



The new Financial and Prudential Standards

The new Financial and Prudential Standards will be introduced with the new Aged Care Act. The new Standards set out the minimum requirements for good financial and prudential management of registered aged care providers.



Financial and Prudential Management Standard

Applies to registered providers in categories 4, 5 and 6 that aren't government entities or a local government authority.

Providers have a strong financial and prudential management system and make fair, reasonable and independent business decisions that prioritise the best interests of people receiving care.

Providers must

- ✓ Have a financial and prudential management system to keep the organisation financially stable.
- ✓ Set out each role's financial and prudential accountabilities and maintain oversight of any delegations or outsourcing.
- ✓ Monitor how the organisation is performing financially and how financially stable it is.
- ✓ Detect, record and respond to any failure to comply with the system or this Standard.



Liquidity Standard

Applies to registered providers that are providing funded aged care services in an approved residential care home and aren't government entities or a local government authority.

Providers maintain enough liquid assets so they can meet financial obligations, refund deposits and manage risks effectively.

Providers must

- ✓ Have a written liquidity management strategy that includes how much liquidity they need to meet their financial obligations each quarter.
- ✓ Always have the minimum liquidity amount available. This is calculated by:
35% of their previous quarter's cash expenses¹
+ 10% of their lump sum deposit liabilities²
at the end of the previous quarter.
- ✓ Always have enough liquidity, in its nominated form.
- ✓ Monitor their cash flow and do financial forecasts to understand their obligations and manage risks to their liquidity. (A financial forecast includes estimates of past and future finances).



Investment Standard

Applies to registered providers that are providing funded aged care services in an approved residential care home that aren't government entities or a local government authority.

Providers manage investments responsibly, to protect refundable deposits and maintain financial stability.

Providers must

- ✓ Have a written Investment Management Strategy (IMS) that includes their investment objectives and makes sure they refund refundable deposit balances on time.
- ✓ Set out each role's accountabilities and responsibilities for the IMS, and maintain oversight of any delegations or outsourcing.
- ✓ Make sure how they invest refundable deposits is in line with their IMS.
- ✓ Review and improve how effective the IMS is.

¹ Cash expenses include salaries and employee benefits, management fees, finance and interest expenses, rent and other expenses (as defined in the income statement) but do not include refundable deposit liabilities.
² Calculated on lump sum deposit liabilities less the lump sum deposit receivables – only applies to registered providers that hold refundable accommodation deposits.