



Australian Government

Department of Health and Aged Care

**GUIDE TO
CHANGES TO THE
AGED CARE FINANCIAL
REPORT
2021-22**

Background

The Australian Government is implementing a Financial and Prudential Monitoring, Compliance and Intervention Framework (the Framework) to strengthen the financial and prudential oversight of aged care. The Framework, consistent with the Royal Commission into Aged Care Quality and Safety (Royal Commission), aims to enable more effective financial monitoring of the sector and reduce the risk of provider insolvency or non-compliance.

The Framework is being implemented in phases. Phase 1 of the Framework, which commenced in July 2021, introduced:

- New legislative requirements under the *Accountability Principles 2014* (Accountability Principles). The full list of the new amendments can be found [here](#) and an in-depth explanation of the amendments can be found through the [explanatory statement](#).¹
- Changes to the Aged Care Financial Report (ACFR), including an expansion of information collected and the [requirement for directors](#) of non-government approved providers to sign the ACFR.

As part of Phase 2, amendments (commencing 7 September 2022) were made to the *Accountability Principles*, the *Fees and Payments Principles 2014 (No. 2)* and the *Information Principles 2014*. The full list of amendments can be found [here](#) and an in-depth explanation of the amendments can be found through the [explanatory statement here](#). Some key elements introduced by the amendments include:

- **Quarterly financial report (QFR):** a new requirement to report quarterly through the QFR has been include for each approved provider of a residential service, a multi-purpose service or a home care service. This is in addition to the requirement to report the annual ACFR.
- **Publishing General Purpose Financial Report (GPFR):** an approved provider of residential care required to prepare a GPFR under section 35A of the Accountability Principles will need to publish it consistent with the requirements specified in section 37B of the Accountability Principles.
- **Permitted uses reconciliation:** an approved provider that reports a “permitted uses reconciliation” as part of its ACFR will need to give this information to current or prospective care recipients on request under the circumstances specified in sections 57 and 58 of the *Fees and Payments Principles 2014 (No. 2)*.

¹ The amendments made to the Accountability Principles 2014 by the Accountability Amendment (Financial Information) Principles 2021 (the "Amendment Instrument") are still in force. The "not in force" description on the legislation.gov.au website refers to the Amendment Instrument itself, rather than the amendments it made.

Changes to provider reporting under the ACFR from 2021-22

Home Care

Home care providers will have [new reporting requirements](#) incorporated into the 2021-22 ACFR. This is in response to recommendations from the Royal Commission into Aged Care Quality and Safety to improve accountability and transparency on how providers use subsidy and fees.

1. Introduction of approved provider level reporting for home care

To enable the Department of Health and Aged Care (the Department) to assess home care providers' overall financial viability, approved provider level reporting is being introduced for home care providers as part of the 2021-22 ACFR.

Home Care Providers will be required to complete the same approved provider level income statement, balance sheet and cash flow statement as currently completed by residential aged care providers.

For those providers that provide both residential and home care, it will just be the one set of approved provider accounts (same as last year). As the approved provider level financial statements are completed by both residential and home care providers, the Department does acknowledge that not all data items will be applicable for home care only providers, e.g. refundable accommodation deposits. It is appropriate for home care only providers to put a 0 in those fields.

These new approved provider level reporting sections will **not** be required from state and local government providers.

2. The introduction of a consolidated parent level segment report for home care

The consolidated parent level segment report was introduced into the 2020-21 ACFR for residential aged care providers only. This will be required from both residential and home care providers as part of the 2021-22 ACFR. An additional column for the Home Care segment has been added into the Consolidated Parent Level Segment report to further cater for this.

Many approved providers have operating activities, beyond those governed by the Aged Care Act, and are part of corporate structures that do not submit financial information to the Department. To further assist the Department assess an approved provider's overall financial viability, greater visibility over the financial operations of the consolidated group is required. The consolidated parent level segment report captures income and expenses, assets and liabilities data across the consolidated related group.

The Department acknowledges that if items are held centrally, apportioning balance sheet items between segments can be difficult and may not be reflective of operational circumstances. Therefore, cash and cash equivalents, financial assets and equity items are only being collected at the consolidated level and are not required to be segmented. For the rest of the items, providers should make a reasonable estimate to apportion the other balance

sheet items where a clear distinction cannot be made between segments. Unspent home care funds will go to the home care segment, whereas employee entitlements across multiple segments may require some apportioning.

If the approved provider is part of a group and is not the parent entity of the group, the consolidated parent level segment report needs to be completed at the ultimate Australian parent level. However, where there is no parent entity, or if the approved provider is actually the parent organisation, then the segment report is to be completed at the approved provider level.

The new consolidated segment level report will **not** be required from state and local government providers.

3. Expanded home care segment income statement

To improve the accountability and transparency on how home care providers use subsidies and fees, the 2021-22 ACFR will see the introduction of the expanded home care segment income statement.

Changes to the income statement include:

- Capturing direct care and sub-contracted service income based on the type of care provided (e.g., domestic services, nursing services and allied health);
- Capturing internal and external direct care labour costs and hours for both employee and agency staff by employee type (e.g., registered nurse, enrolled and licensed nurses (registered with the NMBA), personal care staff / other unlicensed nurses and allied health);
- Capturing labour costs and hours for care management and administration staff separately;
- Capturing additional details on expenditure associated with direct care including expenditure on consumables, home modifications, client capital purchases, transport services and commission/brokerage fee/franchisee fee;
- Capturing additional details on administration costs and management fees (e.g., education/training & quality control expense, general insurance, rent, utilities and property outgoings, IT and communication expenses and corporate recharge); and
- Capturing further detail on the level of unspent funds being held down to the package level (Level 1, 2, 3 or 4 of a Home Care Package), rather than just at the total level as in the 2020-21 ACFR.
- Capturing the breakup of unspent funds held by the Approved Provider and Services Australia

Residential Care

1. Expanded reporting of residential aged care expenditure

The 2021-22 ACFR will see the introduction of new fields in residential aged care income and expenditure statement (service level).

Changes to the residential aged care home expenditure include:

- Capturing additional detail expenditure associated with direct care agency staff labour cost and hours by employee type (e.g., registered nurse, enrolled and licensed nurses (registered with the NMBA), personal care staff / assistants in nursing, allied health and diversional/lifestyle/recreation/activities officer);
- Capturing contract labour – management entity staff costs under direct care labour costs;
- Capturing oral health living expenses with resident expenses;
- Capturing worked hours instead of paid hours. Non-worked hours (e.g. leave and training) should be disclosed in the separate field provided;
- Capturing average hourly rates of pay for labour by employee type (e.g., registered nurses, enrolled and licensed nurses (registered with the NMBA) and personal care staff / assistants in nursing);
- Automatic calculation (for display only) of direct care minutes (worked) per occupied bed day by employee type (e.g., registered nurse, enrolled and licensed nurses (registered with the NMBA) and personal care staff / assistants in nursing);
- If total covid 19 expenses is greater than \$0 at service level and the provider applied for COVID related grants (expected to received but not recognised as income in this financial year), the ACFR form will prompt the provider to disclose this amount after completing the residential expenses section. It will not be included in total income in the income statement.
- Capturing the percentage spread of administration cost for the recurrent categories of Care, Hotel, Accommodation and COVID-19. This is collected at the residential segment level and is not required separately for each service.

2. Inclusion of a Per Resident Per Day Summary Residential Income Statement (display only)

- The ACFR will auto populate a summary income statement (service level) which is calculated at 'per resident per day'. The calculation is done by dividing the service level income statement items by the Occupied Bed days disclosed by the provider.
- By summarising the detailed income statement submitted by approved providers and standardising the functional centres to per resident per day, the table enables better understanding of financial information and its impact on individual residents.
- This can be used by providers to review data submitted in the portal before final signoff.

- The provider does not need to do any extra data input for this Summary Income Statement to auto populate.

3. Other changes to the ACFR from 2021-22

- Capturing trade receivables (less provision for doubtful debts) under the Consolidated Segment Report. This will allow the ACFR to be more closely aligned with providers' audited GPFR;
- Capturing Depreciation on Right of Use assets, Interest on Lease Liabilities and Rent – Not Captured by AASB 16 under the Consolidated Segment Report
- Segmenting the closing balance of approved provider secured and unsecured related party loan receivable and payable into residential and other, in turn providing the Department with a better understanding of an approved provider's residential segment's liquidity position; and
- Capturing lower and upper limits of depreciation/amortisation policy for Property Plant and Equipment under Approved Provider Non-Current Assets (Segment) tab.

Publication of General Purpose Financial Report (Transparency Measure)

- Access to more financial information will provide greater transparency in the sector and empower consumers. As part of broader transparency measures, each approved provider of residential care that is required to prepare a GPFR under section 35A of the Accountability Principles 2014 be required to publish the GPFR:
 - on its website, or
 - if the provider does not have a website, on a website in a manner that is publicly accessible.
- This requirement will start with the GPFR for the period of 1 July 2021 to 30 June 2022 and continue with each GPFR thereafter. The GPFR will need to be published within five months after the end of the approved provider's financial year. This will give the provider one month to publish the GPFR after its ACFR is due under section 37 of the Accountability Principles 2014. This responsibility would apply to every approved provider required to prepare a GPFR (excluding State and Territory Government providers) and be in addition to existing requirements to provide it to the Secretary under the Accountability Principles.

ACFR Template, Definitions and Helpdesk

Queries, general and specific, relating to the ACFR and all queries regarding the ACFR online portal should be sent to Forms Administration via email:

Health@Formsadministration.com.au

Helpdesk queries relating to the residential income statement and home care which require further support, will be referred to StewartBrown by Forms administration. StewartBrown will provide technical and accounting advice to support providers as required.