



Aged Care Prudential Standards Policy

Policy adopted: 2023 Minute No.

Reviewed: 30 June 2023

File Ref: D23.87460



Aged Care Prudential Standards Policy

Document Control

Issue.	Prepared/Revised by and Date	Action/Amendment Description	Approved By and Date
1.0		First Edition	Minute No.

DRAFT



Aged Care Prudential Standards Policy

Introduction

This Policy has been prepared as an initial stage of reform of Councils Prudential Standards for the acceptance, investment and reporting of Residential Accommodation Deposits (RADs).

The Royal Commission into Aged Care and Safety has identified that change is required to the management of resident's payment of accommodation deposits. As changes are made by the Australian Government, this Policy will be amended to reflect the directions and legislation at that time.

Council agrees that improved notification to residents or families is required around the use and investment of RADs and have produced this document based on the Commission findings, and the Australian Governments - Aged Care Quality and Safety Commission, Prudential Standards advice (A copy is attached to this document).

Changes made to this policy shall be made available on Councils website.

1.0 Prudential Standards

The Prudential Standards as set out in the *Fees and Payments Principles 2014 (No 2)* (the Principles) outline the regulatory requirements of providers in respect of their prudential management of refundable accommodation deposits, accommodation bonds and entry contributions (collectively known as accommodation deposits).

The *Aged Care Act 1997* requires that all Approved Providers must comply with the Prudential Standards as set out in the principles.

There are four Prudential Standards being:

- Liquidity Standard
- Records Standard
- Governance Standard; and
- Disclosure Standard.

One of the requirements contained in the Disclosure Standard is the disclosure each year of certain information to the Department of Health. The Approved Provider must submit to the Secretary a statement in the form specified disclosing matters relating to the compliance with the Prudential Standards during the year and disclose instances or periods of non-compliance with those Standards (included with the Annual Prudential Compliance Statement).



Aged Care Prudential Standards Policy

2.0 Governance Requirements

2.1 Governance Standards S49

Council shall meet the Governance standards as prescribed by legislation. The present Governance Standards are pursuant to section 49 of the Principles:

- (1) An approved provider that holds one or more refundable deposit balances or accommodation bond balances must implement and maintain a governance system that ensures that those balances:
 - (a) are used only for permitted uses; and
 - (b) are refunded to care recipients in accordance with section 52P-1 of the Act.
- (2) Without limiting the matters that an approved provider's governance system may deal with, the system must provide for the following:
 - (a) allocating responsibilities to the key personnel of the approved provider in relation to the management of refundable deposit balances or accommodation bond balances held by the provider;
 - (b) monitoring and controlling any delegation or outsourcing of the allocated responsibilities;
 - (c) reporting mechanisms for the allocated responsibilities that ensure that the key personnel who are responsible for the executive decisions of the approved provider can effectively monitor and control the use of refundable deposit balances and accommodation bond balances;
 - (d) ensuring that the key personnel who are allocated responsibilities, and persons to whom responsibilities are delegated or outsourced, are aware of the requirements of the Act and these principles in relation to refundable deposits and accommodation bonds;
 - (e) detecting, recording, and responding to any failure to comply with the requirements referred to in paragraph (d).
- (3) An approved provider must:
 - (a) keep written documentation describing the provider's governance system; and
 - (b) ensure that the written documentation of the provider's governance system is up-to-date; and
 - (c) modify or replace its governance system if the provider becomes aware that the system no longer complies with the requirements set out in subsections (1) and (2).

Councils' governance system includes an Annual Revenue Policy that lists fees and charges applicable to the residential accommodation, resident accommodation bonds and daily charges as a general guide for residents and families. Due to the resident assessment



Aged Care Prudential Standards Policy

process these fees may be varied due to the assessments carried out for resident entry and payments.

Some of the areas contained in this Policy include, but are not limited to:

Item Description	Allocation	Monitor / Controlling	Reporting
1. Maintenance & review of room prices	General Manager delegates to Finance Team (Senior Finance Officer)	Councils Annual Revenue (Fees and Charges) Policy. This is available on Councils website. Room prices and other charges may vary due to the resident's level of care needs following assessment from an independent person. The Finance Team conduct research based on a benchmark comparison of surrounding facilities and the current building costs to prepare an annual report for the General Manager	Balranald Shire Council Refundable Accommodation Deposit is \$270,000. The General Manager tables the RAD price report to Council meetings for discussion. See Balranald Shire Council – Minutes Ordinary Meeting – 17 th February 2015 – Item C - 8 https://balranald.nsw.gov.au/wp-content/uploads/2014/03/March-2015.pdf
2. Negotiating & explaining refundable accommodation deposits and bonds;	General Manager	Council has available a handout titled “Resident Enquiry Information” on its website. This document includes facts from the Department of health & Aged Care and Aged Care Quality and Safety Commission explaining refundable deposits. This document includes information regarding resident in financial hardship.	Resident advocate does an asset assessment, this advice determines if refundable accommodation deposit (RAD), daily accommodation contribution (DAC) or daily accommodation payment (DAP) is to be paid by the resident for their accommodation. General Manager will inform facility manager of outcome of meeting.
3. Agreeing to & signing resident agreements;	General Manager delegates to Facility Manager	A sample residents' contract is available on Councils website. All residents will be provided with the contract agreement when entering the residential Hostel as a permanent or respite resident. Resident agreements are established through National E-Tools Resident Agreement (NeRA) a program specifically designed to stay up to date with legislation.	Resident agreements are signed by the resident and/or representative, witness and Facility Manager. A copy of the Resident Agreements is given to the resident, filed electronically on Content Manager and in Balranald Shire Councils Legal Documents Register. This is reconciled annually by external auditors.
4. Reporting to residents on RAD balances;	Prepared by Finance Team and signed by General Manager	Council will provide all residents that have paid a Residential Accommodation Deposit an annual statement on balances as per this policy, or more frequently as requested by the resident, an authorized family member or support organization. These letters and statements are audited annually.	Letter regarding accommodation deposits held is sent annually to residents and/or their representative regarding investment.



Aged Care Prudential Standards Policy

5. Permitted Uses – Terms Deposits / Cash at Bank;	Senior Finance Officer	Council shall ensure that all RADs are used as per this Policy and in accordance with section 52N of the Aged Care Act 1997. Council will only invest RAD monies as per its investment policy. The Investment policy is available on its website. Investment policy - https://balranald.nsw.gov.au/wp-content/uploads/2021/11/Investment-Policy-Council-Reviewed-October-2021-1.pdf	Investments are reported on monthly; reports are prepared for Council meetings.
6. Permitted Uses – Refunding.	General Manager	Council shall ensure that all refunds due to residents upon departure from the Hostel shall be paid in full and any interest added for the period from departure to the time of payment as per the Act. E-Tools Refundable Accommodation Deposit (eRAD) program shows all Refundable Accommodation Deposits and Bonds held for Balranald Shire Council. On resident departure from the facility a refund is entered through the program, it requires date of death/departure, date probate or required documents sighted and date of refund. eRad calculates this interest based on the information entered and RAD held for that resident.	All refunds are reviewed and approved by the General Manager.
Signing cheque & authorising EFT refunds;	General Manager	Council has internal delegations and financial procedures that restrict who can make payments, sign cheques or undertake EFT refunds. Copies of polies are available on Councils website.	Amendments are made by Councils administrators at Ordinary Council meetings.
Maintenance of accommodation bond register	General Manager delegate	Council will maintain a register of accommodation bonds that can be viewed by residents and authorized family or appointed members on request. Council uses E-Tools Refundable Accommodation Deposit (eRAD) software program, and a “Bonds Register” is available on excel spreadsheet or hard copy. This is audited annually by Councils external auditors.	Any changes to deposits held or updates are made by a delegate of General Manager, any discrepancies are reported to the General Manager

2.2 Permitted uses

Division 52N of the *Aged Care Act 1997* defines permitted uses. The use of refundable accommodation deposits (RADs) is regulated by Part 6 of the Principles.

An Approved Provider is permitted to use RADs for the following:



Aged Care Prudential Standards Policy

- a) Capital expenditure for residential or flexible aged care purposes
- b) Investing in certain financial products
- c) To make a loan (with certain conditions to be satisfied)
- d) To refund or repay debt accrued for the purposes of refunding accommodation deposits
- e) To repay debt accrued for the purposes of capital expenditure as referred to in above
- f) To repay debt accrued before 1 October 2011 (the application date for the current permitted use rules) if the debt is accrued for the purposes of providing aged care to care recipients
- g) For a use permitted by the Fees and Payments Principles.

Schedule 1 provides details of permitted projects or use of RAD funds. This Schedule may be changed Annually or as required to reflect approved changes by the Council.

3.0 Annual Prudential Compliance Statement

Approved Providers that hold RADs are required by 52N-1 of the *Aged Care Act 1997* to comply with the Prudential Standards. The Disclosure Standard requires to complete and submit the Annual Prudential Compliance Statement (APCS) to the secretary of the Department within four months of the end of their financial year.

The APCS acts to demonstrate the compliance with the four Prudential Standards. The APCS must be audited by an independent external auditor.

The APCS contains questions about the number and value of the accommodation deposits held, whether refunds were paid on time, and whether they complied with Prudential Standards. Approved Providers are also required to provide information to support their compliance with permitted uses for accommodation deposits.

4.0 Financial Reporting Requirements

Division 2 of the Principles requires Approved Providers to submit to Department the following:

- Aged Care Financial Report (ACFR) (which includes the Annual Prudential Compliance Statement)
- General Purpose Financial Report.

Council publicly reports expenditure and income for the Bidgee Haven – Balranald Retirement Hostel each month that a Council meeting is held. This information is available in the Monthly Council Business Paper.



Aged Care Prudential Standards Policy

Council is required to have its finances examined by external Audit annually to comply with NSW Local Government Legislation and direction. Fully audited statements are reported publicly as available.

5.0 Corporate Governance

Governance refers to the systems that are in place to “govern” or control an organisation. Each organisation must consider how this is best achieved for their organisation which can depend on for example, the size and complexity of the organisation.

Those charged with governance - such as the Board of Directors (Council) are the primary stakeholders influencing corporate governance of the organisation and have the ultimate responsibility and accountability of ensuring strategic goals are met, financial sustainability is maintained, as well as to comply with obligations as set by the regulatory environment in which the organisation operates.

For Approved Providers, with regards to financial reporting and prudential compliance, the Directors (Council) must ensure compliance with the following (depending on the type of organisation):

- Corporations Act 2001 (for listed companies, and for-profit companies)
- Australian Charities and Not-for-Profits Commission Act 2012 (for registered not-for-profit entities)
- Income Tax Assessment Act 1997
- Aged Care Act 1997
- Fees and Payments Principles 2014 (No 2)
- Accountability Principles 2014.
- NSW Local Government Act 1993 and Regulations thereto

The Directors (Council) must ensure appropriate mechanisms have been implemented to ensure compliance with the above regulatory environment in addition to a significant number of other legislative and statutory obligations. This includes the responsibilities relevant to managing prudential risk within the organisation and ensuring compliance with the current Standards as set out in the respective *Principles*.

With reference to the Governance Standard, the Directors (Council) must ensure that the organisation only uses RADs for permitted uses and that RADs are refunded to residents or their estates within the specified timeframe. The Governance Standard also sets out the minimum governance system that should be adopted by an Approved Provider including those in relation to reporting and delegation. An important component is the requirement to enable a robust risk management environment.

The use of RAD funds is shown in Schedule 1 to this document. The Schedule maybe amended from time to time following approval of the Council.



Aged Care Prudential Standards Policy

Division 1: Liquidity Standard

Requirement for sufficient liquidity

If an Approved Provider holds one or more refundable deposit balances, accommodation bond balances or entry contribution balances, the Approved Provider must maintain sufficient liquidity to ensure that the Approved Provider can refund, in accordance with the Act and these principles, any of those balances that can be expected to fall due in the following 12 months.

Requirement to implement, maintain and comply with liquidity management statement.

An Approved Provider that holds one or more refundable deposit balances, accommodation bond balances or entry contribution balances must implement and maintain a written liquidity management statement (LMS) that sets out:

- a) the amount (expressed as an amount of whole dollars) required to ensure that the Approved Provider has sufficient liquidity for the purposes of section 43 (the minimum level of liquidity); and
- b) the factors that the Approved Provider had regard to in determining the minimum level of liquidity; and
- c) the form in which the Approved Provider will maintain the minimum level of liquidity.

Attachment to policy - Schedule 1: Use of Resident Accommodation Deposit (RAD) Liquidity Management Statement (LMS) – Annual Statements to Residents

D23.87459 Aged Care Prudential Standards Policy – Attachments

Division 2: Records Standard

Refundable deposit register

An Approved Provider must establish and maintain a register (the refundable deposit register) that includes:

- a) the information in relation to refundable deposits, accommodation bonds and entry contributions as provided by this Division; and
- b) any other information in relation to refundable deposits, accommodation bonds or entry contributions determined, by legislative instrument, by the Secretary.



Aged Care Prudential Standards Policy

An Approved Provider maintains such a register and forms the basis for its annual reporting requirements within the Disclosure Standard.

Division 3: Governance Standard General

Requirement for governance system

An approved provider that holds one or more refundable deposit balances or accommodation bond balances must implement and maintain a governance system that ensures that those balances:

- a) are used only for permitted uses; and
 - b) are refunded to care recipients in accordance with section 52P-1 of the Act.
- Without limiting the matters that an approved provider's governance system may deal with, the system must provide for the following:
- a) allocating responsibilities to the key personnel of the approved provider in relation to the management of refundable deposit balances or accommodation bond balances held by the provider
 - b) monitoring and controlling any delegation or outsourcing of the allocated responsibilities
 - c) reporting mechanisms for the allocated responsibilities that ensure that the key personnel who are responsible for the executive decisions of the approved provider can effectively monitor and control the use of refundable deposit balances and accommodation bond balances
 - d) ensuring that the key personnel who are allocated responsibilities, and persons to whom responsibilities are delegated or outsourced, are aware of the requirements of the Act and these principles in relation to refundable deposits and accommodation bonds
 - e) detecting, recording, and responding to any failure to comply with the requirements referred to in paragraph d.

The Bidgee Haven - Balranald Retirement Hostel s355 Committee through Management and underlying internal control environment (including the external audit of the annual prudential compliance statement) ensure the governance expectations are met.



Aged Care Prudential Standards Policy

Requirement for investment management strategy

Where refundable deposits and bonds are not immediately required for other permitted uses, providers may choose to invest them in order to generate additional income. The Act allows for refundable deposits and bonds to be invested in a broad range of financial products i.e. a financial product covered by any of paragraphs 52N-1(3)(b) to (e) of the Act

While investment in particular financial products and religious charitable development funds is a permitted use for refundable deposits and bonds, these investments bring with them a range of risks that need to be recognised and appropriately managed.

If a provider invests bonds and refundable deposits solely in a deposit taking facility provided by an authorised deposit-taking institution, then the provider is not required to implement an investment management strategy. Otherwise, the Approved Provider must implement and maintain a written investment management strategy that sets out the following:

- a) the Approved Provider's investment objectives
- b) the Approved Provider's assessment of the level of risk to the provider's ability to refund refundable deposit balances or accommodation bond balances in accordance with the Act
- c) a strategy for achieving the investment objectives while ensuring that the Approved Provider can refund refundable deposit balances and accommodation bond balances in accordance with the Act
- d) the asset classes the approved provider may invest in
- e) investment limits for each asset class that are consistent with the investment objectives
- f) key personnel with appropriate skills and experience who are responsible for implementing the investment management strategy.



Aged Care Prudential Standards Policy

Division 4: Disclosure Standard

Annual prudential compliance statement

An Approved Provider must give the Secretary a statement (the annual prudential compliance statement) for a financial year for the approved provider that includes the following:

- a) information about refundable deposits and refundable deposit balances referred to in section 52.
- b) information about accommodation bonds and accommodation bond balances referred to in section 53
- c) information about entry contributions and entry contribution balances referred to in section 54
- d) information about other fees referred to in section 54A
- e) the statements and other information referred to in section 55
- f) any other statements and information determined, by legislative instrument, by the Secretary.

Audit of annual prudential compliance statement

An annual prudential compliance statement must be supported by an independent audit provided by:

- a) a registered company auditor within the meaning of the Corporations Act 2001; or
- b) a person approved by the Secretary under subsection (2).

Disclosure to care recipients.

Providers have responsibilities for information that must be provided to care recipients (or their representatives).



Aged Care Prudential Standards Policy

Copy of accommodation agreement

Within seven days after an accommodation agreement is entered, providers must notify the care recipient, in writing, that the provider will give the care recipient, within 7 days of a request by the care recipient, the information and documents set out in section 57 of the Fees and Payments Principles which include:

- a) summary of the permitted uses that refundable deposits and bonds have been used for in the previous financial year
- b) if refundable deposits and bonds have been invested in financial products other than through an authorised deposit-taking institution, a statement explaining the provider's investment objectives and the asset classes they may invest in
- c) information about whether the provider has complied with the prudential requirements and permitted uses for refundable deposits and bonds
- d) a copy of the independent audit opinion of the annual prudential compliance statement from the previous financial year
- e) information about the number of refundable deposit balances and bond balances that were not refunded in accordance with the Act or, for entry contributions, a formal agreement
- f) the provider's most recent audited accounts or, if the service is part of a broader organisation, the statement relating to the aged care component
- g) a copy of the resident's entry in the refundable deposit register, current at the time of the request.

Within four months after the end of each financial year, providers are required to provide care recipients who have paid a refundable deposit, a bond or an entry contribution with the following information:

- a) a copy of the resident's entry in the refundable deposit register, as at the end of the financial year (assuming that the resident had paid a refundable deposit or an bond prior to the end of the financial year), and
- b) a written statement that the provider will provide, within seven days of request, the information and documents specified in section 57(1)(a)-(g) - (3), Fees and Payments Principles.

If a care recipient who has paid a refundable deposit, a bond or entry contribution requests the information and documents set out in section 57(1)(a)-(g) - (3), and provider must provide it within seven days. That information includes the following:

- a) a summary of the permitted uses that refundable deposits and bonds have been used for in the previous financial year



Aged Care Prudential Standards Policy

- b) if refundable deposits and bonds have been invested in financial products other than through an authorised deposit-taking institution, a statement explaining the provider's investment objectives and the asset classes they may invest in
- c) information about whether the provider has complied with the prudential requirements and permitted uses for refundable deposits and bonds
- d) a copy of the independent audit opinion of the annual prudential compliance statement from the previous financial year
- e) information about the number of refundable deposit balances and bond balances that were not refunded in accordance with the Act or, for entry contributions, a formal agreement
- f) the provider's most recent audited accounts or, if the service is part of a broader organisation, the statement relating to the aged care component
- g) a copy of the resident's entry in the refundable deposit register, current at the time of the request.

Bidgee Haven - Balranald Retirement Hostel completes and submits its audited annual prudential compliance statement. Accommodation agreements are prepared for each resident and all other information is provided and/or advised that it is available on request. Annual disclosure requirements are also met.

How to contact Balranald Shire Council and Bidgee Haven - Balranald Retirement Hostel

Post

Balranald Shire Council
PO Box 120
Balranald NSW 2715

Telephone

Balranald Shire Council (03) 5020 1300

Online

Email: council@balranald.nsw.gov.au