



Cooee Lodge Hostel

LIQUIDITY MANAGEMENT STRATEGY

INTRODUCTION

All approved Aged Care providers that hold one or more refundable accommodation deposit (including balances of refundable accommodation deposits and refundable accommodation contributions), accommodation bond balances or entry contribution balances (collectively referred to in this strategy as “refundable accommodation payments”) must comply with the Liquidity Standard as set out in Section 42 of the Fees and Payment Principles.

Liquidity Standard Key Points

The Liquidity Standard requires approved providers to:

- maintain sufficient liquidity to ensure that they can refund refundable accommodation payments that can be expected to fall due in the following 12 months (see Fees and Payments Principles s43), and
- implement and maintain a written Liquidity Management Strategy (LMS) that contains the following (see Fees and Payments Principles s44(1)):
 - the minimum level of liquidity, as a whole dollar amount, which will be maintained to ensure that the approved provider will be able to satisfy section 43 of the Fees and Payments Principles (having sufficient liquidity to refund refundable accommodation payments within legislated timeframes);
 - the factors the approved provider considered in determining the minimum level of liquidity; and
 - the form in which the minimum level of liquidity will be maintained, and
- maintain the minimum level of liquidity in the form specified in the LMS, ensure that the LMS is kept up-to-date and complies with the requirements of s44(1) and modify or replace the LMS if the approved provider becomes aware that the LMS no longer complies with the requirements of s44(1).
- If an approved provider is aware that it has breached a Prudential Standard, the approved provider must declare the breach in its Annual Prudential Compliance Statement (APCS) submission that, during the reporting period, it did not comply with the relevant Prudential Standard and actions it took to remedy the non-compliance and to ensure the breach does not occur in the future.
- If an approved provider’s liquidity falls below the level set out in its LMS and, that the breach is material, then the approved providers must notify the Aged Care Quality and Safety Commissioner via a Material Change form.
- Failure to meet the requirements of the Liquidity Standards is a breach of an approved provider’s responsibilities under Division 52M of the Aged Care Act 1997 to comply with the Prudential Standards set out in the Fees and Payments Principles.

Legislation

Approved providers are required under Division 52M of the Aged Care Act 1997 (the Act) to comply with the Prudential Standards set out in the Fees and Payments Principles.

The Prudential Standards consist of the Liquidity Standard (Part 5, Division 2 of the Fees and Payments Principles); the Records Standards (Division 3); the Governance Standard (Division 4); and the Disclosure Standard (Division 5).

Liquidity Management Strategy

The Liquid Management Strategy (LMS) must contain the following:

- the minimum level of liquidity, as a whole dollar amount, which will be maintained to ensure that the approved provider will have sufficient liquidity to refund refundable accommodation payments within legislated timeframes;
- the factors the approved provider considered in determining the minimum level of liquidity; and
- the form in which the minimum level of liquidity will be maintained.

Liquidity Level

The minimum level of liquidity to be maintained has been determined to be \$1,949,891.

Determination Factors

In determining the minimum level of liquidity, the movement of refundable accommodation payments over the last five (5) years was taken into account. These movements were as follows:

| Year | Opening Balance | Bonds Refunded | Refunds %age | Bonds Received | Retained Amounts | Closing Balance | Change In Balance |
|----------|-----------------|----------------|--------------|----------------|------------------|-----------------|-------------------|
| 16/17 | 3,990,830 | 1,456,029 | 36.48% | 845,000 | 79,196 | 3,300,605 | -690,225 |
| 17/18 | 3,300,605 | 809,717 | 24.53% | 1,535,882 | 57,136 | 3,969,634 | 669,029 |
| 18/19 | 3,969,634 | 1,634,979 | 41.19% | 1,285,120 | 28,927 | 3,590,848 | -378,786 |
| 19/20 | 3,590,848 | 0 | 0.00% | 737,629 | 16,728 | 4,311,749 | 720,901 |
| 20/21 | 4,311,749 | 1,949,891 | 45.22% | 1,496,480 | 11,732 | 3,846,606 | -465,143 |
| Total | 19,163,666 | 5,850,616 | 30.53% | 5,900,111 | 193,719 | 19,019,442 | -144,224 |
| 5 Yr Avg | 3,832,733 | 1,170,123 | 30.53% | 1,180,022 | 38,744 | 3,803,888 | -28,845 |

From the above, the following characterisations have been made:

- the refundable accommodation balance remained at a stable level from \$3,990,830 at the start of 16/17 to \$3,846,606 at the end of 20/21
- the highest balance during this time was \$4,311,749 at the end of 19/20 and the lowest was \$3,300,605 at the end of 16/17
- the highest amount of refundable payments refunded was \$1,949,891 in 20/21 while the lowest was \$0 in 19/20.
- the highest amount refundable payments received was \$1,535,882 in 17/18 while the lowest was \$737,629 in 19/20
- total refundable deposits refunded over the 5 year period was \$5,850,616
- total refundable deposits received over the 5 year period was \$5,900,111

From the above characterisations, the following statements can be made:

1. As the refundable payments balance has not varied significantly over the last 5 years, it could be said that the average amount of refundable payments received will negate the average amount of refundable payments refunded. Therefore, a minimum level of liquidity to be maintained is not required.
2. The greatest overall reduction in refundable payments balance in any one year was \$690,225 and this should be used as the benchmark in determining the minimum level of liquidity to be maintained.
3. The highest amount of refundable payments refunded in any one year was \$1,949,891 and this should be used as the benchmark in determining the minimum level of liquidity to be maintained.
4. The highest amount of refundable payments refunded in any one year was \$1,949,891 less the lowest amount of refundable payments received in any one year was \$737,629 equals an amount of \$1,212,262 and this should be used as the benchmark in determining the minimum level of liquidity to be maintained.

Consideration was given to all four (4) statements with the first ruled out as a nil amount determined to be the minimum level of liquidity to be maintained would be considered to be financially irresponsible. The second statement was also ruled as the amount stated is considered to be too low when compared to the overall balance of refundable payments held.

Statements 3 and 4 were given the most consideration with there being good arguments for both. However, statement 3 was chosen as it was considered to be a worse case scenario and, to use this as the minimum liquidity level required, was considered to be a conservative and well considered position.

Therefore, an amount of \$1,949,891 has been determined to be the minimum level of liquidity.

Form of the Minimum Level of Liquidity

The form that the minimum level of liquidity to be maintained will take will be a combination bank held term deposits and an at call bank account. These accounts will be in the name of Gilgandra Shire Council. An amount of \$1,000,000 will be placed on term deposit while at least \$949,891 will be held in an at call bank account.

Review of the Liquidity Management Strategy

The Liquidity Management Strategy shall be reviewed and adopted by the Gilgandra Lifestyles' Advisory Board annually.

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|-----------------------------|-----------------------------------|-----------------------|-------------------------|
| Responsible Officer: | Director Aged Care & Disabilities | | |
| Date Adopted: | 13/9/22 | Resolution No: | 6/22 |
| Version: | 1 | Review Date: | September (annually) |