

MANAGEMENT GUIDELINE

Reference Number	933412
Responsible Business Unit	Corporate Services
Responsible Officer	General Manager Corporate Services
Legislation	Aged Care Act 1997
Relevant Delegations	General Manager, Corporate Services Manager, Lerwin
Related Policies Management Guidelines Frameworks	Lerwin Nursing Home Refundable Accommodation Deposits Governance Policy Lerwin Nursing Home Governance Management Guideline
Link to Strategic Plan	Objective 4.4 - Develop a sustainable organisation
Council Resolution	149.5
Date Adopted	19 June 2023
Review Date	June 2025
Previous Revisions	13 August 2018 24 October 2016 14 October 2015 11 May 2020

PURPOSE

This document describes the liquidity management strategy of the Lerwin Nursing Home.

INTRODUCTION

This Liquidity Management Strategy has been prepared to meet prudential requirements of the Aged Care Act 1997 that took effect from 1 July 2014. These requirements include ensuring sufficient readily available funds to allow refundable deposits to be refunded as they fall due through each financial year.

In preparing this strategy, the Council has found it necessary to determine the minimum level of liquidity that the provider will need to maintain in order to meet the aims of the strategy. To determine this, the Council has reviewed the guidelines set out by the Department of Social Services and has also taken into consideration the activity of resident deposits over the last 36 months.

LIQUIDITY REQUIREMENT

Lerwin has been in receipt of refundable deposits since 1 July 2014 and has only a short history to determine a pattern of when refundable deposits are likely to fall due. However, when examining the history of concessional ratios, average length of stay, refundable deposit history to date and industry standards, the following is observed:

- The average length of stay is 2.33 years
- The likelihood of any particular resident leaving in a particular month is therefore 1/35 or 2.86%
- The theoretical expected payment in a particular month is therefore 2.86% of the value of deposits on hand
- Due to probate, refundable deposits take an average of 181 days to be refunded (industry average)
- The receipt of new refundable deposits takes 103 days on average to be paid in full (industry average)
- Assume funds not held at call are deposited and have a 3 month notice period
- The amount to be held at call will be 3 times 2.86% of the funds deposited ie 8.58%

The concessional ratio is on average greater than or equal to 45% therefore it can be expected in the medium term that 55% or 44 of the 80 residents will make refundable deposits. In the 2021-22 financial year, refundable deposits were received from 16 residents and amounted to \$2.46m. The balance of outstanding Refundable Deposits as at 30 June 2022 was \$7,511,490 which was held for 36 residents.

Therefore, as an example, the theoretical amount to be held on call at 30 June 2022 would be 8.58% of \$7,511,490 or \$644,485. This number will fluctuate as more or less refundable deposits are received or repaid.

The minimum of 8.58% of RAD's will be deposited in at call accounts at the Commonwealth Bank of Australia or the Local Government Finance Authority of Australia.

The remaining balance will be held in an interest earning account, be it at call or on term for periods between 3 month and 12 months, or continue to be used as finance for the Lerwin Expansion project (in place of other alternative borrowings), dependent on interest rates and RAD balances. Any deposits will be made in accordance with the Council's Lerwin Nursing Home Refundable Deposits Governance Policy.

It is intended to hold at least this amount in the at call account throughout the year to cover potential refunds to be made within any given month. As the new residents pay their refundable deposits, the funds will be transferred to the account to offset any additional refundable deposits awaiting refund. The account balance will be reviewed regularly to determine if any excess funds can be transferred and utilised accordingly, or if any funds need to be returned to the at-call account at term deposit maturity or project milestones.

REVIEW

In order to accurately estimate the required liquidity level, the Liquidity Management Strategy Guideline will be reviewed annually by Council Administration and amended if necessary taking into account the number of admissions, discharges and the ratio of concessional to refundable deposit paying residents.