

EXPOSURE DRAFT



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If you have any comments on this exposure draft, they should be sent to to the Aged Care Quality and Safety Commission at New_FP_Standards@agedcarequality.gov.au by 7 March 2025.

Aged Care Financial and Prudential Standards 2025

I, *[insert name]*, Commissioner of the Aged Care Quality and Safety Commission, make the following instrument.

Dated 2025

[Insert name] **[DRAFT ONLY—NOT FOR SIGNATURE]**
Commissioner of the Aged Care Quality and Safety Commission

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Preliminary **Part 1**

Section 1

Part 1—Preliminary

1 Name

This instrument is the *Aged Care Financial and Prudential Standards 2025*.

2 Commencement

- (1) Each provision of this instrument specified in column 1 of the table commences, or is taken to have commenced, in accordance with column 2 of the table. Any other statement in column 2 has effect according to its terms.

Commencement information		
Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1. The whole of this instrument	At the same time as section 376 of the <i>Aged Care Act 2024</i> commences.	

Note: This table relates only to the provisions of this instrument as originally made. It will not be amended to deal with any later amendments of this instrument.

- (2) Any information in column 3 of the table is not part of this instrument. Information may be inserted in this column, or information in it may be edited, in any published version of this instrument.

3 Authority

This instrument is made under section 376 of the *Aged Care Act 2024*.

4 Definitions

Note: A number of expressions used in this instrument are defined in the Act, including the following:

- (a) provider registration category;
- (b) refundable deposit;
- (c) registered provider;
- (d) rules.

In this instrument:

accommodation bond balance has the same meaning as in the *Aged Care Rules 2025*.

accounting standard has the same meaning as in the *Corporations Act 2001*.

Act means the *Aged Care Act 2024*.

deposited amount means:

- (a) a refundable deposit; or
- (b) an accommodation bond.

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deposited amount balance means:

- (a) a refundable deposit balance; or
- (b) an accommodation bond balance.

minimum liquidity amount has the meaning given by subsection 11(1).

refundable independent living payment amount has the same meaning as in the *Aged Care Rules 2025*.

refundable retirement village payment amount has the same meaning as in the *Aged Care Rules 2025*.

relevant responsible person of a registered provider means a responsible person of the provider other than one who is a responsible person of the provider only because of subparagraph 12(1)(c)(i) of the Act.

5 Purpose of this instrument

For the purposes of subsection 376(1) of the Act, this instrument:

- (a) prescribes standards relating to financial and prudential matters; and
- (b) provides for the application of certain standards to:
 - (i) registered providers in specified provider registration categories; or
 - (ii) specified kinds of registered providers.

Note 1: It is a condition of registration that a registered provider must comply with the provisions of this instrument that apply to the provider: see section 150 of the Act. If a registered provider breaches a condition of registration, the provider may be liable to a civil penalty: see subsections 142(3) and (4) of the Act.

Note 2: One of the safeguarding functions of the Commissioner is to protect continuity of care through monitoring the compliance of registered providers with their financial and prudential requirements, and taking proactive steps to prevent non-compliance with those requirements: see section 349 of the Act.

6 Objects of this instrument

The objects of this instrument are to prescribe minimum standards relating to financial and prudential matters:

- (a) to ensure the financial viability and sustainability of registered providers in relation to the delivery of funded aged care services by those providers; and
- (b) to enable registered providers delivering funded aged care services to individuals to offer continuity of care to those individuals.

Part 2—Financial and prudential management

7 Application of Part

This Part applies to a registered provider that:

- (a) is registered in any of the following provider registration categories:
 - (i) personal and care support in the home or community;
 - (ii) nursing and transition care;
 - (iii) residential care; and
- (b) is not a government entity or a local government authority.

8 Requirement to implement and maintain a financial and prudential management system

- (1) A registered provider must implement and maintain a financial and prudential management system.
- (2) The objects of a registered provider's financial and prudential management system must include the following:
 - (a) ensuring the financial viability and sustainability of the provider;
 - (b) ensuring the provider is managed in a financially sound manner;
 - (c) enabling financial and prudential decisions of the provider to:
 - (i) be made in a fair, equitable and reasonable manner; and
 - (ii) focus on the safety, health, wellbeing and quality of life of individuals accessing funded aged care services delivered by the provider;
 - (d) ensuring the provider's compliance with this Part;
 - (e) if the provider is registered in the provider registration category residential care—ensuring the management and use of deposited amounts, and the refund of deposited amount balances, by the provider is in accordance with the Act, the rules and this instrument.
- (3) A registered provider's financial and prudential management system must:
 - (a) set out the roles, including the accountabilities and responsibilities of those roles, of persons in the system, including in relation to:
 - (i) the provider's finances; and
 - (ii) if the provider is registered in the provider registration category residential care—the management and use of deposited amounts and the refund of deposited amount balances; and
 - (b) enable the provider to monitor and control any delegation or outsourcing of those roles, accountabilities or responsibilities; and
 - (c) include internal reporting mechanisms for those roles to enable the provider to effectively monitor and control:
 - (i) the provider's finances; and
 - (ii) if the provider is registered in the provider registration category residential care—the management and use of deposited amounts, and the refund of deposited amount balances; and

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Part 2 Financial and prudential management

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- (d) be able to detect, record and respond to any failure to comply with the system or this Part.

Note: Separate to the internal reporting mechanisms mentioned in paragraph (c) of this subsection, a registered provider may be required to give a report to the Commissioner, or another person, relating to specified financial and prudential matters: see sections 166 and 167 of the Act.

- (4) A registered provider must ensure that persons are aware of, and understand, their roles, accountabilities and responsibilities in relation to implementing the provider's financial and prudential management system.
- (5) A registered provider must ensure that relevant responsible persons of the registered provider are aware of, and understand, the following:
 - (a) the provider's financial and prudential management system;
 - (b) the standards prescribed by this instrument;
 - (c) any requirements imposed on the provider by the rules that relate to financial and prudential matters, including:
 - (i) the management and use of deposited amounts; and
 - (ii) record-keeping, reporting and notification of financial and prudential matters.
- (6) This section does not limit the matters a registered provider's financial and prudential management system may deal with.

9 Review of financial and prudential management system

- (1) A registered provider must review and assess:
 - (a) the effectiveness of the provider's financial and prudential management system in achieving the objects of the system; and
 - (b) what, if any, actions could be taken to improve the system.
- (2) A registered provider must conduct a review and assessment under subsection (1):
 - (a) regularly, and at least once in each financial year; and
 - (b) at the following times:
 - (i) when the provider considers that updates to the system may be required in order to achieve the objects of the system;
 - (ii) when the provider considers that the system, including its implementation, is not in compliance with this Part;
 - (iii) when the provider identifies, or becomes aware of, new or evolving financial risks.
- (3) If a registered provider determines that actions could be taken to improve the provider's financial and prudential management system, the provider must ensure that:
 - (a) such actions, that are reasonable in the circumstances, are taken; and
 - (b) the efficacy of those actions in improving the system is monitored.

Note: For paragraph (b), monitoring could form part of subsequent reviews and assessments undertaken under subsection (1), or as part of a separate monitoring process.

Part 3—Liquidity

10 Application of Part

This Part applies to a registered provider that:

- (a) is registered in the provider registration category residential care; and
- (b) is not a government entity or a local government authority.

11 Registered provider must determine minimum liquidity amount on a quarterly basis

- (1) A registered provider must determine, each quarter, the provider's *minimum liquidity amount* for the quarter.

Note: The minimum liquidity amount must be set out in the provider's liquidity management strategy: see section 13.

- (2) A registered provider's minimum liquidity amount for a quarter must be an amount that:
 - (a) is sufficient for the provider to ensure that the provider can:
 - (i) meet the provider's financial obligations as they fall due; and
 - (ii) refund, in accordance with the Act and the rules, any deposited amount balances that can be expected to fall due in the following 12 months; and
 - (iii) deliver safe and quality care to individuals accessing funded aged care services delivered by the provider; and
 - (b) is at least equal to the amount worked out under subsection (3) for the provider.
- (3) For the purposes of paragraph (2)(b), the amount is:
 - (a) if the registered provider holds a deposited amount—the amount worked out by adding the following amounts:
 - (i) the amount equal to 35% of the provider's cash expenses for the previous quarter;
 - (ii) the amount equal to 10% of the deposited amount balances held by the provider at the end of the previous quarter;
 - (iii) the amount equal to 10% of refundable independent living payment amounts (if any) held by the provider at the end of the previous quarter;
 - (iv) the amount equal to 10% of refundable retirement village payment amounts (if any) held by the provider at the end of the previous quarter; or
 - (b) if the registered provider does not hold a deposited amount—the amount worked out by adding the following amounts:
 - (i) the amount equal to 35% of the provider's cash expenses for the previous quarter;

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- (ii) the amount equal to 10% of refundable independent living payment amounts (if any) held by the provider at the end of the previous quarter;
 - (iii) the amount equal to 10% of refundable retirement village payment amounts (if any) held by the provider at the end of the previous quarter.
- (4) If:
 - (a) a registered provider has determined a minimum liquidity amount for a quarter; and
 - (b) a change in circumstances or an event occurs; and
 - (c) the change in circumstances or event means the provider's minimum liquidity amount for the quarter does not meet the requirements in subsection (2);the provider must re-determine the provider's minimum liquidity amount for the quarter.
- (5) A registered provider's cash expenses are to be calculated for the purposes of this section in accordance with accounting standards in force at the time the determination under subsection (1) is made. This section has effect whether the accounting standard would otherwise apply to the provider.

12 Requirement to maintain minimum liquidity amount

- (1) A registered provider must maintain, at all times, the provider's minimum liquidity amount in the form specified in the provider's liquidity management strategy (see section 13).
- (2) A registered provider must notify the Commissioner if the provider's liquidity falls below, or is at risk of falling below, the provider's minimum liquidity amount.

13 Requirement to implement and maintain a written liquidity management strategy

- (1) A registered provider must implement and maintain a written liquidity management strategy.
- (2) The objects of a registered provider's liquidity management strategy must include the following:
 - (a) ensuring the sound management of the provider's liquidity and the provider's liquidity risks;
 - (b) ensuring the provider can do the things mentioned in subparagraphs 11(2)(a)(i), (ii) and (iii);
 - (c) ensuring the provider's compliance with this Part.
- (3) A registered provider's liquidity management strategy must set out the following:
 - (a) the provider's minimum liquidity amount (see section 11);

- (b) the form in which the provider will maintain the provider's minimum liquidity amount;
 - (c) the factors the provider considered in determining the provider's minimum liquidity amount;
 - (d) how the provider's income and expenses will be monitored;
 - (e) the provider's sources of income;
 - (f) the provider's loan arrangements;
 - (g) the liquidity risks of the provider and the strategies to address those risks;
 - (h) how new liquidity risks will be identified and mitigated;
 - (i) how financial forecasting will be used to determine liquidity and to assess liquidity risks;
 - (j) the roles, including the accountabilities and responsibilities of those roles, of persons in relation to the implementation of the strategy;
 - (k) how the provider will monitor and control any delegation or outsourcing of those roles, accountabilities or responsibilities;
 - (l) internal reporting mechanisms for those roles to enable the provider to effectively monitor and control the provider's liquidity and the provider's liquidity risks;
 - (m) how the provider will detect, record and respond to any failure to comply with the strategy or this Part;
 - (n) the procedures the provider will follow, and the actions the provider will take, if the provider's liquidity falls below the provider's minimum liquidity amount.
- (4) A registered provider must ensure that persons are aware of, and understand, their roles, accountabilities and responsibilities in relation to implementing the provider's liquidity management strategy.
- (5) This section does not limit the matters a registered provider's liquidity management strategy may deal with.

14 Registered provider must comply with liquidity management strategy

A registered provider must manage the provider's liquidity, and the provider's liquidity risks, in accordance with the provider's liquidity management strategy.

15 Review of liquidity management strategy

- (1) A registered provider must review and assess:
- (a) the provider's liquidity management strategy and its implementation; and
 - (b) what, if any, updates could be made to the strategy, or other actions could be taken, to:
 - (i) ensure the provider's compliance with this Part; or
 - (ii) improve the management of the provider's liquidity and the provider's liquidity risks.
- (2) A registered provider must conduct a review and assessment under subsection (1):
- (a) regularly, and at least once in each financial year; and

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Part 3 Liquidity

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- (b) at the following times:
 - (i) when the provider considers there is a risk that the provider is not maintaining, or will be unable to maintain, the provider's minimum liquidity amount;
 - (ii) when the provider considers that the strategy, or its implementation, is not in compliance with this Part;
 - (iii) when the provider identifies, or becomes aware of, new or evolving liquidity risks.

Note: A registered provider must update the provider's liquidity management strategy each quarter to, at least, set out the provider's minimum liquidity amount for the quarter: see paragraph 13(3)(a).

- (3) If a registered provider determines that updates could be made to the provider's liquidity management strategy, or actions could be taken as mentioned in subsection (1), the registered provider must ensure that:
 - (a) those updates are made; and
 - (b) any actions that are reasonable in the circumstances are taken; and
 - (c) the efficacy of those updates and actions in ensuring the provider's compliance with this Part, or in improving the efficacy of the strategy, is monitored.

Note: For paragraph (c), monitoring could form part of subsequent reviews and assessments undertaken under subsection (1), or as part of a separate monitoring process.

16 Requirements relating to loans

A registered provider may make a loan only if:

- (a) the loan is made on a commercial basis; and
- (b) there is a written agreement in place in relation to the loan.

Part 4—Investment

17 Application of Part

This Part applies to a registered provider that:

- (a) is registered in the provider registration category residential care; and
- (b) is not a government entity or a local government authority.

18 Requirement to implement and maintain a written investment management strategy

- (1) A registered provider must implement and maintain a written investment management strategy that sets out the following:
 - (a) the provider's investment objectives, which must include:
 - (i) the adoption of sound practices in relation to the selection, management and monitoring of investments by the provider; and
 - (ii) ensuring the delivery of safe and quality care to individuals accessing funded aged care services delivered by the provider; and
 - (iii) protecting deposited amounts;
 - (b) a strategy for achieving the provider's investment objectives;
 - (c) the roles, including the accountabilities and responsibilities of those roles, of persons in relation to the implementation of the strategy;
 - (d) the skills and experience required for those roles;
 - (e) how the provider will monitor and control any delegation or outsourcing of those roles, accountabilities or responsibilities;
 - (f) internal reporting mechanisms for those roles to enable the provider to effectively monitor and control the provider's investments and the implementation of the strategy;
 - (g) processes for identifying, mitigating and addressing investment risks;
 - (h) how the provider will detect, record and respond to any failure to comply with the strategy or this Part.
- (2) A registered provider must ensure that persons are aware of, and understand, their roles, accountabilities and responsibilities in relation to implementing the provider's investment management strategy.
- (3) This section does not limit the matters a registered provider's investment management strategy may deal with.

19 Investments must be in accordance with investment management strategy

Investments made by a registered provider must be made and managed in accordance with the provider's investment management strategy.

20 Review of investment management strategy

- (1) A registered provider must review and assess:
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Part 4 Investment

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- (a) the implementation of the provider's investment management strategy, including its effectiveness in achieving the provider's investment objectives; and
 - (b) what (if any) updates could be made to the strategy, or other actions could be taken to:
 - (i) ensure compliance with this Part; or
 - (ii) improve the effectiveness of the strategy.
- (2) A registered provider must conduct a review and assessment under subsection (1):
- (a) regularly, and at least once in each financial year; and
 - (b) at the following times:
 - (i) when the provider considers that updates to the strategy may be required in order to achieve the provider's investment objectives;
 - (ii) when the provider considers that the strategy, or its implementation, is not in compliance with this Part;
 - (iii) when the provider identifies, or becomes aware of, new or evolving investment risks.
- (3) If a registered provider determines that updates could be made to the provider's investment management strategy, or actions could be taken as mentioned in subsection (1), the registered provider must ensure that:
- (a) those updates are made; and
 - (b) any actions that are reasonable in the circumstances are taken; and
 - (c) the efficacy of those updates and actions in ensuring the provider's compliance with this Part, or in improving the efficacy of the strategy, is monitored.

Note: For paragraph (c), monitoring could form part of subsequent reviews and assessments undertaken under subsection (1), or as part of a separate monitoring process.