



## Guide and practice



# Refunding refundable accommodation lump sums

Protecting consumer's financial interests



# Contents

Refunding refundable accommodation lump sums	3
Legislation	3
Calculating refunds	3
Deductions	3
Accommodation bond deductions	4
Refund due dates	4
Interest types	5
Practice 1 – interest rates	5
Base interest calculation	6
Practice 2 – base interest calculation	7
Maximum permissible interest calculation	8
Practice 3 – maximum permissible interest calculation	9
Governance and record keeping	10
Answers	11
Practice 1 – interest rates	11
Practice 2 – base interest calculations	11
Practice 3 – maximum permissible interest	11
Further information	12
Contact us	12
Subscribe	12

## Refunding refundable accommodation lump sums

People who enter residential care can pay for their accommodation costs with:

- a refundable lump sum
- a daily payment
- a combination of a refundable lump sum and a daily payment.

When a person transfers to another service, permanently leaves care or passes away, you need to refund their refundable lump sum.

**The term refundable lump sum refers to refundable accommodation deposits, entry contributions and accommodation bonds.**

## Legislation

- *Aged Care Act 1997 (Cth)* – (the Act) Part 3A.3 Divisions 52M and 52P
- *Aged Care (Transitional Provisions) Act 1997 (Cth)* Subdivision 57-F
- *Fees and Payments Principles 2014 No. 2 (Cth)* (Fees and Payments Principles) Parts 5 and 7



## Calculating refunds

**Your refundable deposit register (a requirement of the Records Standard) has information you need to calculate refundable deposit refunds.**

When a person leaves your service or gives you notice to leave, work out the refundable lump sum balance. To calculate this:

1. check your refundable deposit register to find their refundable lump sum amount
2. deduct any approved amounts from a person's refundable lump sum amount (this information is in writing, in a person's residential accommodation agreement)
3. work out when the refund is due in relation to the refund event (s.52P-1(2)(a) or (b) of the Act). Refund events and the corresponding periods are listed in the table on page 4 of this document.
4. calculate and add any interest, if payable, on the refundable deposit amount.

## Deductions

You can only take set deductions from a refundable lump sum to pay a person's debt. The person receiving care must agree to the type of debt and amounts you can take from their refundable deposit. The service records this in writing (in a person's residential accommodation agreement) when they enter residential care. Before you calculate interest on a refundable lump, you need to make all deductions.

### Example

Refundable accommodation deposit:	\$450,000
Approved deductions:	\$10,000
Refundable accommodation balance:	<b>\$440,000</b>

## Accommodation bond deductions

If you hold an accommodation bond, you can deduct:

- amounts owed under a consumer’s accommodation bond agreement, care recipient agreement or extra services agreement
- interest on amounts owed (calculated from one month and 1 day after the fee is payable, until the fee is paid)
- retention amounts.

Go to the Department of Health and Aged Care's (the department) [website](#) and search 'schedule of fees and charges for pre-1 July 2014 residential care recipients' for details.

## Refund due dates

The due date of refunds depends on how a person exits care, how many days’ notice you get or if you see a grant of probate or letter of administration from the person’s estate.

### Help people understand how you use and refund their refundable accommodation deposits

Consumer panels have explained websites can be hard to use, and that most people in care want to talk to someone. You have a key role to help people understand how you use and refund their refundable accommodation lump sums.

- Meet with people in your care and their representatives in person.
- Have regular information sessions in your service for people to learn and ask questions.
- Give people fact sheets about how you manage their deposits.
- Send regular and easy-read emails/ letters explaining your processes.

Refund event	Refund due
Person transfers from your service and gives more than 14 days' notice	Day the person leaves your service
Person transfers from your service and gives less than 14 days' notice	Within 14 days of receiving notice
Person transfers from your service and doesn't give notice	Within 14 days of departure
Person permanently leaves care	Within 14 days of leaving the service
Person dies	Within 14 days after you sight a grant of probate or letter of administration from the person's estate

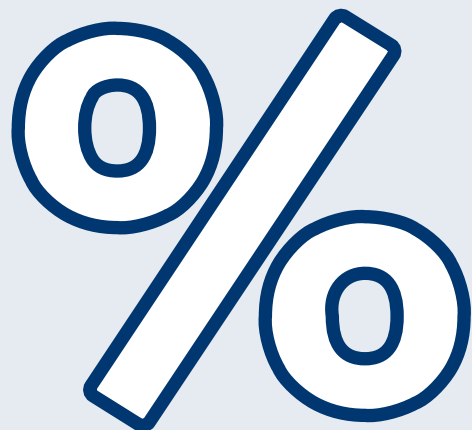
## Interest types

You may need to pay interest on a person's refundable deposits at the time you refund it. If interest is payable, you need to calculate this at the base interest rate (BIR) and the maximum permissible interest rate (MPIR). The department lists the interest rates you need on their [website](#).

### Practice 1 – interest rates

Go to [health.gov.au](http://health.gov.au) and search for the base interest rate (BIR) and maximum permissible interest rates (MPIR) for residential aged care. Complete the table below. Check your answers at the end of this guide.

Time period	BIR (%)	MPIR (%)
1/01/2023 to 31/03/2023	2.25	a.
1/10/2022 to 31/12/2022	2.25	b.
1/07/2021 to 30/09/2021	c.	5.00
1/06/2020 to 30/06/2020	2.25	4.89
1/04/2020 to 31/05/2020	d.	e.
1/01/2020 to 31/03/2020	3.00	4.91



## Base interest calculation

If you need to pay interest, you need to calculate the base interest on a person's refundable deposits from the day after the refund event, until the end of the refund period. The number of days (ND) you pay interest for is the same as the number of days you hold the refundable deposit during this period.

**ND:** is the total number of days in the period starting the day after the day the refunding event took place and ending the day the refundable deposit is refunded.

**Include the day of the refund in your interest calculations.**

The base interest calculation is a set formula (Fees and Payments Principles s69).

### Base interest calculation formula

Base interest rate = **BIR**

Refundable deposit balance after deductions = **RDB**

Number of days you hold deposit in refund period = **ND**

$$\text{Base interest calculation} = \frac{\text{BIR} \times \text{RDB} \times \text{ND}}{365}$$

After you have worked out the interest you owe, add this to the refundable deposit balance to get the full refund amount.

**Base interest + refundable deposit balance = full refund amount**



## Practice 2 – base interest calculation

Use the base interest formula to complete the table below. The interest rates you need are in 'Practice 1 – interest rates'. Check your answers at the end of this guide.

Situation	Date of final day of legislated refund period	Refund date	Refundable deposit balance \$	BIR %	ND	Base interest payable \$
<b>A.</b> Jenny leaves your service to live with her son. She gives notice on 31/12/2022 that her last day is 28/02/2023.		10/03/2023	350,000			
<b>B.</b> Ken passes away on the 23/06/2023. You see a letter of probate on 01/08/2023. Ken owes \$4,325 in permitted deductions.		15/08/2023	545,675 (550,000 – 4,325)			
<b>C.</b> Mary gives 7 days' notice. She leaves your service on 25/02/2020 and transfers to another service.		01/03/2020	350,000			
<b>D.</b> Sandy goes to hospital on 31/05/2020. Her family tells you (on the same day) she won't come back to your service and will remain in hospital care.		14/06/2020	400,000			

### Hint

Change your BIR to a numeral for the calculation. For example, if it's 2.5%, move the decimal point two places to the left to .025.

## Maximum permissible interest calculation

You need to pay maximum permissible interest on a person's refundable deposit from the day after the refund period until the day you refund the refundable lump sum. The number of days you pay interest for is the same as the number of days you hold the refundable deposit after the refund period.

**Include the refund day in your interest calculations.**

The maximum permissible interest calculation is a set formula (Fees and Payments Principles s69).

### Maximum permissible interest calculation formula

Maximum permissible interest rate  
= **MPIR**

Refundable deposit balance after deductions = **RDB**

Number of days you hold deposit after refund period = **ND(PP)**

After you have worked out the base and maximum permissible interest you owe, add these to the refundable deposit balance to get the full refund amount.

**Base interest + maximum permissible interest + refundable deposit balance = full refund amount**





### Practice 3 – maximum permissible interest calculation

Use the maximum permissible interest formula to complete the table below. The interest rates you need are in 'Practice 1 – interest rates'. Check your answers at the end of this guide.

Situation	Date of final day of legislated refund period	Refund date	Refundable deposit balance \$	BIR %	ND	Base interest payable \$
<b>A.</b> Jenny is moving interstate to live with her son. She gives notice on 31/12/2022 for her last day on 28/02/2023.		10/03/2023	350,000			
<b>B.</b> Ken passes away on the 23/06/2023. You see a letter of probate on 01/08/2023.		29/08/2023	545,675 (550,000 - 4,325)			
<b>C.</b> Mary gives 3 days' notice. She is leaving your service on 24/02/2020.		16/03/2020	350,000			
<b>D.</b> Sandy goes to hospital on 31/05/2020. Her family tells you (on the same day) she won't come back to your service and will remain in hospital care.		20/06/2020	400,000			

**Note:** BIR may also be payable; this is not shown in the examples above.

#### Hint

Change your BIR to a numeral for the calculation. For example, if it's 7.9%, move the decimal point two places to the left to .079.

## Governance and record keeping

The Prudential Standards and good governance practices support you to refund refundable accommodation lump sums on time, every time.

### Make sure:

- ✔ your governance arrangements have written policies and procedures about how to accept, manage and refund refundable lump sum deposits
- ✔ residential accommodation agreements have correct dates, agreed prices and signatures from your organisation and your resident
- ✔ you date stamp letters of probate, letters of administration and notices of intent to leave the day you receive them
- ✔ your refundable deposit registers include all key identifiable information
- ✔ you give consumers a copy of their register entry every year, on request and a final copy when you refund their lump sum
- ✔ your records show the refundable deposit dollars and your working capital separately
- ✔ your liquidity monitoring, reporting and management processes allow enough liquidity to refund refundable lump sums as due.



## Answers

### Practice 1 – interest rates

Time period	BIR (%)	MPIR (%)
1/01/2023 to 31/03/2023	2.25	a. 7.46
1/10/2022 to 31/12/2022	2.25	b. 6.31
1/07/2021 to 30/09/2021	c. 2.25	5.00
1/06/2020 to 30/06/2020	2.25	4.89
1/04/2020 to 31/05/2020	d. 3.00	e. 4.89
1/01/2020 to 31/03/2020	3.00	4.91

### Practice 2 – base interest calculation

Situation	Date of final day of legislated refund period	Refund date	Refundable deposit balance \$	BIR %	ND	Base interest payable \$
<b>A.</b> Jenny leaves your service to live with her son. She gives notice on 31/12/2022 that her last day is 28/02/2023.	14/03/2023	10/03/2023	350,000	2.25	10	215.75
<b>B.</b> Ken passes away on the 23/06/2023. You see a letter of probate on 01/08/2023. Ken owes \$4,325 in permitted deductions.	15/08/2023	15/08/2023	545,675 (550,000 – 4,325)	2.25	53	1,782.79
<b>C.</b> Mary gives 7 days' notice. She leaves your service on 25/02/2020 and transfers to another service.	03/03/2020	01/03/2020	350,000	3.0	5	143.84
<b>D.</b> Sandy goes to hospital on 1/05/2020. Her family tells you (on the same day) she won't come back to your service and will remain in hospital care.	14/06/2020	14/06/2020	400,000	2.25	14	345.21

### Practice 3 – maximum permissible interest calculation

Situation	Date of final day of legislated refund period	Refund date	Refundable deposit balance \$	BIR %	ND	Base interest payable \$
<b>A.</b> Jenny is moving interstate to live with her son. She gives notice on 31/12/2022 for her last day on 28/02/2023.	14/03/2023	10/03/2023	350,000	0	7.06	0.00
<b>B.</b> Ken passes away on the 23/06/2023. You see a letter of probate on 01/08/2023.	15/08/2023	29/08/2023	545,675 (550,000 – 4,325)	14	7.9	1,653.47
<b>C.</b> Mary gives 3 days' notice. She is leaving your service on 24/02/2020.	06/03/2020	16/03/2020	350,000	10	4.91	470.82
<b>D.</b> Sandy goes to hospital on 31/05/2020. Her family tells you (on the same day) she won't come back to your service and will remain in hospital care.	14/06/2020	20/06/2020	400,000	6	4.89	321.53



## Further information

[Prudential Standards webpage](#)

[Department of Health and Aged Care website](#)

## Contact us

[prudential@agedcarequality.gov.au](mailto:prudential@agedcarequality.gov.au)

## Subscribe

[Compliance Management Insights](#)

[Aged Care Quality and Safety  
Commission newsletter](#)

November 2024



**Phone**  
1800 951 822



**Web**  
[agedcarequality.gov.au](http://agedcarequality.gov.au)



**Write**  
Aged Care Quality and Safety Commission  
GPO Box 9819, in your capital city