

EXPOSURE DRAFT



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Aged Care Financial and Prudential Standards 2025

I, Liz Hefren-Webb, Commissioner of the Aged Care Quality and Safety Commission,
make the following instrument.

Dated 2025

Liz Hefren-Webb [**DRAFT ONLY—NOT FOR SIGNATURE**]
Commissioner of the Aged Care Quality and Safety Commission

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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Note: This table relates only to the provisions of this instrument as originally made.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.

In this instrument:

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

Act means the *Aged Care Act 2024*.

default minimum liquidity amount, for a registered provider for a quarter, has the meaning given by subsection 11(2).

deposited amount means:

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

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deposited amount balance means:

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

evaluated minimum liquidity amount, for a registered provider for a quarter, has the meaning given by subsection 11(3).

formal agreement has the same meaning as in the *Aged Care (Consequential and Transitional Provisions) Rules 2025*.

NATSIFACP has the same meaning as in the *Aged Care Rules 2025*.

quarter has the same meaning as in the *Aged Care Rules 2025*.

quarterly determination time, for a quarter for a registered provider, means the first time in the quarter when the registered provider has determined both the provider's default minimum liquidity amount and evaluated minimum liquidity amount for the quarter.

refundable retirement village entry contribution amount, at a particular time, in relation to a retirement village lump sum entry contribution made by a person, means the maximum amount of the retirement village lump sum entry contribution that is refundable to the person at that time, in accordance with the legally binding written agreement under which the person has a current right to live in the retirement village, if the person were to cease to live in the retirement village.

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.

retirement village has the same meaning as in the *Social Security Act 1991*.

retirement village lump sum entry contribution means a lump sum payment (other than a deposited amount) made by a person, in accordance with a legally binding written agreement between the person and the operator of a retirement village, for the person's current right to live in the retirement village.

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; and
- (c) to facilitate a forward-looking, sustainable and resilient aged care system.

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Part 2 Financial and prudential management

Section 7

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 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
 - (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.

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Part 3 Liquidity

Section 10

Part 3—Liquidity

10 Application of Part

- (1) This Part applies to a registered provider in relation to a quarter if, on the first day of the quarter, the provider:
 - (a) is registered in the provider registration category residential care; and
 - (b) is not a government entity or a local government authority.
- (2) However, this Part does not apply to a registered provider in relation to a quarter if, on the first day of the quarter, the provider is delivering funded aged care services under the NATSIFACP.

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

- (1) Each quarter, a registered provider must determine:
 - (a) the provider's default minimum liquidity amount for the quarter; and
 - (b) the provider's evaluated minimum liquidity amount for the quarter.

Note: The provider's liquidity management strategy must set out the provider's default minimum liquidity amount and evaluated minimum liquidity amount for the current quarter: see section 16.

Default minimum liquidity amount

- (2) A registered provider's **default minimum liquidity amount** for a quarter is the amount worked out by adding the following amounts:
 - (a) the amount equal to 35% of the provider's cash expenses for the previous quarter;
 - (b) the amount equal to 10% of the deposited amount balances (if any) held by the provider at the end of the previous quarter;
 - (c) if the provider is an operator of a retirement village—the amount equal to 2% of the refundable retirement village lump sum entry contribution amounts (if any) held by the provider at the end of the previous quarter.

Evaluated minimum liquidity amount

- (3) A registered provider's **evaluated minimum liquidity amount** for a quarter is the amount that is sufficient for the provider to ensure that the provider can:
 - (a) meet the provider's financial obligations as they fall due; and
 - (b) refund, in accordance with the Act, the rules and any formal agreement, any deposited amount balances that can be expected to fall due in the following 12 months; and
 - (c) deliver safe and quality care to individuals accessing funded aged care services delivered by the provider; and
 - (d) withstand a sudden or unexpected financial shock.
- (4) A registered provider must re-determine the provider's evaluated minimum liquidity amount for a quarter if:

- (a) the registered provider has determined the provider's evaluated minimum liquidity amount for a quarter; and
- (b) the provider is required to maintain, in accordance with section 14, the provider's evaluated minimum liquidity amount for the quarter; and
- (c) a change in circumstances or an event occurs; and
- (d) the change in circumstances or event means the amount the provider determined as the evaluated minimum liquidity amount for the quarter does not meet the requirements in subsection (3).

Timing

- (5) A registered provider must determine the provider's default minimum liquidity amount and evaluated minimum liquidity amount for a quarter within the period of:
 - (a) for a quarter commencing on 1 January—45 days beginning at the start of the quarter; or
 - (b) for any other quarter—35 days beginning at the start of the quarter.

Calculation of cash expenses

- (6) 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 provider determines the provider's default minimum liquidity amount for a quarter under subsection (1). This section has effect whether the accounting standard would otherwise apply to the provider.

12 Registered provider must maintain default minimum liquidity amount for a quarter unless an election is in force

- (1) A registered provider must maintain, in accordance with this section, the provider's default minimum liquidity amount for a quarter unless an election under subsection 13(1) by the provider is in force at the quarterly determination time for the quarter.
- (2) The registered provider must maintain the provider's default minimum liquidity for the quarter at all times during the period:
 - (a) starting at the quarterly determination time for the quarter; and
 - (b) ending immediately before the quarterly determination time for the following quarter.
- (3) The registered provider maintains the provider's default minimum liquidity amount for a quarter if and only if:
 - (a) the provider holds the default minimum liquidity amount for the quarter as cash or cash deposit; or
 - (b) the provider holds, or has access to, assets that are readily able to be converted to cash, being an amount of cash that is at least equal to the default minimum liquidity amount for the quarter; or
 - (c) the provider:
 - (i) holds a portion of the default minimum liquidity amount for the quarter as cash; and

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Part 3 Liquidity

Section 13

- (ii) holds, or has access to, assets that are readily able to be converted to cash or cash deposit, being an amount of cash that is at least equal to the balance of the default minimum liquidity amount for the quarter.

13 Registered provider may make an election

- (1) A registered provider may elect not to maintain the provider's default minimum liquidity amount for a quarter in accordance with section 12, and to instead maintain the provider's evaluated minimum liquidity amount for the quarter in accordance with section 14.

Note 1: A provider must notify the Commissioner if the provider makes an election under this subsection: see section 15.

Note 2: A provider may only maintain the provider's evaluated minimum liquidity amount for a quarter if an election under this subsection is in force at the quarterly determination time for the quarter.

- (2) A registered provider may revoke an election under subsection (1).
- (3) An election under subsection (1) is in force at all times during the period:
 - (a) starting on the day the provider notifies, under section 15, the Commissioner of the election; and
 - (b) ending:
 - (i) on the day the provider notifies, under section 15, the Commissioner of the revocation of the election; or
 - (ii) if a later day is specified in the revocation—on that later day.
- (4) Subsection (2) does not limit subsection 33(3) of the *Acts Interpretation Act 1901*.

14 Registered provider must maintain evaluated minimum liquidity amount for a quarter if an election is in force

- (1) If an election under subsection 13(1) by a registered provider is in force at the quarterly determination time for a quarter, the registered provider must maintain, in accordance with this section, the provider's evaluated minimum liquidity amount for the quarter.
- (2) The registered provider must maintain the provider's evaluated minimum liquidity for the quarter at all times during the period:
 - (a) starting at the quarterly determination time for the quarter; and
 - (b) ending immediately before the quarterly determination time for the following quarter.

Note: If an election under subsection 13(1) is not in force at the quarterly determination time for the following quarter, the registered provider must maintain the provider's default minimum liquidity amount for the following quarter.

- (3) The registered provider maintains the provider's evaluated minimum liquidity amount for the quarter if and only if the provider:
 - (a) has arrangements in place that ensure the provider can:
 - (i) meet the provider's financial obligations as they fall due; and

- (ii) refund, in accordance with the Act, the rules and any formal agreement, 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
 - (iv) withstand a sudden or unexpected financial shock; and
 - (b) those arrangements do not pose a greater risk to:
 - (i) the safety, health, well-being and quality of life of individuals accessing funded aged care services delivered by the provider; or
 - (ii) continuity of care for individuals accessing funded aged care services delivered by the provider;
- than if the provider were to maintain the provider's default minimum liquidity amount for the quarter in accordance with section 12.

15 Notification requirements

- (1) A registered provider must notify the Commissioner, in the approved form, if:
 - (a) the provider makes an election under subsection 13(1) to maintain the provider's evaluated minimum liquidity amount for a quarter; or
 - (b) the provider revokes an election made under subsection 13(1); or
 - (c) the provider re-determines, in accordance with subsection 11(4), the provider's evaluated minimum liquidity amount for a quarter.
- (2) A notification covered by paragraph (1)(c) must:
 - (a) be made as soon as reasonably practicable after the provider re-determines the provider's evaluated minimum liquidity amount for the quarter; and
 - (b) set out the re-determined evaluated minimum liquidity amount for the quarter, and a description of the change in circumstance or event that led to the provider re-determining that amount (as mentioned in subsection 11(4)).

16 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:
 - (i) meet the provider's financial obligations as they fall due; and
 - (ii) refund, in accordance with the Act, the rules and any formal agreement, 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

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Part 3 Liquidity

Section 16

- (iv) withstand a sudden or unexpected financial shock;
 - (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 current default minimum liquidity amount for the quarter and evaluated minimum liquidity amount for the quarter (see section 11);
 - (b) whether the provider is currently maintaining the provider's default minimum liquidity amount for the quarter or the evaluated minimum liquidity amount for the quarter (see sections 12 and 14);
 - (c) if the provider is maintaining the provider's default minimum liquidity amount for the quarter:
 - (i) the manner in which the provider is maintaining the amount, as mentioned in subsection 12(3); and
 - (ii) if the manner is the manner mentioned in paragraph 12(3)(b) or (c)—a description of the assets that are readily able to be converted to cash or cash deposit;
 - (d) if the provider is maintaining the provider's evaluated minimum liquidity amount for the quarter—a detailed description of:
 - (i) the arrangements the provider has in place, as mentioned in paragraph 14(3)(a); and
 - (ii) the provider's assessment that those arrangements do not pose a greater risk, as mentioned in paragraph 14(3)(b), than if the provider were to maintain the provider's default minimum liquidity amount for the quarter in accordance with section 12; and
 - (iii) how the provider will monitor those arrangements and the provider's assessment;
 - (e) the factors the provider considered in determining the provider's default minimum liquidity amount and evaluated minimum liquidity amount;
 - (f) the factors the provider considered in determining whether to maintain the provider's default minimum liquidity amount or evaluated minimum liquidity amount;
 - (g) how the provider's income and expenses will be monitored;
 - (h) the provider's sources of income;
 - (i) the provider's loan arrangements;
 - (j) the liquidity risks of the provider and the strategies to address those risks;
 - (k) how new liquidity risks will be identified and mitigated;
 - (l) how financial forecasting will be used to determine liquidity and to assess liquidity risks;
 - (m) how the provider will undertake contingency planning for dealing with sudden or unexpected financial shocks;
 - (n) the roles, including the accountabilities and responsibilities of those roles, of persons in relation to the implementation of the strategy;
 - (o) how the provider will monitor and control any delegation or outsourcing of those roles, accountabilities or responsibilities;

- (p) 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;
 - (q) how the provider will detect, record and respond to any failure to comply with the strategy or this Part;
 - (r) the procedures the provider will follow, and the actions the provider will take, if the provider's liquidity falls below the amount the provider is required to maintain in accordance with section 12 or 14;
 - (s) a statement that the governing body of the registered provider is satisfied that implementation of the strategy will achieve the objects mentioned in subsection (2) of this section.
- (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.

17 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.

18 Review of liquidity management strategy

- (1) A registered provider must review and assess:
- (a) the implementation of the provider's liquidity management strategy, including its effectiveness in achieving the objectives of the strategy; 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
 - (b) at the following times:
 - (i) when the provider considers there is a risk that the provider is not maintaining or will not be able to maintain, in accordance with section 12 or 14 (as applicable), the provider's default minimum liquidity amount or evaluated minimum liquidity amount for a quarter;
 - (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.

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Part 3 Liquidity

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Note: A registered provider must update the provider's liquidity management strategy each quarter to, at least, set out the provider's current default minimum liquidity amount and evaluated minimum liquidity amount: see subsection 16(3).

- (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.

19 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 relation to the loan.

Note: For using a refundable deposit to make a loan, see also section 310 of the Act.

Part 4—Investment

20 Application of Part

- (1) This Part applies to a registered provider in relation to a quarter if, on the first day of the quarter, the provider:
 - (a) is registered in the provider registration category residential care; and
 - (b) is not a government entity or a local government authority.
- (2) However, this Part does not apply to a registered provider in relation to a quarter if, on the first day of the quarter, the provider is delivering funded aged care services under the NATSIFACP.

21 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.

22 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.

Section 23

23 Review of investment management strategy

- (1) A registered provider must review and assess:
 - (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.