Australian Government
Aged Care Quality and Safety Commission

Engage
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The Financial and Prudential Standards

Guidance for providers

Contents

Financial and Prudential Standards

The Financial and Prudential Standards (F & P Standards) set out the minimum requirements for registered aged care providers for good financial and prudential management.

There are 3 Financial and Prudential Standards (Standards):

- Financial and Prudential Management Standard
- Liquidity Standard
- Investment Standard.

As a registered aged care provider, it's a condition of your registration to comply with the F & P Standards that apply to you.

Aged care that puts older people first

The F & P Standards make sure that:

- your governing body manages finances responsibly and thinks about how their decisions will affect the wellbeing of older people receiving Australian Government-funded aged care
- you have enough funds to:
  - meet the conditions of your registration
  - meet your financial obligations – pay bills, refunds, and debts when they're due
  - consistently provide safe and quality aged care
- you're prepared to manage periods of financial stress by complying with the **minimum liquidity amount** (see page 12 for a definition of this term)
- you protect older people's continuity of care. They do this by making sure financial or operational challenges don't interrupt the services you provide
- you protect refundable deposit balances. They do this by making sure you manage these funds effectively and keep them secure
- you reduce financial risks to the Australian Government, including claims on the Accommodation Payment Guarantee Scheme.

Key information

Key updates that will start with the *Aged Care Act 2024* (Aged Care Act) from 1 November 2025:

- The Financial and Prudential Standards will apply to a wider group of registered providers. This includes residential aged care providers, whether they hold refundable deposits or not. (This doesn't include providers that are government entities or local government authorities.)
- For the first time, home care service providers also need to comply with the F & P Standards, specifically the Financial and Prudential Management Standard.
- The Liquidity Standard includes a minimum liquidity amount to help providers be financially resilient. This follows Recommendation 132 of the Royal Commission into Aged Care Quality and Safety.
- There are extra requirements for financial reporting, investment decisions and managing risk. This will help improve transparency and governance.

Record keeping, reporting and disclosure requirements

From 1 November 2025, the record keeping and reporting requirements under the current Prudential Standards will move to the Aged Care Rules 2025 (Aged Care Rules).

Why have Standards changed?

In 2021, the Royal Commission into Aged Care Quality and Safety recommended strengthening the financial and prudential regulation of aged care providers (Recommendation 132).

This recommendation recognised that providing safe, quality care depends on providers managing a range of financial and operational risks. These risks can affect the care you provide and your ability to manage refundable deposits.

Governing body responsibilities

The F & P Standards expect more from governing bodies. This includes the skills and responsibilities the people leading and managing aged care providers need.

Governing bodies must:

- clearly set out the accountabilities and responsibilities of each role in your organisation
- make sure that people in key roles – particularly in financial governance – have the right skills and experience
- develop the requirements of each role so that the person's capabilities match how complex the role is
- make sure people understand their roles and responsibilities.

These requirements are in the Financial and Prudential Management Standard and the Investment Standard.

Annual Prudential Compliance Statement

Under Section 166–360 of the Aged Care Rules, all registered providers of residential care that hold a refundable deposit must submit an Annual Prudential Compliance Statement (APCS).

In the APCS, you need to report on the refundable deposits, accommodation bonds and entry contributions you've taken, held, or refunded during that year.

You must also report on your compliance with the Financial and Prudential Standards that apply to your registration type.

You must get a registered company auditor to provide a statement to support your APCS. It must be about how you comply with matters included in the APCS.

The F & P Standards and star ratings

Our goal is to work with you to help you meet your regulatory obligations. If you aren't meeting the F & P Standards, we'll contact you to discuss the issues and help you make changes. We encourage you to contact us if you need support to meet the F & P Standards.

If you engage with us and take steps to manage risk, we'll work with you to strengthen your systems and governance. If you don't try to address concerns or comply, we can issue a compliance notice. This will affect your star rating.

The Department of Health, Disability and Ageing publishes star ratings and other information about providers on the My Aged Care website.

Who the F & P Standards apply to

All providers must meet the F & P Standards for their registration categories from 1 November 2025 (see table below).

Non-government Multi-Purpose Service providers must comply with the F & P Standards.

The F & P Standards **don't** apply to:

- government organisations
- local government authority providers, including government Multi-Purpose Service Program providers.

If you're not sure if your organisation is a government organisation or local government authority provider, you can:

- log into the Government Provider Management System (GPMS) and check your incorporation details
- search for your organisation in the Australian Business Register to find the type it's listed as.

The F & P Standards at a glance

Standard	What it does	Who it applies to
Financial and Prudential Management Standard	Makes sure you have strong governance systems to manage finances responsibly. Requires you to make financial and prudential decisions that prioritise the safety, health, wellbeing, and quality of life of people receiving care.	All non-government providers registered in categories 4, 5 or 6, including non-government Multi-Purpose Service Program providers and National Aboriginal and Torres Strait Islander Flexible Aged Care Program providers. It **doesn't** apply if you're a government or local government authority.
Liquidity Standard	Requires you to keep enough liquid assets (like cash) so you can: • meet financial obligations • refund deposits • manage risks effectively. Requires you to develop and follow a Liquidity Management Strategy (LMS).	All non-government providers registered in category 6. It applies even if you don't hold refundable deposits. It **doesn't** apply if you're a: • government or local government authority, including government Multi-Purpose Service Program providers • National Aboriginal and Torres Strait Islander Flexible Aged Care Program provider.
Investment Standard	Makes sure you responsibly select, manage, and monitor investments, including how you invest refundable deposits. Requires you to develop and follow an Investment Management Strategy (IMS) so you can provide safe, high-quality aged care and protect refundable deposits.	All non-government providers registered in category 6. It applies even if you don't hold refundable deposits. It **doesn't** apply if you're a: • government or local government authority, including government Multi-Purpose Service Program providers • National Aboriginal and Torres Strait Islander Flexible Aged Care Program provider.

Financial and Prudential Management Standard

This Standard makes sure you have strong financial and prudential management systems to support you to provide safe, high-quality care.

You must also make financial and prudential decisions that put the safety, health, wellbeing, and quality of life of people receiving aged care first. This makes sure you can continue supporting older people.

The Financial and Prudential Management Standard also helps you connect financial and prudential governance with good corporate and clinical governance. Strong governance helps you manage refundable deposits responsibly and plan for their permitted uses.

Who it applies to

This Standard applies to all non-government providers registered in categories 4,5 or 6. This includes non-government Multi-Purpose Services Program and National Aboriginal and Torres Strait Islander Flexible Aged Care Program providers.

It **doesn't** apply if you're a government or local government authority provider.

What's required

You must have a **financial and prudential management system**.

Your governing body **must regularly review** how effective the system is and improve it.

The system should:

- describe the roles and responsibilities for financial and prudential governance
- include your accountabilities and processes to manage refundable deposits (if any)
- support strong financial management across your organisation
- detect, record, and respond to any non-compliance with the system or this Standard.

If you outsource or delegate any of your financial and prudential roles or operations, your governing body must:

- supervise the arrangement
- make sure it's clearly documented in the financial and prudential management system.

It's always the governing body's responsibility to make sure you have an appropriate financial and prudential management system and that you follow it. This is the case whether you have any delegations or recommendations and advice from third parties or not.

Providers have different financial management systems, resources, and approaches. This Standard sets out broad requirements, but how you meet them will depend on your size, operations and resources.

There is no one-size-fits-all approach. What matters is that your policies, procedures, and financial and prudential management systems help you meet the requirements of this Standard.

Key points

This Standard:

- supports stronger financial management so your organisation can focus on improving quality and continuity of care
- sets out your responsibilities for the systems and processes your organisation must have to be financially stable and to manage risk
- makes best practice financial governance and operations business as usual.

What is governance?

Governance is the frameworks, systems and processes that support organisations to operate effectively and meet their obligations.

Key elements include:

- structures
- frameworks
- controls
- staff roles and responsibilities
- communications.

Compliance

Our regulatory approach is risk based. To make sure our actions are in proportion to the level of risk faced by people receiving care we:

- do financial and prudential reviews to monitor compliance
- support providers as they work towards meeting their obligations
- investigate and take enforcement action when necessary to address non-compliance.

Evidence of compliance

You can show you're complying by having:

- written policies and procedures
- documents that describe financial governance responsibilities
- regular reports that show management and ongoing improvements
- position descriptions that clearly define roles and accountabilities.

If you don't meet your obligations, we'll contact you directly.

If you're willing to work with us, we'll help you understand your regulatory requirements. This will include discussions to make sure you can show strong controls and governance.

Our goal is to support you to make the changes you need, so you can meet your regulatory obligations.

Where providers are not willing or able to remedy non-compliance, or where there is serious or persistent non-compliance, the Commission will use its powers to prompt or compel action.

Continuous improvement

Your governing body must regularly review and improve how effective your financial and prudential management system is.

Your financial and prudential management system should set out when and how often you'll review and update it.

Continuous improvement and reviews of your system encourage openness, accountability, and sustainable growth in your organisation.

Financial and Prudential Management Standard: checklist for providers

Use this checklist to confirm your organisation meets the Financial and Prudential Management Standard.

Financial and prudential management system

- ☐ Have you designed and do you use a system to help you monitor performance, identify risks and make informed decisions?
- ☐ If you hold refundable deposits, does your system set out who's responsible and how you manage deposits, in line with the Aged Care Act and Aged Care Rules?
- ☐ Is your financial and prudential management system clearly documented?
- ☐ Are there processes to monitor and control delegations or responsibilities that you outsource?
- ☐ Are there reporting processes for:
  - the organisation's overall finances
  - how you manage and use refundable deposits (if applicable)?
- ☐ Does the system make sure responsible people know about:
  - the Financial and Prudential Standards requirements?
  - conditions for financial management, reporting and refundable deposits?
- ☐ Does the system detect, record and respond to non-compliance?

Governance and oversight

- ☐ Does the governing body monitor the system to keep finances stable and protect refundable deposits?
- ☐ Does the governing body do regular reviews to improve how effective the system is and make sure reporting processes stay effective?

Evidence of compliance

To show you comply with this Standard, make sure you have:

- ☐ written policies and procedures
- ☐ documents that describe financial governance responsibilities
- ☐ regular reports that show supervision and ongoing improvements
- ☐ position descriptions that clearly define financial and governance roles and responsibilities.

Liquidity Standard

The Liquidity Standard makes sure aged care providers have the systems and strategies they need to manage cash flow and financial risks. As a provider, you must always have access to enough cash or cash equivalents to meet your financial obligations, including operating costs and refundable deposits. This is called liquidity.

Who it applies to

This Standard applies to non-government providers registered in category 6. It applies even if you don't hold refundable deposits.

It **doesn't** apply if you're a:

- government or local government authority provider, including government Multi-Purpose Service Program providers
- National Aboriginal and Torres Strait Islander Flexible Aged Care Program provider.

What's required

Each financial quarter, you must make sure you have enough liquidity to meet your financial obligations and cope with financial shocks.

The Liquidity Standard sets a **minimum liquidity amount (MLA)**. You must hold at least this much liquidity. However, your governing body can decide that your organisation needs to hold more liquidity than the MLA.

Your governing body is responsible for working out how much liquidity your organisation needs, based on your:

- financial obligations
- risks
- operating environment.

They must **review and sign off this amount each quarter**.

There are 2 ways you can show that you meet the minimum liquidity requirements. With:

- a **default MLA** (Calculated using the formula in the Standard)
- an **evaluated MLA**. (Your organisation holds less liquidity than the Standard requires. But, you can show you have reliable access to liquidity, for example through lines of credit or related-party loans.)

You can find more information about how to calculate them below.

You must **calculate both the default and the evaluated MLA** each quarter and decide which one you'll use to show that you comply.

You must also have a **Liquidity Management Strategy (LMS)** that shows these assessments. The LMS must:

- document the default MLA, the evaluated MLA and the amount of liquidity you think your organisation needs
- explain how you'll keep this much liquidity.

You must review and update your LMS regularly – at least once each financial year.

Your governing body must supervise the LMS and monitor it to make sure you continue to meet your liquidity level.

What do we mean by minimum liquidity amount?

The minimum liquidity amount (MLA) is the amount of liquid assets your organisation needs to meet the Liquidity Standard.

It sets the baseline level of liquidity you must hold to make sure you can:

- meet your financial obligations when they're due
- refund the balance of any deposits that will be due in the next 12 months
- provide safe and quality care
- cope with a financial shock.

It is based on your organisation's most recent quarterly figures and can include:

- cash or cash equivalents
- investments in financial assets
- trade receivables (less any requirement for doubtful debts).

Tip: You can also use our calculator to work out your MLA.

MLA calculator

www.agedcarequality.gov.au/resource-library/liquidity-calculator-registered-providers-aged-care-sector

Default MLA

Your default MLA is calculated using the formula set out in the Liquidity Standard.

Your **default MLA** =

35% **of your cash expenses at the end of the last quarter**
(all providers)

+

10% **of your residential refundable deposit liabilities at the end of the last quarter**
(providers with refundable deposits)

+

2% **of your refundable retirement village entry contribution amounts**
(providers with retirement and independent living unit deposits)

Evaluated MLA

Another way to meet the Liquidity Standard is through an evaluated MLA. It is used in limited circumstances only, where a provider can demonstrate to the Commission that the arrangements it has for meeting the minimum liquidity requirements do not pose a greater risk to older people or the continuity of their care.

You can choose to calculate and meet an evaluated MLA if you:

- hold less liquidity than the default MLA
- can show you have reliable access to liquidity (such as through lines of credit or related party loans).

Your evaluated MLA is based on:

- your financial risks and obligations
- your cash flow needs
- how you manage liquidity.

You can meet the Liquidity Standard with an evaluated MLA if you can show the amount is enough for you to:

- meet your financial and refunding obligations
- cope with unexpected financial changes
- keep providing safe, high-quality care.

Assessing your liquidity status

You need to assess your liquidity status each financial quarter. This involves:

- calculating your MLA
- working out how much liquidity your organisation needs
- comparing this to how much liquidity you currently hold.

Working out how much liquidity you have each quarter helps you to track and actively manage your organisation's liquidity and needs.

You should do this as part of preparing your Quarterly Financial Report (QFR) as both processes rely on the same financial information.

When you've done these assessments, you'll know if you:

- meet or are over the minimum liquidity amount
- don't meet the minimum liquidity amount and don't have access to other forms of liquidity
- don't meet the minimum liquidity amount but have other reliable forms of liquidity.

The table below summarises what you need to do next.

Liquidity status	What you need to do
You hold or exceed the minimum liquidity amount	• continue to monitor your liquidity each quarter • take no more action unless your circumstances change.
You don't hold the minimum liquidity amount and don't have access to other forms of liquidity	• notify us using the Change in circumstances notification form • contact us as soon as possible. We can help. You can learn more in the How we can help section.
You don't hold the minimum liquidity amount. But, you can show you have reliable access to liquidity, for example through lines of credit or related-party loans.	• calculate your **evaluated MLA** • submit an Evaluated MLA Notification form to show that your organisation's other forms of liquidity are enough for you to: – meet your financial obligations when they're due – refund any deposited amount balances that will be due in the next 12 months – provide safe and quality care – cope with financial shocks. Continue to monitor and maintain your evaluated MLA in the form set out in your LMS as notified to the Commission. You can ask for financial advice outside of your organisation to support your proposed approach. However, your governing body is still responsible for making sure your LMS and related systems are suitable and fit for purpose. **Note:** Only someone who has been given the power to make decisions and enter into agreements for the governing body can submit the form. For example, a board, council, or committee member.

What if you fall below your MLA?

You'll need to submit a [Change in circumstances notification form] if:

- you have any changes to your finances that affect your ability to provide the aged care services you're registered to provide
- your liquidity level drops below, or is predicted to drop below, your default or evaluated MLA (depending on which you've chosen to use).

Liquidity management strategy (LMS)

All residential aged care providers must have a written LMS that includes:

- your MLA (with the option to hold more than the minimum amount based on your specific operational risks)
- the types of liquidity you have (for example, cash or lines of credit) and if you hold those funds in:
  - transaction or savings accounts
  - money market accounts
  - short-term investments such as other debt securities
- what you need to do and how long it will take until you comply, if you aren't already meeting the MLA.

To be effective, your LMS should be based on your:

- size, including number of residents
- current financial position – for example, its cash reserves and short and long-term assets and liabilities
- access to financing options, such as credit facilities or emergency funding
- strategic goals
- future capital needs, to support growth.

You should also:

- think about the market and industry conditions that could affect the liquidity you need
- plan for unexpected events, such as seasonal staffing changes or emergencies.

Another key part of developing your LMS is forecasting your cash flow and future cash needs. You should do this regularly and review and update your LMS to meet your organisation's needs.

All residential aged care providers must also be able to show that they have an LMS. Evidence includes:

- written policies and procedures that refer to the LMS
- documents describing how you:
  - calculate and maintain your MLA
  - monitor and manage liquidity risk
- regular reports that show:
  - supervision
  - ongoing improvements
- position descriptions that clearly define roles and responsibilities.

Why liquidity matters

The Royal Commission into Aged Care Quality and Safety recommended introducing minimum liquidity requirements as an essential part of providing safe and quality care. The aim was to reduce risks for older people, aged care workers, key provider personnel and government.

For example, if several older people leave a provider at once, with short notice, the provider might need to refund large amounts of money quickly. If they don't have enough liquidity, they might struggle to meet these obligations.

Liquidity levels vary a lot from provider to provider. Some providers are at risk of short-term cash flow issues caused by:

- having fewer residents
- increased spending
- higher-than-usual levels of refundable deposit repayments.

Without an MLA, providers might not have enough access to cash or cash equivalents when they need it. Cash and cash equivalents are also called liquid assets. This means assets that you can quickly turn into cash.

This can be a problem because it can:

- lead to cost cutting that affects the quality of a provider's services
- risk the provider's ability to refund refundable deposits.

The MLA in the Liquidity Standard responds to these issues. It also meets the Royal Commission's recommendation to have enforceable liquidity requirements.

How we can help

If you have concerns about your financial position, we can help. You can contact our Provider Engagement and Monitoring team for information and support. Email: PEAMS@agedcarequality.gov.au

The Provider Engagement and Monitoring team:

- collects and assesses information to understand providers' financial risk and if they're financially stable
- identifies providers at immediate solvency risk (risk of being unable to meet their financial obligations)
- contacts these providers (and other providers referred to them) to discuss their financial position.

We'll work with you to:

- identify business improvement strategies
- connect you with support networks.

We can also refer you to the Department of Health, Disability and Ageing for:

- policy guidance
- information on relevant programs
- grant funding opportunities.

You can find more information about the programs they offer on the department's website.

Managing refundable deposit funds

To meet the Liquidity Standard, you must hold refundable deposit funds in line with your MLA.

It is important to remember that in meeting the Liquidity Standard you can only use refundable deposit funds for permitted purposes under the Aged Care Act. This means you can't use them for:

- day-to-day operating costs, such as staff wages or consumables
- general repairs and maintenance
- business activities other than residential aged care
- personal gain or gratification.

Compliance

Our approach to regulating the Liquidity Standard is risk based. This means our actions are in proportion to the level of risk faced by people receiving care.

We:

- do financial and prudential reviews to monitor compliance
- support you as you work towards meeting your obligations
- investigate and take enforcement action when necessary to address non-compliance.

We also analyse information from your Aged Care Financial Reports and Quarterly Financial Reports to identify if you aren't meeting your MLA.

We work with you if you can't meet your obligations under the F & P Standards. We'll give you the chance to show you hold enough liquidity to meet your financial obligations and repay refundable deposits when they're due.

When you tell us you're at risk of falling below the MLA, we work with you. We focus on:

- making sure you have strong controls and governance
- improving your financial viability and the quality of care you provide
- understanding your:
  - governance structures
  - risk-management processes
  - willingness to strengthen these areas of operation
- reducing your financial risk – especially high financial risk.

Our goal is to actively support you to make the changes you need, so you can meet your obligations. If you don't meet your obligations, we contact you directly. We'll use our regulatory powers if you don't:

- fix your non-compliance
- manage your risk
- take steps to work towards compliance.

Registered providers can use external experts, such as auditors, to help them meet the Liquidity Standard. We can accept materials from external experts as evidence that you're complying.

How do we regulate group structures?

We know that many providers work in group structures. They range from simple to complex. For example, some providers have several related entities or are part of multiple-provider organisations.

We work with providers to understand their structures and how they work.

Each registered provider must meet all its regulatory responsibilities, whether it's a single registered provider or part of a larger group. It's the responsibility of each registered provider to show that it holds, or has arrangements to meet, the MLA.

Does the default MLA apply to my whole organisation even if it has multiple services? For example, residential care, home care, retirement living, charities or other government funded services.

Yes. The MLA applies to your entire organisation, including services outside of residential care.

When calculating your default MLA, you should include all:

- cash expenses for your organisation, not just those related to residential aged care
- relevant financial information, such as total cash expenses and refundable deposit holdings.

Evidence of compliance

You must be able to show evidence that:

- you have a written LMS
- your organisation's governing body has approved the LMS and reviewed it at least once every financial year
- you're monitoring and maintaining the liquidity set out in your LMS each quarter, and that this amount meets or exceeds the MLA.

If you've submitted an Evaluated MLA Notification form you must also show evidence that the statements in your submission to the Commission remain true and correct.

Where you fall short of meeting your obligations, we'll contact you directly.

If you're willing to work with us, we'll help you understand your regulatory requirements. This will include discussions to make sure that you can show strong controls and governance.

Our goal is to support you to make the changes you need, so you can meet your regulatory obligations.

Where providers are not willing or able to remedy non-compliance, or where there is serious or persistent non-compliance, the Commission will use its powers to prompt or compel action.

Annual Prudential

Compliance Statement (APCS) – Liquidity

Under sections 166–360 of the Aged Care Rules 2025, all registered providers of residential care that hold a refundable deposit must submit an Annual Prudential Compliance Statement.

You must state if you've complied with the Liquidity Standard. If not, you must say why not. You must also set out the following:

- your MLA at the end of the most recent quarter (as given in their LMS)
- the date on which you last reviewed and assessed your LMS
- if you use an independent auditor, the opinion of that auditor as to whether you have complied with the Liquidity Standard in the reporting period.

How we developed the minimum liquidity amount calculation

We developed the MLA calculation based on the financial risks faced by aged care providers. We:

- worked with actuarial experts (specialists who use data, mathematics and statistics to assess financial risks and model future scenarios) to model stress scenarios and financial shocks
- considered providers with complex structures offering multiple services.

We designed the MLA calculation to:

- help providers meet liquidity requirements in a situation of financial stress
- avoid locking up more capital than needed
- cover the 2 main cash flows – **refundable deposit repayments** and **non-refundable deposit cash expenses** such as supplier and employee costs (on average, these make up around 65% of total expenses).

The MLA isn't a fixed figure across the sector. It's tailored to each provider's financial circumstances. This means the amount you need to hold will adjust automatically if your expenses or refundable deposit liabilities change.

Minimum liquidity amount definitions

Definitions we use in the minimum liquidity amount follow Australian Accounting Standards, including:

Liquidity: Cash or cash equivalents a provider has available to meet their short-term financial obligations as they come up.

Cash expenses: Operating expenses that include:

- salaries and employee benefits (labour expenses)
- management fees
- finance
- interest expenses
- rent
- other expenses (as explained in the Quarterly Financial Report income statement).

Non-cash items, such as depreciation, amortisation and written down values of assets, aren't cash expenses. You shouldn't include them in your liquidity calculation.

When calculating your cash expenses, include all cash expenses for your organisation, not just those related to providing residential aged care.

Cash equivalents: Cash equivalents are short-term investments that are highly liquid. That means providers can quickly turn them into cash. They have a low risk of losing value.

Trade receivables (less any provision for doubtful debts): Amounts due from customers or government funding bodies, typically within 30–90 days. You can include these in your liquidity calculations where there's proof of timely realisation (when you expect to receive them within the quarter, and they aren't delayed or uncertain).

Refundable retirement village entry contribution amount: This is the payment an older person makes to secure a place in a retirement village or independent living unit. It's a repayable deposit the provider holds for the older person. These payments aren't regulated under the Aged Care Act, but they're included in the liquidity requirements because they:

- are a big cash liability for these organisations
- have similar features and risks as aged care refundable deposits.

For this reason, we've included refundable retirement village and independent living payments in the MLA calculation.

Liquidity Standard: checklist for providers

Use this checklist to confirm your organisation meets the Liquidity Standard each quarter.

Liquidity management strategy

- ☐ Have you documented your LMS in writing?
- ☐ Does your LMS clearly record:
  - your MLA and the amount of liquidity you've worked out your organisation needs
  - the forms of liquidity you'll have (for example, cash or lines of credit)?
- ☐ Does your LMS describe:
  - how you monitor cash flow
  - how you prepare financial forecasts, including key assumptions and timelines
  - possible liquidity risks and how you'll manage them?
- ☐ Does your LMS include procedures for:
  - managing unexpected changes to cash flow
  - escalating and addressing situations where there's a risk your liquidity could fall short?

Quarterly compliance steps

- ☐ Have you completed the following steps this quarter:
  - **calculated** your default MLA and evaluated MLA and worked out how much liquidity your organisation needs
  - **recorded** both amounts in your LMS
  - **kept** the required liquidity level?
- ☐ If you've submitted an Evaluated MLA Notification form to the Commission:
  - Have you **maintained** the required or proposed liquidity level?
  - Are the **statements** in your submission still true and correct?

Change in circumstances notification

- ☐ Have you notified the Commission of any changes that could affect your ability to meet your MLA? This includes events such as:
  - a sudden drop in income
  - major capital expenditure
  - unexpected liabilities
  - large or unpredicted expenses
  - changes in access to external funding or internal revenue reserves.

Governance and oversight

- ☐ Does your governing body review the LMS at least once each financial year?
- ☐ Do you clearly define and assign liquidity-related responsibilities in your organisation?
- ☐ Do you have reporting processes to keep your governing body regularly updated on liquidity issues?
- ☐ Do you regularly review your LMS to match changes in your financial position or operations?
- ☐ Have you updated your LMS because of developing financial risk or changes in cash flow?
- ☐ Are you keeping a liquidity amount that meets or exceeds the level your organisation needs?

Best practice

Review your LMS when you submit your Quarterly Financial Report or monthly updates. Use our online calculator to make sure of correct and consistent liquidity assessments.

Investment Standard

To meet the Investment Standard, aged care providers must select, manage and monitor investments in a responsible way. This includes the investment of refundable deposits.

You must have governance arrangements, structures and processes that support you to make informed and careful decisions about investments.

Your Investment Management Strategy should also make sure any investment of refundable deposits you make are in line with the permitted uses of refundable deposits under the Aged Care Act.

Who it applies to

This Standard applies to all non-government providers registered in category 6. It applies even if you don't hold refundable deposits.

It **doesn't** apply if you're a:

- government or local government authority, including government Multi-Purpose Services Program providers
- National Aboriginal and Torres Strait Islander Flexible Aged Care Program provider.

What's required

You must develop and follow a written **Investment Management Strategy** (IMS). Your IMS helps make sure you can provide safe, high-quality services and protect refundable deposits.

Your IMS should:

- support informed and wise investment decisions
- manage risks to financial stability, including liquidity and the ability to refund refundable deposits
- respond effectively to risks and changes that come up in the operating environment such as changes to laws, policies or services
- make sure that you invest refundable deposit balances in line with the permitted uses in the Aged Care Act.

Your IMS should include:

- the type and complexity of your business
- the availability of surplus (spare) funds
- investments you already have
- your access to skills and advice for managing investments.

Before making an investment, you must assess its risks. This includes how likely it is that the investment will affect your ability to refund refundable deposit balances when they're due. The IMS should include:

- clear triggers for ending the investment
- strategies to recover any losses.

You can get professional advice when assessing these risks.

What does an IMS look like?

You must be able to show that you have an IMS. Evidence includes:

- written policies and procedures
- documents describing financial governance responsibilities.

A strong IMS helps your organisation to:

- manage financial risks effectively
- build a financial buffer that has flexibility and supports informed decision making in uncertain circumstances
- adapt quickly to changes as they happen.

Why do providers need an IMS for all their investments, not just for refundable deposits?

Many registered providers hold large amounts of money and invest in a range of products. By having a written IMS, you can show us that you have clear investment objectives and effectively manage risk.

Taking a strategic approach to managing your investments across your whole organisation will help you:

- be financially stable
- have stronger governance
- protect refundable deposits.

Key points

- The Investment Standard sets out your responsibilities for having an IMS. This includes governance and management responsibilities for selecting, managing and monitoring investments such as refundable deposit balances.
- By meeting this Standard, you'll have governance arrangements, structure and processes that allow you to make informed and careful decisions about investments. Key staff will be able to assess the risks of financial investments, including managing liquidity. They'll also be able to respond to risks that might come up.

Role of key staff in investments

You should make sure that only staff with the right skills and experience are responsible for developing and meeting the IMS. These staff are responsible for:

- supervising investment activities in line with the IMS
- regularly reviewing and updating the IMS to reflect changes in regulations, organisational needs or emerging risks.

You can also get expert advice to guide your decision making when investing refundable deposits. You need to clearly document any responsibilities you outsource or delegate in your IMS and financial and prudential management system.

Staff responsible for executive decisions must approve the documented IMS. Depending on the size and how complex your organisation is, these could be the same staff responsible for managing refundable deposits. You must identify this in the IMS and your financial and prudential management system.

Compliance

Our regulatory approach is risk based. This is to make sure our actions are in proportion to the level of risk people receiving care face. We:

- do financial and prudential reviews to monitor compliance
- support you as you work towards meeting your obligations
- investigate and take enforcement action when necessary to address non-compliance.

Evidence of compliance

You must be able to show you have an IMS. Evidence includes:

- written policies and procedures
- documents describing financial governance responsibilities
- regular reports that show supervision and ongoing improvements
- position descriptions that clearly define roles and accountabilities
- references to the IMS in other policies and procedures.

If you don't meet your obligations, we'll contact you directly.

If you're willing to work with us, we'll help you understand your regulatory requirements. This will include discussions to make sure that you can show you have strong controls and governance. Our goal is to support you to make the changes you need, so you can meet your regulatory obligations.

Where providers are not willing or able to remedy non-compliance, or where there is serious or persistent non-compliance, the Commission will use its powers to prompt or compel action.

Continuous improvement

It's important that you set a date to review and update your IMS.

Continuous improvement is essential, particularly when:

- your organisation's investment objectives change
- there are changes to the accountabilities, responsibilities, skills or experience you need people with responsibilities under the strategy to have
- you identify new or developing risks.

Investment Standard: checklist for providers

Use this checklist to confirm your organisation meets the Investment Standard.

Developing and using an IMS

- ☐ Is your investment management strategy (IMS) documented in writing?
- ☐ Does your IMS align with the organisation's investment goals?
- ☐ Does your IMS:
  - list your investment objectives
  - make sure that investments made with refundable deposits funds comply with the permitted use requirements under the Aged Care Act and Aged Care Rules 2025
  - document your strategies to assess and reduce risk?
- ☐ Does your IMS address:
  - your liquidity needs
  - the effect your investments could have on your refundable deposit obligations?
- ☐ Is your IMS approved by the governing body?

Governance and oversight

- ☐ Do you clearly define and assign responsibilities for the IMS to skilled staff?
- ☐ Are there reporting processes to update the governing body on:
  - IMS performance
  - risks or changes?
- ☐ Do you review and regularly update the IMS to address:
  - new risks or operational changes
  - shifts in your investment objectives?
- ☐ Do investments consistently align with the IMS?
- ☐ Do you have, and can people review, evidence that you follow the IMS?
- ☐ Do you have clear procedures to identify, address and fix non-compliance?

Key staff and your IMS

The staff who develop and use your IMS must have the right skills and experience. They must:

- supervise investments in line with the IMS
- keep your IMS up to date with changes in regulation, organisational needs and developing risks
- understand their responsibilities and accountabilities.

The level of skill you need depends on:

- your organisation's size
- the complexity of your investments
- how much risk you can accept.

For example, managing a single term deposit needs different expertise than managing a large portfolio.

You can also get expert advice.

If you outsource responsibilities for your IMS, make sure you clearly document this in your IMS and financial and prudential management system.

Australian Government
Aged Care Quality and Safety Commission

Engage
Empower
Safeguard

The Aged Care Quality and Safety Commission acknowledges the Traditional Owners of Country throughout Australia, and their continuing connection to land, sea and community. We pay our respects to them and their cultures, and to Elders both past and present.

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CMG041