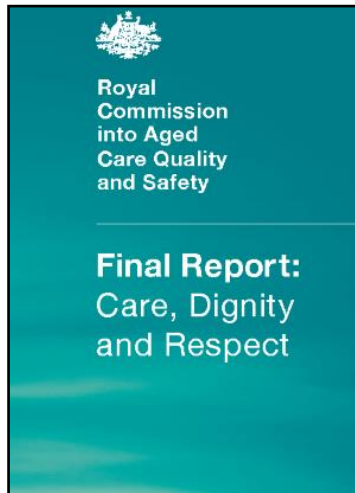
Peter Edwards – A/g Deputy Commissioner, Regulatory Operations

Paul Heinemann – A/g Executive Director Compliance Management

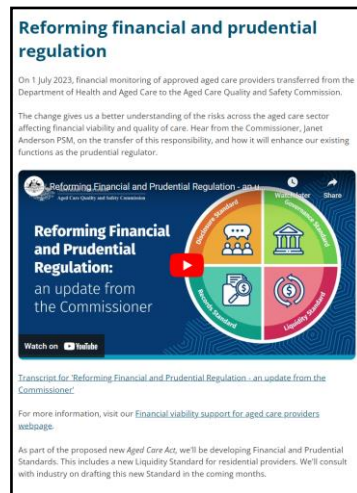
Rochelle Stanwix – Director, Financial and Prudential Supervision

Elly Osborne – Director, Prudential Compliance and Proactive Monitoring

From Royal Commission to new Aged Care Act



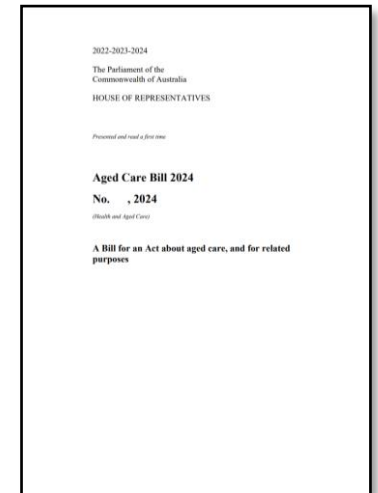
Royal Commission



Transfer of responsibility for financial monitoring



Development of new Standards



New Aged Care Act



The New Financial & Prudential Standards

Existing Standards



New Standards



Rules:

Records

Disclosure



Application of the new Standards



Previously the Financial and Prudential Standards only applied to residential providers that held refundable deposits.

The Financial and Prudential Management Standard will apply to residential providers, providers of personal and care support in the home or community, and nursing and transition care. It does not apply to government or local government authority providers.

The Investment and Liquidity Standards will apply to all registered providers providing residential care excluding government or local government authority providers.



Provider Registration Categories

Cat.	Description	Management Standard *	Investment Standard*	Liquidity Standard*
1	Home and community services			
2	Assistive technology and home modifications			
3	Advisory and support services			
4	Personal care and care support in the home or community (inc. respite)	✓		
5	Nursing and transition care	✓		
6	Residential care (including respite)	✓	✓	✓

***excludes government entities and local government authorities**



Financial and Prudential Management Standard

A registered provider must have governance systems and strategies in place to ensure that the provider is managed in a financially sound manner. The governance systems and strategies must enable fair financial and prudential decisions that prioritise quality of life.



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*Applies to all non-government residential and home services providers

Financial and prudential management system

The financial and prudential management system:

- ensures the financial viability and sustainability of the provider
- ensures the management of refundable deposits is in accordance with the act



Financial and prudential management system

The financial and prudential management system must:

- set out the roles of persons in the system, including the accountabilities and responsibilities of those roles
- enable the provider to monitor and control any delegation or outsourcing of responsibilities
- include internal reporting mechanisms for those roles to enable the provider to effectively monitor and control the system
- be able to detect, record and respond to any failure to comply with the system



Demonstrating compliance

Providers can demonstrate compliance by keeping:

- written policies and procedures
- documentation outlining financial governance responsibilities
- regular reports that show oversight and ongoing improvements
- position descriptions that clearly define roles and accountabilities.



Review of the management system

The system must be regularly reviewed to ensure its effectiveness.

A registered provider must conduct regular reviews of their management system as specified in the requirements of the financial & prudential management standard – at least once in each financial year.



Investment Standard

A registered provider must ensure the adoption of sound practices in relation to the selection, management and monitoring of investments by the provider, including investments of refundable deposits.



Investment Standard

- The registered provider implements and maintains a written investment management strategy (IMS).
- The registered provider ensures that any investment of refundable deposit balances is in accordance with the organisation's investment management strategy.
- The registered provider regularly reviews and improves the effectiveness of its investment management strategy.



Investment management strategy

Must set out...

- the provider's investment objectives
- a strategy for achieving the investment objectives
- the asset classes the provider may invest in
- investment limits for each asset class
- accountabilities, responsibilities and required skills
- how the governing body monitors and controls any delegation
- internal reporting mechanisms, including the scope, manner, frequency and methods for reporting to the governing body.



Review and update

Registered providers must review and update where:

- there are changes to the organisation's investment objectives
- there are changes to the asset class or investment limits
- there are changes to the accountabilities and responsibilities or skills and experience required of those with responsibilities under the strategy
- new or emerging risks are identified.



Liquidity Standard

A registered provider must ensure the sound management of the provider's liquidity and the provider's liquidity risks.



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*Applies to all residential providers

The liquidity standard in more detail...

1. The registered provider maintains sufficient liquidity and is financially viable and sustainable.
2. The registered provider implements and maintains a written Liquidity Management Strategy (LMS).



Sufficient Liquidity means that providers...

- remain financially viable and that activities are funded with stable sources of income on an ongoing basis
- can deliver safe and quality funded aged care services to individuals
- can meet its financial obligations as they fall due
- can refund, in accordance with the Act, any lump sum deposit balances expected to fall due in the following 12 months.



The minimum liquidity amount

35%

+

10%

of cash expenses

(ALL residential providers)

**of refundable
deposit liabilities**
(providers with refundable deposits)



The Liquidity Management Strategy

Your LMS must set out:

- The amount needed for the organisation to meet a **“35 & 10”** minimum liquidity amount
- the form in which the provider will maintain liquidity
- how the organisation’s *cash flow* will be monitored
- the sources of income the organisation receives
- the organisation’s lines of credit and loan arrangements
- accountabilities and responsibilities for supporting the strategy
- the factors that were considered
- Strategy for achieving the minimum liquidity amount if you do not currently have the means to achieve it



Liquidity Calculator

In Q1, the registered provider held liquid assets above the required level.
The registered provider is meeting the liquidity requirement

in cash and financial assets.

Liquid assets required
Over the next quarter the registered provider needs to hold a minimum of:

in cash and financial assets.

Liquid assets held
Currently, the registered provider holds:

in cash and financial assets.

Your liquid assets required are calculated using the following formula

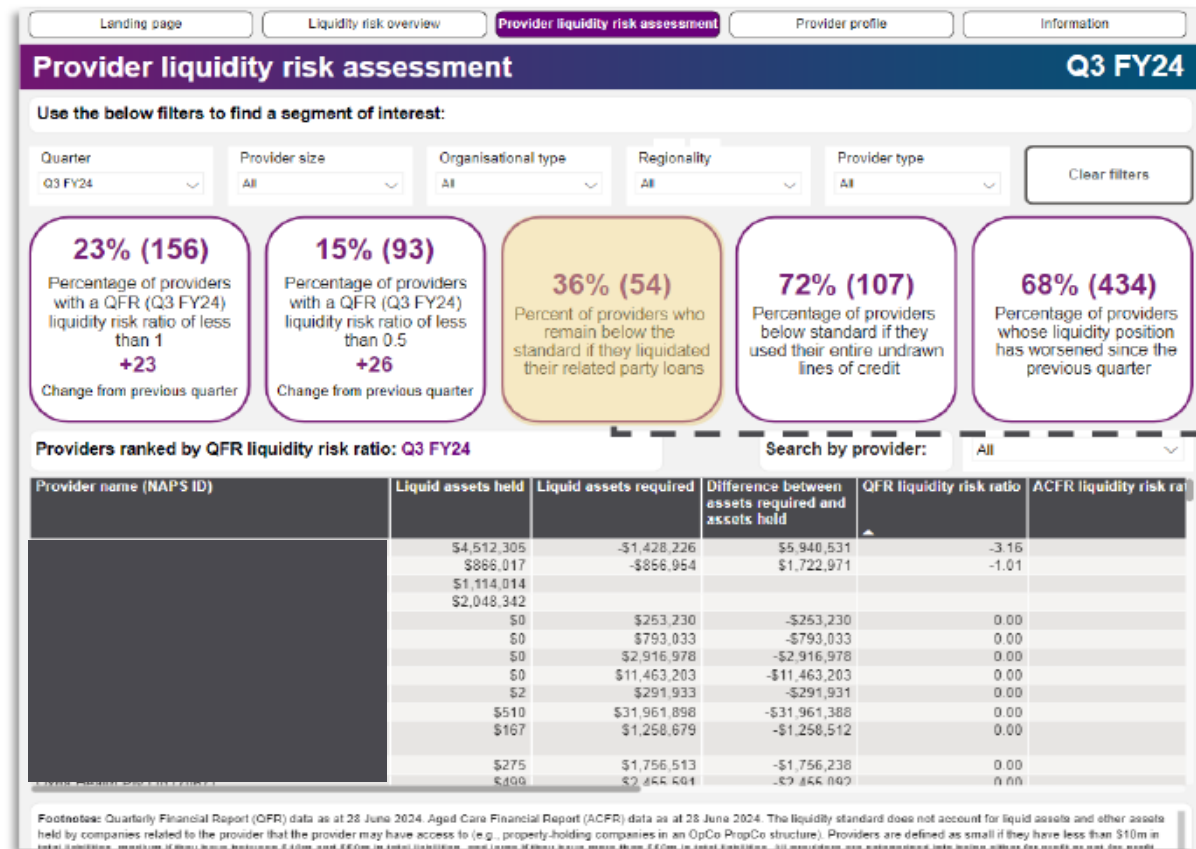
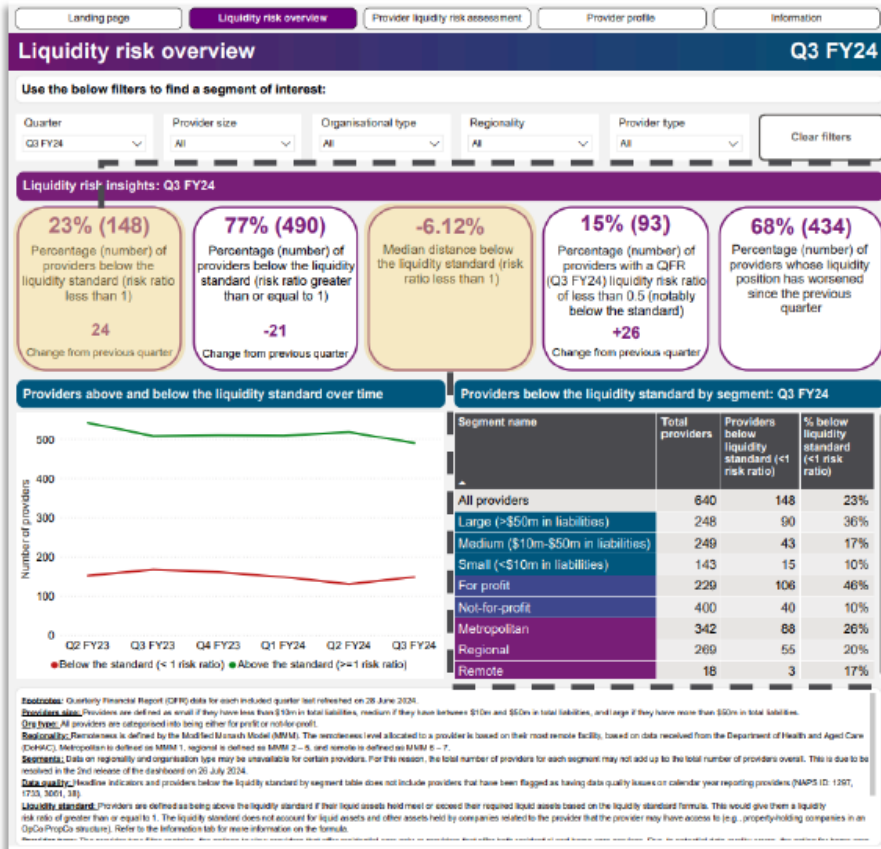
Quarterly expenses			RAD liabilities (less receivables)			Liquid assets required		
\$0	×	35%	+	\$0	×	10%	=	\$0

An explanation and breakdown of the formula components is detailed next.



Identification and monitoring capabilities

Liquidity dashboards



Regulatory Approach



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Compliance approach

Providers are expected to comply with their obligations under the Financial and Prudential Standards.

- The Commission's regulatory approach is risk-based and in proportion to the level of risk faced by people receiving care.
- To help registered providers meet their obligations we have a range of information and education resources.
- We use audit and review programs to identify providers that aren't complying.
- Then we provide education and guidance to these providers to enable them to comply.
- Providers that are reluctant or resistant to comply will be case managed under the Commission's Supervision model.



Compliance approach

Some providers have in place strategies that include related party transactions, loans, lines of credit or other commercial arrangements that mean the registered provider may not hold the required liquidity in a form that it reports through the Quarterly Financial Report.

In these cases, the Commission may engage with you to seek evidence of these arrangements and, in some cases, will require those providers to report any changes to those arrangements.



Sector engagement and education

Now and coming soon:

- Updated Financial and Prudential Standards webpage
- Updated and new Fact sheets
- Downloadable Liquidity calculator tool
- Communication materials specifically targeting providers that will be included for the first time – home services providers and residential providers that do not hold refundable deposits
- Updated and new e-learning modules



Have your say here!



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