

31 January 2013

The Director
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Dear Director

Re: Enhanced prudential regulation of accommodation bonds in aged care

National Seniors Australia is pleased to provide the following comments regarding permitted uses of loans made using accommodation bonds and investments in Religious Charitable Development Funds (RCDFs).

National Seniors is the largest organisation representing Australians aged 50 and over, with 200,000 members nation-wide. It provides a well-informed and representative voice on behalf of older Australians and contributes to public education, debate and community consultation on issues of direct relevance to them.

We appreciate the need to address concerns raised by providers prior to the deadline of 30 September 2013 for compliance with arrangements for the permitted use of loans made using bonds, following the amendments of 1 October 2011.

We also appreciate that the Exemptions under the Australian Prudential Regulation Authority (APRA) to allow deposits into RCDFs expire on 27 June 2013 and that providers currently depositing bonds into RCDFs require an urgent response to their concerns.

National Seniors strongly believes that arrangements for permitted use of loans of accommodation bonds and deposits into RCDFs must protect the assets of residents of approved aged care facilities and be accounted for in a transparent manner. In particular, we support the expectation that approved providers must meet prudential standards on liquidity, record keeping and disclosure.

National Seniors also acknowledges that flexibility of arrangements for the use of accommodation bonds across a network of aged care facilities has obvious benefits for meeting fluctuations in demand for capital works and

refunds of bonds. In addition, the deposit of accommodation bonds by providers into RCDFs within religious organisations that have non-aged care entities may reduce their administrative costs and offer efficiencies by using established mechanisms for managing their financial obligations.

Therefore National Seniors supports amendments to the legislation to allow loans made using bonds to include the refunding of accommodation bond balances or entry contribution balances and the repayment of debt accrued for the purposes of capital expenditure or refunding accommodation bond balances. However we strongly agree with the stated policy intent for the use of bonds to never include their use to pay operating expenses, including the provision of care services.

With regard to the deposit of bonds into RCDFs, National Seniors supports a relaxation of compliance with APRI's requirements on authorised deposit-taking institutions (ADI) to avoid a significant imposition on religious not-for-profit entities to change their current administrative arrangements.

We support option 3 enabling deposits of bonds into RCDFs to be classified as a permitted financial product which must be covered by an Investment Management Strategy with the additional requirement on approved providers to disclose annually to residents a summary of all investments including investments' objectives and assessment of the level of risk to the providers' ability to refund accommodation bond balances.

Thank you for the opportunity to comment on the Issues Paper on legislative amendments to the use of accommodation bonds for loans and deposits into RCDFs.

Yours sincerely

Michael O'Neill
Chief Executive Officer