CARING FOR GROWTH

AUSTRALIA'S LARGEST NON-PROFIT AGED CARE OPERATORS

JULY 2020

A Centre for International Corporate Tax Accountability & Research (CICTAR) Report and Submission to The Royal Commission on Aged Care

Centre for International Corporate Tax Accountability and Research

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EXECUTIVE SUMMARY

While aged care as an industry will need higher levels of public funding, additional government subsidies must be contingent upon greater transparency and public accountability. The largest non-profit residential aged care operators, like their for-profit counterparts, suffer from a lack of accountability and appear to prioritise investment and growth over care.

An analysis of available public financial reports and government funding data on 9 large non-profit operators reveals a pattern of extracting revenue from government subsidised residential aged care to fund property investments. In all cases, except were federal funding was cut due to failure to meet basic accreditation standards, government funding and resident fees more than covered the cost of operating residential aged care. However, most large non-profit operators reported losses due to continued property investments, not a lack of income.

Smaller providers, still the largest share of the industry, may genuinely be struggling. However, the largest residential aged care operators, whether for-profit or not-for-profit, are generating substantial incomes. These operators, which dominate peak bodies and influence government policy and regulation, use overall industry figures to demand more funding which they are better positioned to capture. As consolidation continues and smaller operators are forced out of the market, the lack of transparency and accountability is a growing concern.

Simple solutions are urgently needed including:

- Targeted funding and support for small community-based providers with a track record of high-quality care should be prioritised;
- Aged care operators with over $10 million in annual federal funding must be required to file full and complete Tier 1 financial reports, with complete business segment breakdowns and clear standards for reporting government funding;
- All aged care operators with less than $10 million in annual federal funding must be required to file Tier 2 financial reports, if not doing so already; and
- Aged care operators must be required to publicly disclose government funding and total expense by type at a facility level.

Stronger and more independent oversight and regulation of the industry along with changing government funding to incentivise health and well-being rather than sickness and frailty must also be considered.

The nine operators in this report include the largest non-profit residential aged care operators in every state. Given their large scale, two additional operators in New South Wales and one in Queensland were also included. In 2019, these operators had $4.4 billion in total gross income, including $2.4 billion in government funding. On average they were paid $66,516 in government subsidies for each of 23,745 aged care places in 317 facilities. Four of the 6 largest reported losses, but all 6 generated between $26 and $62 million in cash flows, largely driven by residential aged care.

All of the non-profits had limited financial disclosure. Government funding data did not match government funding as reported by each entity. Two operators had for-profit investments in China with little or no disclosure. The CEO of one operator had a track record of facilitating alleged global tax avoidance. Eight of the 9 non-profits were faith-based and due to their charitable status none were subject to corporate income tax.

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INTRODUCTION

This report follows detailed analysis of the largest for-profit aged care companies and the largest family-owned aged care companies which have both been submitted to the Royal Commission. While the largest for-profit companies have expanded significantly over the years, the sector is still dominated by non-profit aged care operators. This report looks at 9 large non-profits some of which are among Australia's largest aged care operators and covers the largest non-profit operators in every state and in the Northern Territory. As with the analysis of the for-profit companies, this report, in most cases, finds a lack of transparency on large amounts of government subsidies.

It is worth noting that the vast majority of aged care operators are small entities, many of whom struggle financially and genuinely attempt to provide the best quality of care possible. Likewise, the vast majority of the growing number of frontline workers across the entire sector, including the operators in this report, attempt to provide the best quality services with the resources provided.

OVERVIEW AND KEY FINDINGS

The 9 entities examined in this report received over $1.9 billion in total annual federal funding for aged care in 2019 (FY ending 30 June 2019) and $2.4 billion in total government funding.[1]

The majority of the federal aged care funding – $1.6 billion – was for residential aged care and was roughly 12% of the total annual federal spending of $13 billion for all residential aged care.[2] These nine entities operated 317 facilities with 23,745 places, roughly 11% of total residential aged care places.[3] Average federal funding per place for these 9 operators was $66,516. Six of the operators were classified as religious and 3 as charitable; however, two of the charitable operators were also faith-based. Religious and charitable operators ran 41.7% of all residential aged care places.[4] The 9 operators reviewed in this report ran 26.7% of all religious and charitable residential aged care places.

These nine entities collectively received at least $2.4 billion in revenue from governments in 2019. Additional revenues were received for provision of other services beyond residential and home care funding, included above, and operators received other state and federal government funding and/or grants as well. Despite total gross income of nearly $4.4 billion in 2019 – including resident fees, client charges and other forms of non-government income – five out of the nine, including the four largest by total gross income, all reported losses. However, these losses were driven by property investments. Except for Southern Cross Care in Tasmania, the smallest operator in this analysis which faced additional costs due to sanctions for failing to meet accreditation, residential aged care generated operations appeared to generate positive returns. These returns were either reinvested in expanding the residential aged care business or used to cross subsidise other operations.

[1] Federal aged care funding data here and throughout the report is from the Department of Health's, Aged care service list: 30 June 2019 obtained from the Australian Government Australian Institute of Health and Welfare, GEN Aged Care Data found here: https://gen-agedcaredata.gov.au/Resources/Access-data/2019/September/Aged-care-service-list-30-June-2019 ; Data has been sorted and compiled by provider (available upon request). The $2.4 billion figure is a compilation of data from the Annual Information Statements of the 9 operators, obtained from the Australian Charities and Not-for-profits Commission's Charity Register, found here: https://www.acnc.gov.au/charity
[2] Australian Government Department of Health, 2018-19 Report on the Operation of the Aged Care Act 1997, p.46. https://www.gen-agedcaredata.gov.au/www_aihwgen/media/ROACA/2018-19-ROACA.pdf
[3] Ibid, p.44. 213,397 operational places in residential aged care.
[4] Ibid, p.45. a combined total of 88,954 places

	Annual Federal Aged Care Funding							
	(millions)	(through 30 June 2019)				(dollars)		
	Aged Care Entity	**Total**	**Residential**	**# Facilities**	**# Places**	**Primary State**	**Funding /Place**	**Provider Type**
1	**BlueCare/ARRCS**	$461.3	$358.0	75	4,957	QLD/NT	$72,218	Religious
2	**Uniting NSW**	$428.8	$367.5	73	5,322	NSW	$69,048	Religious
3	**Mercy Aged Care**	$210.2	$164.7	32	2,615	VIC	$62,966	Charitable (faith)
4	**Bolton Clarke**	$223.8	$168.1	26	2,510	QLD	$66,982	Charitable
5	**Catholic Healthcare**	$205.5	$172.5	40	2,668	NSW	$64,672	Charitable (faith)
6	**Anglicare NSW**	$173.1	$138.0	22	2,364	NSW	$58,360	Religious
7	**Southern Cross SA/NT**	$106.8	$100.5	17	1,441	SA	$69,767	Religious
8	**Juniper**	$81.2	$72.0	23	1,182	WA	$60,901	Religious
9	**Southern Cross TAS**	$42.4	$38.2	9	686	TAS	$55,633	Religious
	TOTALS	**$1,933.1**	**$1,579.4**	**317**	**23,745**		**$66,516**	

2019 Net Cash Flow from Operations		
(millions)		
Aged Care Operator	**Net Cash from Operations**	**Residential Aged Care Segment**
BlueCare/ARRCS	$62.0	not reported
Uniting NSW	$55.1	not reported
Mercy Aged Care	$25.6	not reported
Bolton Clarke	$33.8	$32.2 (operating EBITDA)
Catholic Healthcare	$32.4	not reported
Anglicare NSW	$26.9	not reported
Southern Cross SA/NT	$4.7	not reported
Juniper	($5.2)	$2.4 (net profit)
Southern Cross TAS	($2.1)	($1.6) (net deficit)
TOTALS	**$233.2**	

(Operators in red reported losses in total comprehensive income.)

Given that investments impact the reporting of total comprehensive income and result in losses being reported, net cash from operations is a better metric of how the business is performing. An analysis of net cash from operations reveals that only the two smallest of the nine non-profit aged care operators in this report had a loss from operations in 2019. Southern Cross Care in Tasmania is mentioned above. The opaque nature of Juniper's annual financial report makes it difficult to determine what created a loss in net cash from operations and overall the Western Australian operator reporting a surplus and a net profit from residential aged care operations.

The 6 largest operators, despite 4 of them claiming losses, each reported net cash from operations of between $25.6 million and $62 million in 2019. Combined net cash from operations was $235.8 million. Only one of the top six operators reported financial information specifically for residential aged care as a separate business segment.

Most of the non-profit aged care operators took advantage of reduced disclosure requirements (RDR) in annual financial statements filed with the regulator, the Australian Charities and Non-Profits Commission (ACNC). These RDRs allow for entities to avoid filing detailed financial statements following the full set of requirements under Australian and global accounting standards. This is the same loophole used by subsidiaries of multinationals operating in Australia as they are deemed not to have "public accountability" because there are no shareholders in Australia. However, if non-profit entities are receiving millions of dollars in public funding to provide public services than they should be publicly accountable and file complete Tier 1 financial statements, using the full range of Australian accounting standards.

There are major discrepancies between federal aged care funding data and government subsidies as reported in the financial reports of the operators. As one example, Catholic Healthcare's financial statements under-report revenue from government by over $170 million. For profit investments of non-profit entities are not disclosed at all – or in any meaningful way – in the annual financial statements.

Collectively, the nine aged care operators employed 31,682 full time equivalent (FTE) staff. On average they spent 63% of total expenditure on employee expenses. On average casuals made up 31% of FTEs but were 64% for Southern Cross Care in Tasmania and 50% for Mercy Aged Care in Victoria. Anglicare in Sydney was the lowest at 17%, but Anglicare spent $15 million on temporary agency workers, not included in the total employee expenditure numbers.

Compiled Financial Data from Annual Information Statements (through 30 June 2019)

(millions)

Operator Name	Uniting Care QLD (Blue Care)	Uniting NSW	Bolton Clarke	Anglicare Sydney	Catholic Aged Care	Mercy Aged Care	Southern Cross Care SA	Southern Cross Care Tas	Juniper	Totals
Government Revenue	$603.6	$627.5	$384.0	$233.6	$35.2	$195.0	$122.5	$48.5	$107.9	$2,357.7
Total Gross Income	$1,551.1	$861.5	$509.5	$384.8	$316.0	$334.4	$185.5	$74.3	$151.2	$4,368.3
Gov't Rev % of Total Income	39%	73%	75%	61%	11%	58%	66%	65%	71%	54%
Total exp	$1,605.3	$865.9	$534.0	$400.8	$307.3	$331.1	$177.8	$77.9	$142.2	$4,442.1
Total Comprehensive Income	($30.5)	($4.3)	($38.9)	($16.0)	$8.7	$54.6	$8.8	($3.5)	$9.0	($12.2)
Total Assets	$2,025.6	$2,075.7	$1,257.5	$1,864.9	$997.7	$1,070.0	$978.7	$358.1	$346.9	$10,975.1
Total Liabilities	$1,188.4	$1,252.5	$979.4	$1,572.0	$599.4	$721.0	$557.0	$220.0	$182.3	$7,271.9
Net Assets/ Liabilities	**$837.2**	**$823.2**	**$278.2**	**$292.8**	**$398.3**	**$349.0**	**$421.7**	**$138.2**	**$164.7**	**$3,703.3**

Compiled Employment Data from Annual Information Statements (through 30 June 2019)

Operator Name	Uniting Care QLD (Blue Care)	Uniting NSW	Bolton Clarke	Anglicare Sydney	Catholic Aged Care	Mercy Aged Care	Southern Cross Care SA	Southern Cross Care Tas	Juniper	Totals
Employee Expenditure ($M)	$971.5	$530.1	$371.2	$217.8	$203.9	$228.9	$130.0	$53.8	$95.8	$2,803.0
EE Expend % of Total Expenses	61%	61%	70%	54%	66%	69%	73%	69%	67%	63%
Full time employees	3,645	2,437	1,002	975	545	447	727	137	261	10,176
Part time employees	8,903	4,905	3,647	2,394	2,595	2,908	1,340	738	1,351	28,781
Casual employees	3,599	1,765	1,025	479	892	1,301	411	324	134	9,930
Full-time equivalent staff (FTE)	11,277	6,344	3,945	2,749	2,033	2,581	1,756	507	490	31,682
Casuals % of FTE	32%	28%	26%	17%	44%	50%	23%	64%	27%	31%

Summary of Auditors and Directors/Executive Payments in 2019			
Aged Care Operator	**Auditor & Fees (if reported)**	**Number of Directors & Key Management (if reported)**	**Payments to Directors & Key Management**
Uniting Care QLD (Blue Care)	Deliotte $1.2 million	9 Directors Key Management (# not disclosed)	$537,129 $4.7 million **$5.2 million in total**
Bolton Clarke	Deliotte $525,185	7 Directors Key Management	$525,185 $3.8 million **$4.3 million in total**
Uniting NSW ACT	KPMG (amount not disclosed)	11 Directors Key Management	$3.9 million
Catholic Health Ltd	KPMG	8 Directors 13 Key Management	$3.1 million
Anglicare	Ernst & Young $300,648	10 Directors 9 Key Management	$2.8 million
Mercy Aged and Community Care	Grant Thornton	12 Directors Key Management	$895,000 $4.7 million **$5.6 million in total**
Southern Cross Care (SA & NT)	PwC	9 Directors 5 Key Management	$1.8 million
Southern Cross Care Tasmania	Crowe Tasmania $51,195	10 Directors Key Management	$1.4 million
Juniper	Grant Thornton $59,000	9 Directors 2 Key Management	$2.5 million
Total Payments to Directors & Key Management			**$30.6 million**

METHODOLOGY & SOURCES

This report looks at the largest not-for-profit aged care operators in each state and territory, excluding the Australian Capital Territory. The largest, in terms of annual aged care funding, is Uniting Care Queensland, operating in aged care primarily as Blue Care. This is the largest aged care provider in Queensland and the largest private sector employer in the state. The Uniting Church in Queensland also controls ARRCS, Australian Regional and Remote Community Services, which is the largest aged care operator in the Northern Territory. The report also looks at Bolton Clarke, which is the merger of RSL Care in Queensland and the Royal District Nursing (RDNS) service. Bolton Clarke operates in other states but is the third largest aged care operator in Queensland, following ASX-listed Regis Aged Care.

The second largest aged care operator examined in this report is Uniting, controlled by the Uniting Church in New South Wales. Uniting NSW is the largest aged care operator in New South Wales and has a presence in the Australian Capital Territory. The largest aged care operator in the Australian Capital Territory is Goodwin, a local non-profit provider which is significantly smaller than other operators examined in this report. Due to the significant size, two other New South Wales aged care operators were also examined, Catholic Healthcare and Anglicare, controlled by the Anglican Diocese of Sydney. Catholic Healthcare and Anglicare and are the fourth and fifth largest aged care operators in New South Wales, respectively. Large for-profit national aged care companies, Opal and Bupa, are in the top five largest aged care operators in the state.

The report also examines Mercy Aged Care, which is the largest non-profit aged care operator in Victoria. Mercy Aged Care is the seventh largest aged care operator in Victoria, as the top six are all for-profit companies.

Also included are Southern Cross in South Australia and the Northern Territory (one entity) and Southern Cross in Tasmania (separate entity). The respective Southern Cross entities are the largest aged care operators in South Australia and Tasmania. Finally, the report examines Juniper, controlled by the Uniting Church in Western Australia. Juniper is the second largest aged care provider in Western Australia after Aegis, a for-profit privately-owned aged care company.

The report relies on annual aged care funding data from the Department of Health to compile the funding received by each facility and service provided by these operators. In order to get additional and comparable data the information filed by each provider in the Annual Information Statement filed with the Australian Commission on Non-Profits and Charities (ACNC) has also been compiled and analysed. The primary information on each operator is from the annual financial reports filed with ACNC. Annual reports, websites and news sources have also been reviewed and examined.

Tax Exemption

All operators in this report are non-profit and exempt from income tax payments, except on profits generated by for-profit subsidiaries or joint ventures. While laws vary between states and territories, non-profit status can also allow for exemption from payroll taxes, exemption from local council rates and other benefits. Non-profit status conveys significant advantages. Although residential aged care is largely government funded, unlike public health, there is a much more market-oriented approach. Non-profit and for-profit residential aged care operators, although having different incentives, compete for government funding, customers and resident fees.

BLUE CARE / UNITING CARE QUEENSLAND

Blue Care, Queensland's largest aged care operator and one of the largest throughout Australia, provides no specific detailed financial reporting on its aged care operations. Despite receiving over $460 million in annual federal funding for aged care – 76% of all government funding – there is no public disclosure on how this money is spent or if it is spent on investments or non-aged care related services.

Blue Care is a part of the Uniting Care Queensland (UCQ), which had 2019 revenues larger than Sydney Airport, an ASX listed company that ranks in the Forbes list of the top 2000 global companies.[5] Beyond aged care, UCQ runs private hospitals and disability and other services. In 2019, UCQ had total gross income of $1,551.1 million of which 39%, or $603.6 million was from government funding.[6]

UCQ reported a loss (total comprehensive income), driven by property investments and not operations, of $30.5 million in 2019 but continued to hold over $250 million in cash deposits.

Complex Related Party Transactions

In 2019 UCQ operational business, seemingly driven by Blue Care, performed well reporting net cash from operations of over $62 million.[7]

The reported loss was driven by a net cash outflow from investing of $90.2 million, including $84.7 million in payments for property, plant and equipment. No further explanation is provided. While there is no breakdown of aged care as a business segment, this appears to indicate that aged care revenues more than cover the cost of operations and excess funds are re-invested in expanding the business.

The parent entity of the UCQ Group is the Uniting Church in Australia Property Trust (Q), ("Trust") which files separately with the ACNC. The related party transactions between entities, including trusts, appear similar to those in the large for-profit aged care companies. Globally, investors in nursing homes extract profits through rent payments to property owners, which are frequently related parties structured in ways that may reduce income tax liabilities.

UCQ reported that in 2019, $254.5 million in cash on deposit was held by UC Investment Services, also controlled by the Trust.[8] The 2019 financial statements of the Trust include limited information, but the related party disclosures report that $256.9 million in cash was held on deposit for UCQ.[9] UCQ was paid $6.9 million in interest payments on the cash held; however, UCQ paid the Trust nearly $9 million in "Stewardship Fees". There is no explanation of these fees paid to the parent entity, but there appears to be a net outflow of funds from UCQ to the Trust, which reported total comprehensive income of over $7 million in 2019.

[5] https://www.forbes.com/companies/sydney-airport/#21cdfea15deb
[6] https://www.acnc.gov.au/charity/276b7d73d98de782cf411b40a0e3e5a3#ais-5de55a641a9ebb40212f06ec7ece27c9
[7] Uniting Care Queensland, Financial Statements 2019, p.4, the document is here: https://acncpubfilesprodstorage.blob.core.windows.net/public/a3425163-3aaf-e811-a962-000d3ad24a0d-5aec7c14-4a6f-400a-ad77-84e762090c24-Group%20Financial%20Report-c9590b45-9341-ea11-a812-000d3ad1cf4f-45414098573_2019AFR.pdf
[8] Ibid, p.33.
[9] The Uniting Church in Australia - Queensland Synod Office, Annual Report for the Financial Year Ended 30 June 2019, p.22. Here: https://acncpubfilesprodstorage.blob.core.windows.net/public/3e6d9ea3-39af-e811-a961-000d3ad24182-5f885501-d75c-44ee-a769-cf1c72c3bcf6-Financial%20Report-ec7d1ad2-9711-ea11-a811-000d3ad1cf4f-25548385225_2019_Financial_Report.pdf

Annual Federal Aged Care Funding

UCQ, Blue Care's parent entity, received more federal funding for aged care than any other non-profit aged care operator in Australia. Blue Care does not file separate financial statements with the Australian Charities and Not-for-profits Commission (ACNC) but is included in the financial statements of UCQ. According to the federal aged care funding data, in 2019 (financial year through 30 June 2019, here and elsewhere in the report) the Trust received $461.3 million in annual aged care funding, including $350.6 million directly for residential aged care services.[10]

The Trust is also the recipient ("provider name") of all the federal funding for aged care services, except for funding given to Australian Regional and Remote Community Services Limited (ARRCS), which operates in the Northern Territory and is also controlled by UCQ. ARRCS files separate financial statements with ACNC. Other aged care facilities are managed by Wesley Mission Queensland, another non-profit entity. The filings of ARRCS and Wesley Mission Queensland have not been analysed for this report. The combined ownership of these entities under the Trust complicates any analysis of Blue Care's finances and operations.

Federal funding data shows that the Trust (62) and ARRCS (13) have 75 residential aged care facilities with 4,957 places. UCQ's annual report, with limited detail, covers 57 residential aged care facilities, including ARRCS, with 3,875 residential beds. The disclosure of government aged care funding is not separately reported in the financial statements or annual report of UCQ.

In 2019, the 75 residential aged care facilities with 4,957 places, ultimately controlled by the Trust, received federal funding for residential aged care averaging $72,218 per place, significantly higher than all other operators in this report.[11]

The Auditor, Board and Executive Compensation

In 2019 UCQ's nine directors were paid a total of $537,129 in fees, including superannuation.[12] The chair was paid the highest amount at $109,553. Total compensation to key management personnel was $4.7 million, down from $5.3 million in 2018.[13] No information is provided on who is included as key management personnel. Deloitte, one of the Big Four global auditing firms, was paid over $1.2 million by UCQ for audit fees and other services.[14]

BOLTON CLARKE

Bolton Clarke was created by the 2016 merger of two non-profits, RSL Care in Queensland and the Royal District Nursing Service (RDNS) in Victoria, and is the trading name for RSL Care RDNS Limited. Bolton Clarke, with 22 residential aged care facilities, is one of Queensland's largest aged care operators. It also operates 4 residential aged care facilities in New South Wales and has other aged care operations in New South Wales, Victoria, South Australia, Tasmania and New Zealand. Bolton Clarke is the only operator in this report that is not faith based and while it has charitable status it also has extensive for-profit operations in Australia and other countries, including aged care investments in China. RSL Care RDNS Limited, as the parent entity, acts as the Trustee for several trusts within the group structure.

[10] https://www.gen-agedcaredata.gov.au/Resources/Access-data/2019/September/Aged-care-service-list-30-June-2019
[11] This calculation includes 3 ARRCS residential facilities with 62 places in the NT that were funded through the National Aboriginal and Torres Strait Islander Aged Care Program, the funding also includes 175 home care places which are not broken out separately.
[12] Uniting Care Queensland, Annual Report 2019, pp.34-35. Here: https://www.unitingcareqld.com.au/-/media/project/ucq/public/unitingcareqld/files/annual-reports/2019-annual-report.pdf
[13] Uniting Care Queensland, Financial Statements 2019, p.26.
[14] Ibid, p.32.

Altura Learning, a group of for-profit entities that provide video training content for organisations delivering residential and home care services in Australia, New Zealand, the United Kingdom and Ireland, has been part of the Group since it was acquired in 2017. Bolton Clarke has also entered into partnerships to provide aged care services in Hong Kong, China and Singapore. Current financial statements provide limited information but most of the investment in Asia appears to be through a for-profit company in Hong Kong.

In 2019 Bolton Clarke had a total of 2,577 residential aged care licenses, 1,924 retirement village units and home care services provided to more than 48,500 other clients. While acknowledging challenges facing the sector, Bolton Clarke reported that "the Operating EBITDA [earnings before interest, tax, depreciation and amortisation] of the Group has increased by 22.3%" from $25.5 million to $32.4 million and emphasized the "strong Operating EBITDA in Residential Care".[15]

Annual Federal Aged Care Funding

According to federal data for aged care funding, in 2019 Bolton Clarke received $168.1 million in residential aged care funding for 26 facilities with 2,510 places, equivalent to $66,982 per place. Including funding for home care, Bolton Clarke's total federal funding for aged care was $223.8 million.

Based on the 2019 (FY ending 30 June 2019) Annual Information Statement filed with the ACNC, Bolton Clarke received nearly $384 million in government funding, 75% of the total gross income of $509.5 million.[16]

This reporting of government funding is $160 million more than indicated by the federal aged care data. According to the 2019 financial report, Bolton Clarke received $94.8 million in customer charges and client fees, accounting for 19% of total revenues.[17] Bolton Clarke reported a loss of $38.9 million, driven by further property investments. Residential aged care operations generated profits that were re-invested.

Residential Aged Care Segment Reporting

Bolton Clarke's financial report provides a breakdown by operating segment. After depreciation, amortisation and non-operating expenses, the residential care segment had a surplus of $15.4 million in contrast to the Group's deficit of $24.5 million.[18] Residential care made up $32.2 million of the total operating EBITDA of $32.4 million. Operating EBIDTA of $6.7 million in retirement living and $6.9 million in home care were offset by losses of $13.5 million in the "Other" category, which includes "Altura Learning, RDNS Hong Kong, RDNS China, corporate cost centres and consolidation eliminations".[19] These are the for-profit ventures of the Group; there is no other mention of them in the financial report. Government subsidies of $20.2 million went to a part of the Group that is not a registered charity.[20] Two thirds of the total income of the for-profit part of the Group came directly from government subsidies.

[15] RSL Care RDNS Limited (Trading as Bolton Clarke), General Purpose Financial Report for the year ended 30 June 2019, p.6. Here: https://acncpubfilesprodstorage.blob.core.windows.net/public/9716c67f-3aaf-e811-a95e-000d3ad24c60-5a7e1eb4-cc00-4fb5-bfb5-e8057e269734-Group%20Financial%20Report-e7742fcf-dc25-ea11-a810-000d3ad1cf4f-20190930_FINAL_RSL_Care_RDNS_Limited_Consolidated_Financial_Statements_-_30_June_2019.pdf
[16] https://www.acnc.gov.au/charity/033ea6b7f9f42766972c1ca42a5f6f50#ais-da6282d6957e23ae5b9524c67c122483
[17] RSL Care RDNS Limited (Trading as Bolton Clarke), General Purpose Financial Report for the year ended 30 June 2019, p.24
[18] Ibid, p.9.
[19] Ibid.
[20] Ibid, p.29.

Operating cashflows increased by 132% to $33.8 million and “have been re-invested into the ongoing improvement of residential care and retirement living facilities.”[21] Bolton Clarke’s 2019 Year in Review reports current “pipelines of 450 new retirement living units and 825 residential aged care beds as part of a $600 million capital works program.”[22] The Group’s loss of $24.5 million was the result of a reduction in the value of retirement village assets largely due to “units being taken offline as the Group undertakes a significant redevelopment and capital works program over the next 5 years.”[23]

Limited Reporting on Overseas Investments

The financial report lists subsidiaries which include three trusts, RDNS New Zealand, two registered charities in Australia and Altura Learning Australia and Altura Learning United Kingdom. The subsidiaries do not include any of Bolton Clarke’s operations or investments in Hong Kong and China or other countries.

One of the charities listed as a subsidiary is the Royal District Nursing Service Limited, which as part of the Bolton Clarke Group no longer files financial statements with ACNC. The last financial statement filed in 2015, prior to the merger, listed RDNS New Zealand as a subsidiary as well as the Royal District Nursing Service (Hong Kong) Limited (“RDNS HK”) and Royal District Nursing Service (Beijing) Consulting Co. Limited as subsidiaries.[24] The note on related party disclosures showed outstanding loans to these entities of $97,000 and $242,000, respectively.[25]

According to the most recent Hong Kong filing, the Royal District Nursing Service Limited is the sole shareholder of RDNS HK.[26]

A September 2019 Queensland Government report on a trade and investment mission to China featured an opening ceremony of the joint venture company of RDNS and Yango Holding Co., Ltd, a major Chinese property developer.[27] According to the report, the joint venture will be one of the top eight players in China’s aged care industry, “with expected annual revenue at more than RMB 1 billion (A$209 million).” The report noted that Bolton Clarke has an emerging presence in China, Hong Kong and Singapore and that its “subsidiary in Asia, RDNS HK, has to date undertaken the service planning, master planning and commissioning of nine projects in Beijing and Guangzhou.”

Bolton Clarke does not include any information on these international operations in its financial statements.

The Auditor, Board and Executive Compensation

Deloitte is Bolton Clarke’s auditor. Bolton Clarke’s directors were paid $525,185 and executives were paid $3.8 million in 2019.[28]

[21] Ibid, p.7.
[22] Bolton Clarke, Year in Review 2019, p.5. Here: https://www.boltonclarke.com.au/globalassets/news--resources/yearinreview_2019_interactive_web.pdf
[23] RSL Care RDNS Limited (Trading as Bolton Clarke), General Purpose Financial Report for the year ended 30 June 2019, p.7.
[24] Royal District Nursing Service Limited, Financial Statements 2015, p.2. Here: https://acncpubfilesprodstorage.blob.core.windows.net/public/c3ec26e3-2daf-e811-a963-000d3ad24077-783029a1-8b5c-42ec-8ed3-d1d96eeb322d-Financial%20Report-ae8f2f81-3db0-e811-a961-000d3ad24182-RDNS_Statutory_Accounts_2014_2015.pdf
[25] Ibid, p.23.
[26] Royal District Nursing Service (Hong Kong) Limited, Annual Return for year ended 28 January 2020, p.8. Purchased from the Hong Kong companies registry.
[27] Queensland Government, 21-25 September 2019, Trade and Investment Mission to the People’s Republic of China, pp.25-26. Here: https://www.parliament.qld.gov.au/documents/tableOffice/TabledPapers/2019/5619T1956.pdf
[28] RSL Care RDNS Limited (Trading as Bolton Clarke), General Purpose Financial Report for the year ended 30 June 2019, p.55.

UNITING (NSW.ACT)

Uniting is the largest residential aged care provider in New South Wales and the fourth largest in the Australian Capital Territory. Similar to Uniting Care in Queensland, all assets "are held in the name of The Uniting Church in Australia Property Trust (NSW) and The Uniting Church in Australia (Australian Capital Territory) Property Trust (the "Trusts").[29] There are significant related party transactions with other entities controlled by the Church. Uniting operates a range of social services beyond residential aged care. In 2019 revenue from residential aged care made up 61% ($527m) of total service revenue of $862 million.[30] Ten percent of revenue came from Home and Community care ($89m), 10% from families ($86m), 5% from investment and other income ($44m), 4% from local area coordination ($37m), 4% from independent living ($32m), 3% from early learning ($25m) and 3% from disability services ($23m).[31]

Like other large non-profit aged care operators, Uniting reported a loss in 2019 of $4.3 million, driven by over $250 million in property investments. As with most other non-profit aged care operators, the financial report provides limited disclosures and no segment reporting of the aged care business.

Annual Federal Aged Care Funding

According to government data, in 2019 Uniting received total federal government aged care funding of $428.8 million.

Funding for residential aged care at 73 facilities with 5,322 places was $367.5 million or $69,048 per place.

According to the 2019 annual information statement filed with ACNC, Uniting NSW received $627.5 million in government funding.[32] Government funding was 73% of total gross income of $861.5 million. Uniting received nearly $200 million in other federal and state funding for services beyond aged care. However, at least 59% of total government funding was for residential aged care and 68% from all federal aged care funding, including home care.

Financial Reporting

The 2019 loss of $4.3 million compares to a surplus of $32.7 million in 2018.[33] However, the loss was driven by investment, primarily the purchase of property, plant and equipment of $251.4 million.[34] Net cash from operations was $55.1 million, up from $45.9 million in 2018 indicating a strong financial performance from operations. Government subsidies and recurrent grants were $627.5 million, up from $596.4 million in 2018.[35] In 2019, 73% of the revenue ($628m) was government subsidies, grants and program funding, 18% ($179m) was resident fees, client fees and charges and 9% ($55m) was other revenue.[36]

Significant finance activities, which are not explained, resulted in net cash flows of $63.9 million.[37] Uniting Resources, a separate entity which provides insurance and other services, including payroll, for various church related entities, was allocated $80 million from the sale of a property.[38] This representing approximately half of value of the sold property.

[29] Uniting (NSW.ACT), Financial Report 30 June 2019, p.1. Here: https://acncpubfilesprodstorage.blob.core.windows.net/public/ee2efc80-3aaf-e811-a963-000d3ad244fd-a75846ae-13be-4f3a-9cf4-4b2fdec64de6-Group%20Financial%20Report-885b459a-c822-ea11-a810-000d3ad1cc03-Uniting_-_2019_Financial_Statements_Full_set_includind_Audit_Report_and_Independence_Declaration_Signed.pdf
[30] Uniting NSW.ACT, Annual Report 2018/19, p.68. Here: https://annualreport.uniting.org/2018-2019/wp-content/uploads/2019/12/Uniting-NSW.ACT-Annual-Report-2018_19.pdf
[31] Ibid.
[32] https://www.acnc.gov.au/charity/532164c47d6ef9405c3ee7fe873972d5#ais-1f3f176d1fd1b1b3e1c2c7799585a046
[33] Uniting (NSW.ACT), Financial Report 30 June 2019, p.2.
[34] Ibid, p.5.
[35] Ibid, p.13.
[36] Uniting NSW.ACT, Annual Report 2018/19, p.67.
[37] Uniting (NSW.ACT), Financial Report 30 June 2019, p.5.
[38] Ibid, p.27.

The Auditor, Board and Executive Compensation

KPMG was the auditor. Key management personnel, including board members and executives were paid total compensation of $3.9 million in 2019, down from $5.3 million in 2018.[39]

CATHOLIC HEALTHCARE LIMITED

Catholic Healthcare Limited (CHL) is the second largest non-profit residential aged care operator in New South Wales and the fourth largest overall in the state. CHL has two residential aged care facilities in Queensland, provides home care services in both states, operates retirement villages, a hospital in Dubbo and the St Vincent's Outreach Service in Bathurst.

CHL made over $130 million in investments in 2019 to grow its business. It is expanding into Victoria and has a major partnership with Lendlease to develop new aged care properties. CHL, unlike other large non-profit aged care operators, did report a profit in 2019 despite large property investments. CHL, without explanation, does not report federal government funding for residential aged care as revenue from government in its filings with ACNC.

Annual Federal Aged Care Funding

According to government data, Catholic Healthcare received total federal government funding for aged care of $205.5 million in 2019. Funding for residential aged care at 40 facilities with 2,668 places was $172.5 million, equal to funding of $64,672 per place.

CHL's 2019 annual information statement filed with ACNC, reports only $35.2 million in government funding.[40] According to this number, government funding was 11% of total gross income of $316 million. However, according to the annual financial report the $35.2 million is recurrent state government funding and does not include resident fees and subsidies of $275.8 million.[41] No breakdown is provided for federal subsidies which, as indicated above, are at least $205.5 million. The combination of federal aged care funding and state funding is more than 76% of total gross income of $316 million.

Financial Reporting

The parent entity of the CHL Group is the "Trustees of Catholic Healthcare ("TCH")" which received over a quarter of a million dollars ($281,517) in "expense reimbursements".[42] CHL, referred to as the "Company", recorded a surplus of $8.7 million in 2019, down from $9.8 million.[43] Revenue was $313.9 million in 2019, up from $285.9 million. Results from operating activities were $9.2 million, down from $10.6 million.[44]

However, net cash from operating activities was reported as $32.4 million, up from $21.5 million.[45] CHL's operations, likely driven by residential aged care, performed well.

[39] Ibid.
[40] https://www.acnc.gov.au/charity/02de8317d334e0b4c151ed58e420f3ba#ais-779a851291683473b0a13bb72df74abb
[41] Catholic Healthcare Limited, Annual Report 30 June 2019, p.24. Here: https://acncpubfilesprodstorage.blob.core.windows.net/public/ee8cf129-38af-e811-a963-000d3ad24077-cc918c6d-9f52-44fa-9c24-7f5df3b9e276-Financial%20Report-17551cbd-1f21-ea11-a810-000d3ad1cf4f-CHL_FS_2019_Final__signed.PDF
[42] Ibid, p.30.
[43] Ibid, p.5.
[44] Ibid, p.8.
[45] Ibid, p.10.

CHL, like other large non-profit aged care operators, uses reduced disclosure requirements that limit that amount of information disclosed in annual financial reports.[46] As indicated above, CHL does not report federal government funding as a separate revenue source in its financial statements. CHL did report that "additional non-recurring funding amount of $4m was received from the Government in the last quarter of the year partially mitigating the increased costs of care experienced across CHL homes."[47] Federal funding must be included in the $304.8 million in cash receipts from customers, which was up from $281.8 million in 2018.[48]

Although not disclosed in the audited annual financial review the CHL 2019 Annual Review states that out of total revenue of $314.6 million,

- 75% ($237.4m) was from residential aged care,
- 18% ($56.4m) from home and community care,
- 5% ($14.7m) from health/other and
- 2% ($6.1m) from 10 retirement communities with 322 units.[49]

Despite the relatively small scale of the hospital operations, the hospital subsidiary provided a $4.1 million loan, at 3% above the RBA cash rate, to CHL on which it paid $185,623 in interest expenses in 2019.[50] No explanation is provided for this financial arrangement.

The Annual Review gives a clearer sense of CHL's expansion, stating that in 2020 "total financial assets employed in our Mission will reach $1 billion; and in five years' time this is expected to reach $2 billion."[51] By the end of 2020, CHL "expects to be opening a new aged care home every four to six months" and continues to partner with Lendlease "to build aged care homes on their Retirement Living sites, and to provide Home Care services into their Villages", including in Victoria.[52] Contracts with Lendlease were in place for the "acquisition, development and subsequent operation of up to 7 residential aged care sites in NSW and Victoria" and three sites were acquired in June 2019.[53] Lendlease's retirement villages have allegedly been at the heart of a major tax avoidance controversy.[54]

Residential aged care developments and "refurbishments across our homes" helped lead to "an increase in overall revenue for the Company".[55] An aged care facility was acquired in Wagga Wagga and several major redevelopments were completed in 2019.[56] The Wagga Wagga facility and business were purchased for $21.6 million and $109 million of additional investments of were made in property, plant and equipment.[57]

The Auditor, Board and Executive Compensation

KPMG was the auditor. Key management personnel, which including 13 people, had total compensation of $3.1 million in 2019.[58]

[46] Ibid, p.13.
[47] Ibid, p.5.
[48] Ibid, p.10.
[49] Catholic Healthcare, Annual Review 2018-2019, p.22. Here: https://www.catholichealthcare.com.au/globalassets/annualreview/2018-2019/Annual_Review20182019.pdf
[50] Catholic Healthcare Limited, Annual Report 30 June 2019, p.30.
[51] Catholic Healthcare, Annual Review 2018-2019, p.3.
[52] Ibid, p.12.
[53] Catholic Healthcare Limited, Annual Report 30 June 2019, p.5.
[54] Michael West, 3 June 2019, Michael West Media, "Taxman closes in on Lendlease's "magnificent" $1 billion tax dodge". https://www.michaelwest.com.au/taxman-closes-in-on-lendleases-magnificent-1-billion-tax-dodge/; This is the most recent of 3 articles by Michael West on Lendlease's tax avoidance through retirement village investments.
[55] Catholic Healthcare Limited, Annual Report 30 June 2019, p.5.
[56] Ibid.
[57] Ibid, p.10.
[58] Ibid, p.30.

ANGLICARE

Anglicare is the third largest non-profit residential aged care operator in New South Wales, after Uniting and Catholic Healthcare. For-profit companies, Bupa and Opal Aged Care, are the second and third largest in the state. Anglican Community Services, the legal name for Anglicare, is controlled by the Anglican Diocese of Sydney. Anglicare incorporates ARV (Anglican Retirement Villages), the Sydney Anglican Home Mission Society (SAHMS) and Anglicare Foundation Funds, a separate registered charity with no employees and total gross income of nearly $7.4 million in 2019.[59] Anglicare reported a loss of $16 million.

As with other large non-profit aged care providers, Anglicare's loss was due to property investments not as a result of residential aged care operations. Anglicare had a heavy reliance on temporary agency workers. In 2019 Anglicare spent $15.3 million on agency workers, equivalent to nearly 9% of the total employee costs. More recently, Anglicare's Newmarch House in western Sydney was the site of one of the worst Coronavirus outbreaks in Australia. Anglicare's long-standing CEO directed Coca-Cola's global tax affairs for 13 years during a period when Coca-Cola was aggressively avoiding income tax payments which deprived governments of billions in revenue to fund health and social services. (see below)

Annual Federal Aged Care Funding

According to government data on federal aged care funding, Anglicare received $173.1 million in 2019. Nearly $138 million was funding for residential aged care at 22 facilities with 2,364 places.

This equates to funding of $58,360 per place, the second lowest of all nine operators in this report and far below the average of $66,516 per place.

Based on information from the annual information statement filed with ACNC, in 2019 Anglicare received $233.6 million in government funding. Government funding was 61% of total gross income of $384.8 million. It appears that Anglicare received an additional $60 million in government funding other than from federal aged care funding. As with other large non-profits, federal funding for residential aged care was by far the largest source of funding.

Financial Reporting

Anglicare's consolidated operating revenue increased by 6.5% to $384.8 million in 2019.[60] Government subsidies also increased from $214 million to $233.6 million and increased from 59% to 61% of total revenue.[61] Of the total government subsidies, 63% (148.3m) was for residential aged care, 14% ($32.1m) was for consumer directed home care packages and 23% ($53.3m) for other funded services.[62]

Anglicare's 2019 Annual Review states that of total revenue of $384.8 million, 53% ($204.5m) was from residential care, 15% ($58.8m) from home care, 15% ($56.9m) from retirement living and 9% ($33.5m) from community services.[63] There is no breakdown of operating income by segment, but residential aged care is the largest source of government funding and the largest source of revenue overall. Net cash flow from operations was down from $51.8 million in 2018 but remained positive at $26.9 million.[64]

As with the other large non-profit aged care operators, revenue more than covered the cost of operations. Losses appear to be driven by the $171.2 million spent on purchase of property, plant & equipment.[65]

[59] https://www.acnc.gov.au/charity/7cc77448c447c5c42229a80d698106e0#ais-6d507c46de2182ab1cb2afb79799a67b
[60] Anglican Community Services, Financial Report 30 June 2019, p.8. Here: https://acncpubfilesprodstorage.blob.core.windows.net/public/b7633d8a-38af-e811-a963-000d3ad244fd-5080ca3e-0a3b-4ab4-aab5-0504cebf74fe-Financial%20Report-f634e75b-27f9-e911-a813-000d3ad1ce3a-ACS_Stat_Accounts_30_June_2019_(signed).pdf
[61] Ibid, p.12.
[62] Ibid, p.21.
[63] Anglicare, Annual Review 2019, p.52. Here: https://www.anglicare.org.au/media/5728/anglicare-2019-annual-review.pdf
[64] Anglican Community Services, Financial Report 30 June 2019, p.15.

Property investments and related costs included buying an aged care facility in Parramatta, opening a new home in Rooty Hill and the temporary closure of two other aged care facilities. Anglicare reports that although “these transitions are costly in the short term they are done with a view to the generating of sustainable long-term returns”.[66] Results also included “the accelerated depreciation or write-down of several property assets”.[67] Total depreciation and amortisation expenses were $57.9 million.[68]

After accounting for depreciation, Anglicare held over $1.051 billion in land building and improvements and had total plant, property and equipment of $1.368 billion, including $242 million in capital work in progress.[69]

Anglicare also held $420.1 million in investments and other financial assets, including corporate bonds and subordinated debt, down from $468.8 million in 2018.[70]

The Auditor, Board and Executive Compensation

Ernst & Young, the auditor, was paid $300,648 for audit and other assurance services.[71] Key management personnel, including 9 executives, received total compensation of over $2.8 million.[72] The amount paid to the CEO is not reported. The board members – which include 3 clergy and 3 lay members elected by the Synod, 3 appointed by the Archbishop and up to 2 appointed by the board – are voluntary and not remunerated.[73]

Anglicare’s CEO: The Coca-Cola Tax Dodger

“I’ve been a Christian for a long time and my ethical framework always applied in my corporate life. This wasn’t about slamming the door on the evil corporate world. Not at all.” [74]

– Grant Millard, CEO Anglicare Sydney

Anglicare’s CEO Grant Millard “spent 13 years working in senior management roles within the Coca-Cola system in Sydney, London and Athens, where he was responsible for taxation, treasury, risk & insurance and business development.”[75] Prior to Coca-Cola he was a partner at Arthur Andersen, the global accounting firm involved in the fraudulent accounting and subsequent collapse of US Energy giant, Enron.[76] Grant Millard has held CEO positions within Anglicare since 2011.

Coca-Cola’s interlocking global corporations have frequently been cited as an example of multinational tax avoidance that deprives governments of tax revenue needed to fund public health, education and other essential services.[77] For a significant time of his 13-years at Coca-Cola, Grant Millard was at the helm of Coca-Cola’s aggressive global tax dodging strategies.

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65 Ibid.
66 Ibid, p.8.
67 Ibid.
68 Ibid, p.12.
69 Ibid, p.26.
70 Ibid, p.23.
71 Ibid, p.36.
72 Ibid, p.40.
73 Ibid, p.39.
74 https://leadershipspace.com.au/articles/making-executive-transitions-work/
75 https://www.anglicare.org.au/about-us/our-executive-team/grant-millard/
76 https://www.linkedin.com/in/grant-millard-79578774/?originalSubdomain=au
77 Some global examples include: Kevin Drawbaugh, 2 April 2018, Reuters, “As corporate-government tax pacts falter, Coca-Cola challengers huge U.S. bill”. https://www.reuters.com/article/us-usa-tax-corporate/as-corporate-government-tax-pacts-falter-coca-cola-challenges-huge-u-s-bill-idUSKCN1H8191 ; Khadija Sharife, 20 January 2016, Pambazuka News, “Trade secrets: Coca-Cola’s hidden formula for avoiding taxes”. https://www.pambazuka.org/governance/trade-secrets-coca-cola%E2%80%99s-hidden-formula-avoiding-taxes Morti Neto and Guilherme Zocchio, 18 October 2018, O Joio e O Trigo, “Coca-Cola’s Tax Planning is International”. https://ojoioeotrigo.com.br/2018/10/coca-colas-tax-planning-is-international/

Grant Millard was Treasury and Tax Director for Athens-based Coca-Cola Hellenic Bottling Company, S.A. (CCHBC), one of the world's largest Coca-Cola bottlers. Operating in 28 countries, CCHBC is partially owned by the US Coca-Cola company and controlled by one of Greece's wealthiest families via holding companies in Luxembourg and the British Virgin Islands. CCHBC's 2004 annual report discloses 3 subsidiaries in Luxembourg, where the company had no operations.[78]

Luxembourg has been a major tax haven within Europe and is at the core of many multinational tax avoidance schemes. Luxembourg filings of these companies show that Grant Millard was a manager of these 3 Luxembourg entities and 2 others not disclosed in the company's annual report.[79] These entities held ownership stakes, directly or indirectly, in the company's international operations including in Nigeria, Bulgaria, Armenia, Romania and Moldova and provided intra-group loans.

Most of the Luxembourg company filings contained the statement that as Luxembourg holding companies, the entities were "not liable to taxes on income or on capital gains." The Luxembourg holding companies also owned 99.99% interests in 2 companies in Panama and one in Liechtenstein, both notorious tax havens where the company had no operations and not disclosed in the CCHBC 2004 annual report.[80]

UK Filings reveal that Grant Millard was a director of a CCHBC finance subsidiary in Northern Ireland and two in England, despite having no physical operations in England.[81] The three UK registered subsidiaries, along with other subsidiaries in the Netherlands, may have been part of alleged global tax dodging schemes at the time. Grant Millard may have also been a director/manager of other Coca-Cola tax haven subsidiaries, including those in Panama, Liechtenstein or in other tax havens.

The CCHBC 2004 annual report also discloses a 50% interest in a subsidiary in Guernsey, a British protectorate and another notorious tax haven.[82] The 2004 Guernsey filing shows that Grant Millard was one of two directors.[83] No information is provided on its activities or investments, but the two equal shareholders are listed as Atlantic Industries (Luxembourg) SARL in Luxembourg and CC Beverages Holdings in the Netherlands, representing the US Coca-Cola company and the Athens-based CCHBC.[84]

In 2004, Bloomberg reported that "Coca-Cola, the world's largest soft-drink maker, manufactures syrup in two Irish plants owned by Coke's Cayman-based subsidiary, Atlantic Industries. ...Coke used the Cayman subsidiary to sell syrup to customers in 75 countries and avoid paying U.S. taxes on earnings from more than $1 billion in revenue" in 2003.[85]

According to Bloomberg, Coca-Cola's share in the CCHBC was also owned by Cayman Islands based Atlantic Industries. In 2015, the US Internal Revenue Service charged Coca-Cola US$3.3 billion, plus interest, after an audit covering the period 2007 to 2009 for income generated from licensing products in foreign markets.[86]

[78] Coca-Cola HBC Annual Report 2004, pp.104-105. https://coca-colahellenic.com/media/2358/2004-cch-annual-report.pdf ; The 3 disclosed Luxembourg subsidiaries are: Clarina Holding S.ar.l, Leman Beverages Holding S.ar.l., and Molino Beverages Holding S.ar.l.
[79] Clarina Holding S.a.r.l., Financial Statements 2003, 2004, 2005; Leman Beverages Holding S.a.r.l., Financial Statements 2004, 2005; Molino Beverages Holding S.a.r.l, Annual Accounts 2003, 2004; Molino Holding S.a.r.l., Annual Accounts 2003; Molino Soft Drinks Holding S.a.r.l., Annual Accounts 2003. All filings obtained through Luxembourg's corporate registry.
[80] Molino Holding S.a.r.l., Annual Accounts 2003, Note 3. Investments reports a 99.99% interest in Molina Services S.A. incorporated in Panama and a 99.99% interest in Remlo Astalt incorporated in Lichtenstein. Molino Beverages Holding S.a.r.l., Annual Accounts 2003, Note 3. Investments reports a 99.99% interest in Molino Beverages Services S.A. incorporated in Panama.
[81] These companies were Coca-Cola HBC Finance plc and CCB Services registered in England and Wales and Dunlogan Limited registered in Northern Ireland.
[82] Coca-Cola HBC Annual Report 2004, pp.104-105.
[83] Dorna Investments Limited, Annual List of Dorna Investments Limited, Made up to 1 January 2004 pursuant to the Companies (Guernsey) Law, 1994, p.2. Obtained through the Guernsey corporate register.
[84] Ibid.
[85] David Evans, August 2004, Bloomberg Markets, "Coke, Intel Use Cayman Islands Subsidiaries to Reduce U.S. Taxes". http://www.killercoke.org/downloads/david_evans_offshore.pdf
[86] Myles Udland, 19 Sept 2015, Business Insider, "The IRS says Coke owes $3.3 billion". https://www.businessinsider.com.au/irs-coca-cola-tax-bill-2015-9?r=US&IR=T

The Greek families' controlling interest in CCHBC continues to be held through Kar-Tess Holding in Luxembourg.[87] Up until 2010 the Luxembourg holding company was exempt from any tax payments.[88] In advance of changing tax laws, with the assistance of PwC (as revealed through the Lux Leaks) a new structure was created using companies in the British Virgin Island, Luxembourg and Cyprus to continue to avoid tax liabilities. The new structure was submitted by PwC for approval in 2009, but likely being prepared earlier. Grant Millard was providing financial "consulting services to the CCHBC Group in Europe" through May 2008, after being the Director of Tax and Treasury for the CCHBC Group in Athens.[89]

In 2012, CCHBC – then Greece's largest company by market capitalisation – relocated its headquarters to Switzerland and transferred its public listing to the London Stock Exchange.[90] The move was driven by efforts to further reduce tax liabilities in Greece and other countries. The IUF trade union federation representing the CCHBC workers in multiple countries, commented on the move to Switzerland that it assumed the company "already devotes considerable ingenuity to whittling down its global tax bill through transfer pricing and careful routing of invoices. Tax charges as a percentage of its profits have been declining over the crisis years, but this hasn't stopped it from grumbling."[91]

Non-Profit Operators Dominated by Corporate Ethos?

While the alleged global tax dodging track record of Anglicare's CEO is concerning, it may represent the broader influence of corporate executives on how some large non-profits are run. As part of this report, an examination of individual board members was conducted. Board members are responsible for giving direction and guidance. In most cases, these non-profit boards were dominated by current and former corporate executives.

In particular, at least 13 board members had careers with the Big Four accounting firms. The Big Four have a track record of facilitating global tax avoidance and are being scrutinised by the Australian Taxation Office.[92]

Other board members had a history of brokering major investments and/or corporate mergers and acquisitions. At least 10 board members had a background in banking and finance and at least 8 had a background in property management or development.

While experience in the corporate sector can provide valuable skills and experience, the dominance of corporate board members is likely to have a significant influence in driving a focus on investment and expansion. The focus on growth may come at the expense of providing high quality care for elderly Australians which is part of the core mission of all of these non-profit entities.

[87] https://coca-colahellenic.com/en/investors/shareholder-centre/shareholder-structure/
[88] Nikolas Leontopoulos, 7 Nov 2014, ThePressProject, "Coca-Cola Zero... Tax and the Greek media's deafening silence". https://thepressproject.gr/coca-cola-zero-taxbr-and-the-greek-medias-deafening-silence/ ; the Lux Leaks documents can be found here: https://projects.icij.org/luxembourg-leaks/viz/companies/coca-cola-hbc.html
[89] https://www.linkedin.com/in/grant-millard-79578774/?originalSubdomain=au
[90] Harry Papachristou, 12 Oct 2012, Reuters, "Greece's biggest company flees, bottler CCH to Switzerland". https://www.reuters.com/article/us-greece-coke/greeces-biggest-company-flees-bottler-cch-to-switzerland-idUSBRE89A17P20121011
[91] http://www.iuf.org/w/?q=node/2102
[92] Edmund Tadros, 9 October 2018, Australian Financial Review, "Deloitte, EY, KPMG, PwC deny promoting tax avoidance schemes". https://www.afr.com/companies/professional-services/deloitte-ey-kpmg-pwc-deny-promoting-tax-avoidance-schemes-20181009-h16dv6#:~:text=Big%20four%20accounting%20and%20consulting,over%20the%20use%20of%20privilege.&text=The%20PwC%20spokeswoman%20refused%20to,that%20alarmed%20the%20Tax%20Office. ; Edmund Tadros, 12 September 2019, Australian Financial Review, "Deliotte, EY, KPMG and PwC a 'systemic' tax risk: ATO". https://www.afr.com/companies/professional-services/deloitte-ey-kpmg-and-pwc-a-systemic-tax-risk-ato-20190911-p52qbi

MERCY AGED & COMMUNITY CARE LTD

The Victorian aged care market is dominated by large for-profit aged care companies, but Mercy Aged & Community Care Ltd is the state's largest non-profit residential aged care operator with 25 facilities. Mercy Care provides home care services in Victoria, New South Wales, Queensland, the Australian Capital Territory and South Australia and operates 3 aged care facilities in Western Australia and 2 in both New South Wales and Queensland. Mercy Aged & Community Care Ltd "is a Catholic community benefit organisation founded by the Institute of Sisters of Mercy of Australia and Papua New Guinea".[93] Other entities operating under the Mercy Care name, appear to have separate ownership and governance structures from this Mercy Health Group.

Mercy Aged & Community Care Ltd is owned by Mercy Health Australia Ltd, "the holding company for the Mercy Health Group".[94] The holding company controls 9 other entities, including 3 trusts, which own and operate hospitals, retirement villages and other businesses. Mercy Health Australia Ltd "provides strategic direction to the subsidiaries", but has no employees, no income and no expenses.[95] Mercy Aged & Community Care Ltd reported total comprehensive income of $54.6 million in 2019, significantly larger than any other operator in this analysis, but profits were driven by a property revaluation.

Mercy Care's operations grew significantly as other aged care related businesses, including Southern Cross Care (Vic), were transferred to it at no cost.

Annual Federal Aged Care Funding

According to government data, in 2019 Mercy Aged & Community Care Ltd received total federal government aged care funding of $210.2 million. Funding for residential aged care at 32 facilities with 2,615 places was $164.7 million or $62,966 per place.

Based on information from the annual information statement filed with ACNC, in 2019, Mercy Aged & Community Care received $195 million in government funding.[96] Government funding was 58% of total gross income of $334.4 million. The data on federal funding for aged care shows $15 million more than reported as total government funding. The federal aged care funding total would be nearly 63% of total gross income. Federal aged care funding could flow to other subsidiaries of Mercy Health and be accounted for elsewhere.

Financial Reporting

The operations of Bethlehem Home for the Aged Limited and Southern Cross Care (Vic) and the aged care operations of Mercy Hospitals NSW Ltd, valued at $78.4 million, were transferred to Mercy Aged & Community Care Limited on 30 June 2018 at no cost.[97] The assets were "transferred from commonly controlled entities within the Mercy Health Group, of which Mercy Health Australia Ltd is the parent entity."[98]

[93] Mercy Aged & Community Care Ltd, Financial Statements for the Year Ended 30 June 2019, p.3. Here: https://acncpubfilesprodstorage.blob.core.windows.net/public/66d6a097-39af-e811-a961-000d3ad24182-e9693ef4-7636-48ac-81d7-043434d9a728-Financial%20Report-c04469b1-f742-ea11-a812-000d3ad1cf4f-20190630_Mercy_Aged_and_Community_Care_Ltd_Financial_Statements.pdf
[94] Mercy Health Australia Ltd 2019 Annual Report, p.11 https://acncpubfilesprodstorage.blob.core.windows.net/public/4128e793-3aaf-e811-a963-000d3ad24077-969c1700-c9c2-4b74-8d1e-d5529537b1d1-Financial%20Report-ae8227cc-f942-ea11-a812-000d3ad1cc03-20190630_Mercy_Heallth_Australia_Ltd_Financial_Statements.pdf and Mercy Health Australia Ltd 2019 Annual Information Statement, https://www.acnc.gov.au/charity/b20afcff8d06dfced5b781e9eed4eb96#ais-942422a8581adffa9d47770c9d546771
[95] Ibid.
[96] https://www.acnc.gov.au/charity/8661cdec593137c536c3807b165a0283#ais-89bcdb9197fb764ad29d10f8b7b045c8
[97] Mercy Aged & Community Care Ltd, Financial Statements for the Year Ended 30 June 2019, p.12.
[98] Ibid.

Net cash flow from operating activities was $25.6 million in 2019, up from $13.2 million.[99] Although not explained, the near doubling of cash flows from operations was presumably driven by the transfer of aged care operations from other entities in the Mercy Health Group.

Total comprehensive income of $54.6 million in 2019, up from a loss of $10.9 million in 2018, was driven by a gain of $51.4 million on the revaluation of land and buildings.[100] The surplus before interest, tax, depreciation, amortisation and impairment was $20.7 million in 2019, up from $7.7 million.[101] Significant interest revenues and finance costs of roughly $10 million each, largely cancelled each other out. However, depreciation, amortisation and impairment of $17.5 million reduced the surplus to $3.3 million, compared to a deficit of $10.6 million in 2018.[102]

Revenue from continuing operations was $324 million in 2019, up significantly from $182.9 million.[103] Government grants and subsidies of $195 million were 62% of the total revenue from operating activities of $315.1 million in 2019.[104] Operating grants from government were up significantly from $103.8 million in 2018.[105] Again, these increases were presumably from the takeover of other aged care operations, but there is no explanation. Resident fees were $60.2 million and client fees were $31.3 million in 2019.[106]

In addition to the transfer of aged care operations from within the Group, Mercy Aged & Community Care Ltd also purchased $37.8 million in residential aged care property, plant and equipment in 2019 and $35.7 million in 2018.[107] Total cash and cash equivalents, predominately “Deposits at Call”, were $247.3 million in 2019, up from $218 million.[108]

The Auditor, Board and Executive Compensation

Grant Thornton was the auditor.[109] Total remuneration for directors was $895,000 and $4.7 million for key management personnel in 2019.[110] There is no indication of the number of key management personnel.

SOUTHERN CROSS CARE (SA & NT)

Southern Cross Care (SA & NT) Incorporated (SCC SA) is the largest residential aged care operator in South Australia. In addition to the 16 residential aged care facilities in South Australia it operated one facility in the Northern Territory and home care services in both jurisdictions. SCC SA also owns and operates 38 retirement living sites, including one each in the Northern Territory and Victoria. The Victorian property, the Mornington Retirement Village, was acquired in April 2019 and the name of the organisation was officially changed to Southern Cross Care (SA, NT & VIC) Incorporated.

SCC SA, like Bolton Clarke, also has for-profit aged care investments in China in a joint venture with two other South Australian non-profit aged care providers. SCC SA has continued to expand and reported a surplus from trading activities of $7.4 million in 2019, up from just under $6 million in 2018.[111]

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[99] Ibid, p.9.
[100] Ibid., p.6.
[101] Ibid.
[102] Ibid.
[103] Ibid.
[104] Ibid, p.13.
[105] Ibid, p.9.
[106] Ibid. p.13.
[107] Ibid, p.9.
[108] Ibid, p.29.
[109] Ibid, p.36.
[110] Ibid.
[111] Southern Cross Care (SA & NT) Inc, Annual Financial Report 2018-2019, p.1. Here: https://acncpubfilesprodstorage.blob.core.windows.net/public/ac7d6e09-2caf-e811-a961-000d3ad24182-173aa8d5-38d1-4c6d-a349-f59b1309091d-Financial%20Report-809bad7e-6699-ea11-a812-000d3acb05bc-Audited_financial_statements_2019.pdf

Annual Federal Aged Care Funding

According to government data, in 2019 SCC SA received total federal government aged care funding of $106.8 million. Funding for residential aged care at 17 facilities with 1,441 places was $100.5 million or $69,767 per place. Ninety-four percent of federal aged care funding was for residential aged care.

The 2019 annual information statement filed with ACNC reports that SCC SA received $122.5 million in government funding.[112] Government funding was 66% of total gross income of $185.5 million. Presumably SCC SA received $15.7 million in additional government funding from other federal, state or local sources.

Financial Reporting

SCC SA has continued to expand in recent years. The company's annual financial statement reported revenue of $185.2 million in 2019, an increase of 10.2% from $168.1 million in 2018.[113] Government subsidies were $121.8 million, up from $114.7 in 2018.[114] Net cash from operations was $4.7 million, also up from $3.5 million.[115] The annual financial statements use reduced disclosure requirements and contained limited information.[116] There is no segment reporting making it difficult to determine the operational performance of residential aged care compared to retirement villages or other segments.

SCC SA reported total assets of $978.7 million in 2019, including $395.6 million in property, plant and equipment and $361.1 million in investment properties (ie. retirement villages and independent living units).[117] SCC SA also held retained earnings of $248.3 million in 2019, up from $240.6 million in 2018.[118]

Undisclosed Joint Venture in China

Southern Cross received $1.7 million in dividends in 2019, slightly less than the $1.9 million in 2018.[119] The origins of dividends are not reported. Of the total dividend income, $100,485 ($194,818 in 2018) is likely from the joint-venture company, Australian Ageing & Wellness Services Pty Ltd trading as AAWS Elder Care in China.[120] The joint-venture company is not mentioned in SCC SA's 2019 Annual Report.

The only mention of the joint venture in the 2019 financial report is to state that Chair and CEO "are Directors of Australian Ageing & Wellness Services Pty Ltd ('AAWS') which is the trustee of the AAWS Elder Care Unit Trust ('AAWS Trust')" and that the company secretary "provides secretariat and management services to AAWS and the AAWS Trust."[121] The financial report states that the 3 individuals "do not receive additional remuneration for these roles and do not have a substantial financial interest in AAWS or the AAWS Trust."[122]

[112] https://www.acnc.gov.au/charity/8c62a919ee30ff20de88304cf4043c15#ais-63de9aff8d2b6c503174165a3c44106c
[113] Southern Cross Care (SA & NT) Inc, Annual Financial Report 2018-2019, p.3.
[114] Ibid, p.7.
[115] Ibid.
[116] Ibid, p.8.
[117] Ibid, p.5.
[118] Ibid, p.18.
[119] Ibid, p.7.
[120] This was the income reported by Eldercare which has an equal one-third share in the joint venture; See Eldercare 2018-19 Annual Report, p. 11; https://www.aaws.net.au/about-us
[121] Southern Cross Care (SA & NT) Inc, Annual Financial Report 2018-2019, p.2.
[122] Ibid.

The note on related party disclosures repeats similar language and adds that "AAWS and the AAWS Trust are together a Joint Venture which the Association entered into with two other South Australian aged care providers during the year. ...[SCC SA] paid $0 to the AAWS Trust as Joint Venture contributions in the year ended 30 June 2019 (2018: $130,000) for the AAWS Trust's establishment and operating expenses."[123] The joint venture was set up in 2016 with Eldercare Inc and Churches of Christ's Life Care Inc.[124] AAWS has not filed any financial statements with ASIC since it was first registered in 2017.[125] An ASIC current company extract shows the 3 non-profit aged care operators as equal shareholders.[126] The AAWS Trust is a fixed unit trust and has no filings with ASIC.[127]

The venture was officially launched in November 2017 and secured a contract to provide 12-months of coaching and development services aged care providers in Yantai, Shandong until September 2018. This involved four South Australian registered nurses working in China on three-month clinical rotations.[128] There is promotional material aimed at attracting business from companies in China, but limited information about the current activities of this company is publicly available.[129]

The Auditor, Board and Executive Compensation

PwC was the auditor. SCC SA reported total remuneration of 9 directors and 5 executives of $1.8 million in 2019, a slight increase from $1.7 million in 2018.[130]

SOUTHERN CROSS CARE (TAS) INC

Southern Cross Care (Tas) Inc (SCC Tas) is the largest residential aged care operator in Tasmania, but the smallest in this analysis. It owns 9 residential aged care facilities, 13 retirement villages and operates home care services. SCC Tas was "founded by the Knights of the Southern Cross and operates with an obvious Catholic ethos of respect for the human dignity of each person in our care."[131] Despite being one of Tasmania's largest employers, SCC Tas stood out in this analysis as casual employees were 64% of total full-time equivalent staff, higher than the all 8 other operators and nearly double the average of 31%.

In 2019, SCC Tas reported a deficit of $3.5 million. However, losses in the retirement village segment outweighed losses in residential aged care. SCC Tas received the lowest funding per place of all operators in this report, but this may have been as a result of a cut in federal funding due to sanctions for failing to meet accreditation standards. Expenditure on building a new retirement village was significantly larger than the minimal losses from residential aged care operations.

After the end of the financial year, hearings of the Royal Commission into Aged Care exposed serious deficiencies at SCC Tas facilities and within a week the CEO stepped down.[132] Former staff revealed that cuts mandated by the board and executive management as part of a "break even" strategy, left residents health and safety at risk.[133]

[123] Ibid, p.14.
[124] Eldercare is linked to the Uniting Church while Life Care is part of the Churches of Christ, though it is financially independent from it.
[125] https://connectonline.asic.gov.au/RegistrySearch/faces/landing/SearchRegisters.jspx?_adf.ctrl-state=piiraaakw_12
[126] Australian Ageing & Wellness Services Pty Ltd, ASIC Current Company Extract, purchased 23 July 2020.
[127] https://www.abr.business.gov.au/ABN/View?abn=56198264338
[128] https://www.theweeklysource.com.au/sa-not-profit-aged-care-providers-join-forces-export-knowledge-china/
[129] http://sachinaconnect.com.au/opportunity/australian-ageing-wellness-services/
[130] Southern Cross Care (SA & NT) Inc, Annual Financial Report 2018-2019, p.14.
[131] Southern Cross Care (TAS) Inc & Mary's Grange Inc, 2018/2019 Annual Report, p.8. Here: https://acncpubfilesprodstorage.blob.core.windows.net/public/7b271f65-39af-e811-a961-000d3ad24182-57f33c65-becc-4ad5-ad82-0464f2ddb011-Annual%20Report-ee83253b-9c2a-ea11-a810-000d3ad1cc03-ANNUAL_Report_30_June_2019_-_V2.pdf
[132] Chanel Kinniburgh, 23 Nov 2019, The Mercury, "Aged care provider seeks new CEO after boss steps down". https://www.themercury.com.au/news/aged-care-provider-seeks-new-ceo-after-boss-steps-down/news-story/e0284aba19641e65247c42d37babfc6f
[133] Emily Baker, 12 Nov 2019, ABC, "Aged care royal commission hears OAM professor poorly treated at Southern Cross Care facility". https://www.abc.net.au/news/2019-11-12/aged-care-royal-commission-hearing-neville-king-treatment/11690768

Testimony of a deceased resident describing the lack of care

"dehumanised, left as a carcass in an aged care abattoir ready to be processed like a slab of meat in a sausage processing factory at some future time"[134]

Annual Federal Aged Care Funding

According to government data, in 2019 SCC Tas received total federal aged care funding of $42.4 million. Funding for residential aged care at 9 facilities with 686 places was $38.2 million or $55,633 per place.

The 2019 annual information statement filed with ACNC, reports that SCC Tas received $48.5 million in government funding, which was 65% of total gross income of $74.3 million.[135]

Financial Reporting

SCC Tas's financial statement reported a deficit $3.5 million in 2019, compared to a surplus of $1.6 million in 2018. However, it reports a total comprehensive income of $27.2 million driven by $30.7 million revaluation in buildings and land.[136] The total comprehensive income in the financial statement does not match what is reported in the annual information statement. The total comprehensive income in the annual information statement does match the deficit reported in the financial statement. Government subsidies and supplements were $48.5 million, marginally up from $47.8 million in 2018 and total income was $74.3 million, slightly down from $75.5 million in 2018.[137]

The 2019 loss in net cash from operating activities of $2.1 million was down from a gain of $4.7 million in 2018. The loss from operations was significantly below the $26.5 million spent on purchases of property, plant and equipment in 2019.[138] SCC Tas reported $25.6 million in capital works in progress, which may be for the new $35 million Springhaven retirement village on golf course land purchased from the Crown.[139]

Like other non-profit aged care operators, SCC Tas also uses the reduced disclosure requirements to avoid the full set of Australian accounting standards.[140] However, SCC Tas does report financial information by business segment. The residential aged care segment is 79.5% of revenue, while the retirement villages segment is 11.2% and the home care is 7.1%.[141] The proportion of government funding allocated to residential aged care is 91% and 9% to home care. Government funding accounts for 74.1% of total revenue in residential aged care, 86.1% in home care, and 0% in retirement villages.[142]

The company's recent fall in revenue occurred within the retirement villages segment, a substantial decline of 12.4%, whereas residential aged care had a small growth of 0.7%. Expenses rose for both segments – by 3.7% in residential aged care and 15.1% in retirement villages – and this resulted in net deficits for the company of $1.6 million in the residential aged care and $1.8 million in retirement villages segments in 2019.[143]

[134] Chanel Kinniburgh, 23 Nov 2019, The Mercury, "Aged care provider seeks new CEO after boss steps down".
[135] https://www.acnc.gov.au/charity/6ad980d40eba8da11f60128704201228#ais-3663d29b4fbf5a7dc44adc77efd29f4f
[136] Southern Cross Care (Tasmania) Inc, Consolidated Financial Report of the Southern Cross Care (Tasmania) Group for the Year Ended 30 June 2019, p.4. Here: https://acncpubfilesprodstorage.blob.core.windows.net/public/7b271f65-39af-e811-a961-000d3ad24182-57f33c65-becc-4ad5-ad82-0464f2ddb011-Financial%20Report-fb83253b-9c2a-ea11-a810-000d3ad1cc03-Financial_Report_30_June_2019_-_SCCTAS_consolidated.pdf
[137] Ibid.
[138] Ibid, p.7.
[139] Ibid, pp.22 & 31; The Mercury, 15 May 2018, "New $35m retirement village for Lindisfarne at Rosny Golf Course". https://www.realestate.com.au/news/new-35m-retirement-village-for-lindisfarne-at-rosny-golf-course/
[140] Ibid, p.8.
[141] Ibid, p.27.
[142] Ibid.
[143] Ibid.

SCC Tas's 2019 annual report states that of the $1.6 million lost in residential aged care, $1.5 million are estimated to be the "direct cost of the sanctions at Yaranndoo", an aged care facility that failed accreditation.[144] SCC Tas at the end of 2019 also held $22.1 million in cash and cash equivalents and $22.5 million in term deposits.[145]

The Auditor, Board and Executive Compensation

Total fees paid to the auditor – Crowe Tasmania, a member of Crow Australasia, an affiliation of Findex – were $51,195.[146] "Findex (Aust) Pty Ltd, trading as Crow Australasia is a member of Crowe Global, a Swiss verein."[147] Remuneration to key management personnel was $1.4 million in 2019, a small increase from 2018.[148] All board directors serve in a voluntary capacity.

JUNIPER

Juniper (trading name for Uniting Church Homes), after the private for-profit Aegis Aged Care, is the second largest and the largest non-profit residential aged care company in Western Australia. Although roughly double the size of Southern Cross Care (Tas), Juniper is the second smallest aged care operator in this analysis. In addition to the 23 residential aged care facilities, it owns and operates 8 retirement villages, independent living units and home care services.

Juniper, like other large non-profit aged care operators, has continued to make significant property investments to expand its business. Segment reporting for its public funded residential age care and home care businesses show profits, buts its financial reporting remains particularly opaque and appears to follow different standards. Federal funding data differs significantly from the financial reporting. As explained below Juniper reported a 2019 surplus of $9 million, but a loss of $5.2 million in net cash flow from operations.

Annual Federal Aged Care Funding

According to government data, in 2019 Juniper received total federal aged care funding of $81.2 million. Funding for residential aged care at 23 facilities with 1,182 places was $72 million or $60,901 per place.

The 2019 annual information statement filed with ACNC, reports that Juniper received $107.9 million in government funding.[149] Government funding was 71% of total gross income of $151.2 million.

Financial Reporting

The government funding as reported in the annual information statement is $27 million more than in the federal aged care funding data. It is not clear what explains the discrepancies as there does not appear to be other significant sources of government funding.

The $107.9 million reported as revenue from government in the AIS does match the combined $101.2 million in subsidies and grants and the $6.6 million in in supported resident supplements, classified as revenue from non-operating activities, in the financial report.[150]

The segment breakdown for residential aged care reports $65.1 million in Commonwealth subsidies and supplements under 'care income' and zero in state government subsidies and supplements in 2019.[151]

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[144] Southern Cross Care (TAS) Inc & Mary's Grange Inc, 2018/2019 Annual Report, p.8.
[145] Ibid, p.25.
[146] Ibid, p.29.
[147] Ibid, p.32.
[148] Ibid, p.30.
[149] https://www.acnc.gov.au/charity/5e25a874f234714bb9a0bd7eb8cd4b71#ais-ef5e012277511d60951ce3c5b2e928a9
[150] Juniper (Uniting Church Homes Trading as Juniper A Uniting Church Community), Annual Financial Report for the Year Ended 30 June 2019, p.4. Here: https://acncpubfilesprodstorage.blob.core.windows.net/public/fc98847c-38af-e811-a960-000d3ad24282-c3946961-a7eb-4bcf-9111-590dea51ddfd-Financial%20Report-59af3da8-5a12-ea11-a811-000d3ad1cf4f-AFSJune2019_07102019_033706.pdf
[151] Ibid, p.27.

An additional $12.9 million is reported in Commonwealth subsidies and supplements under 'accommodation income', with $150,035 in State Government subsidies and supplements and zero in Commonwealth and state government capital grants.[152] The combined $77.9 in Commonwealth funding is $6 million more than the residential aged care funding reported in federal data. An additional $9.5 million in Commonwealth subsidies and supplements is reported in the home care segment. The disclosed government funding of $87.6 million, while above the reported federal data ($81.2m) is well below the $107.9 million reported in the financial report and the AIS.

Despite reporting overall surpluses in the two most recent years, Juniper reported losses in net cash flows from operations. Juniper reported a surplus of nearly $9 million on total revenues of $151.2 million in 2019, up from a surplus of $2.7 million on revenues of $133.9 million in 2018.[153] However, after various adjustments, losses of $5.2 million and $4.6 million in net cash from operations were reported in 2019 and 2018, respectively.[154] The losses from operations are not explained.

Segment reporting for residential aged care shows net profits of $2.4 million and $5.7 million in 2019 and 2018.[155] The segment reporting for the home care services also shows net profits of $1.5 million and $0.3 million, respectively.[156] There is no segment reporting for the retirement village and independent living segment, which may have been the source of losses from operations. The residential aged care segment provides for 67% of revenue, 6% comes from the home care segment and the remaining 26% comes from other sources.[157]

There appear to be large related party expenses in the residential aged care segment with no explanation. Under administration expenses, "management fees" of $9.4 million were paid in 2019.[158] However, it is not clear to whom these "management fees" were paid. The management fee is in addition to labour costs of $4.2 million and other administration expenses of $2.5 million adding to total administration expenses of $16.1 million.[159] Administration expenses of $16.1 million appear very high in contrast to the labour cost for care expenses of only $52.8 million.[160] Additionally, under residential catering, cleaning and laundry expenses, $2.4 million was paid for contracted services with "Internal Service Organisations/ Divisions".[161]

Juniper has continued to invest in property development and expansion. The company has nearly doubled the value of its property, plant and equipment and investment property assets in five years, an increase from $164.9 million in 2015 to $306.1 million in 2019.[162] The company's total assets were $346.9 million, with the remaining non-property component made up of financial assets and cash.[163]

The Auditor, Board and Executive Compensation

The auditor, Grant Thornton, was paid $59,000 in 2019.[164] Key management personnel at Juniper, including the Board and Executive, received total remuneration of $2.5 million in 2019, an increase of 41% from $1.7 in 2018.[165]

[152] Ibid.
[153] Ibid, p.4.
[154] Ibid, p.21.
[155] Ibid, p.28.
[156] Ibid, p.30.
[157] Ibid, pp.27 & 30.
[158] Ibid, p.28.
[159] Ibid, p.27.
[160] Ibid, pp.27-28.
[161] Ibid.
[162] Ibid, p.5.
[163] Ibid.
[164] Ibid, p.11.
[165] Ibid, p.22.

CONCLUSION & RECOMMENDATIONS

This analysis, based on available public information, of the finances and financial reporting of nine large non-profit residential aged care operators clearly demonstrates that greater transparency is urgently needed. This report follows on previous reports on large for-profit operators which also found complex and opaque corporate structures and a lack of transparency and public accountability. Any entity that receives significant government funding to provide public services, by definition must be held publicly accountable. This is a basic – common sense – principle that is currently not required or followed.

Although Australia's public health system is highly rated by global standards, Australia's market-driven aged care system is not. Despite the widely recognised failings of health care in the United States, information on the public funding and operational performance of nursing homes is readily available and publicly accessible for every licensed facility.

The Australian public has no ability to determine whether government funding for residential aged care is being used to provide high quality care of elderly and vulnerable Australians, as intended, or is being siphoned off for other purposes. In the current coronavirus crisis, which has had devastating impacts on nursing homes worldwide, the aged care sector has been given additional funding. However, there is no assurance that additional funding is being used to control the spread and impact of the virus. Given current reporting standards, it will not be possible to determine how this unconditional funding was spent. The case of Anglicare's Newmarch House in New South Wales and the current wave of coronavirus cases and deaths in Victorian aged care facilities suggests that funding could have been spent more effectively.

Four out of five of the largest non-profit residential aged care operators claimed losses in 2019. Losses are used to justify calls for increased federal funding. However, all four operators each produced at least $26 million in net cash flow from operations in 2019, largely from residential aged care. Collectively they generated $180 million in net cash from operations. In 2019, all of the operators in this report invested tens of millions in property, at least partially from aged care revenues, to expand their business. Two of the operators had for-profit investments in China that were not fully disclosed or accounted for in either audited annual financial reports or in annual reports.

Public accountability for residential aged care operators receiving public funding to provide a public service is limited. Government regulators do not appear to have the independence or capacity to hold residential aged care operators accountable for how public funds are spent. Large aged care operators have significant influence over regulatory agencies and broader government oversight and policy development.

While not a focus of this report, the lack of regulation and oversight in federal funding of home care and disability services appears to be even worse. Residential aged care operators, including those in this report, are increasingly relying on home care and disability funding, particularly in relation to retirement villages or independent living units.

Australia, whether through non-profit or for-profit operators, has embraced a market-based approach to providing residential aged care. However, markets cannot function properly without adequate transparency, information and regulation. In many cases, particularly in regional and remote areas, there is no market for residential aged care services. There is only one provider and no competition.

The government should consider whether public and/or community ownership may provide more reliable services and provide targeted funding and support to facilities that provide quality aged care services to regional and remote communities, regardless of ownership type. Smaller community-based operators with a positive record of providing high quality residential aged care should be prioritised for any future increases in federal funding.

Sanctions have not been sufficient to force adherence to higher standards. Stronger and more independent oversight and regulation of the industry is definitely needed.

Mechanisms need to be put in place for a public takeover or transfer of license where operators continue to fail to meet basic accreditation standards at the facility level.

The government should also re-evaluate funding mechanisms to incentivise health and well-being rather than sickness and frailty. Currently, operators are funded at higher levels for residents with greater needs and have no incentive to improve physical and mental health conditions as it may reduce funding.

Core Recommendations

- Targeted funding and support for small community-based providers with a track record of high-quality care, without regards for ownership structure, should be prioritised;
- Aged care operators with over $10 million in annual federal funding must be required to file full and complete Tier 1 financial reports (no recourse to reduced disclosure requirements or special purpose filings), with complete business segment breakdowns and clear standards for reporting government funding of all types;
- All aged care operators with less than $10 million in annual federal funding must be required to file Tier 2 financial reports, if they do not already. Currently, many smaller aged care operators are not required to file financial statements and therefore limited information is publicly available;
- Aged care operators must be required to publicly disclose government funding and details of how funding is spent at a facility level. The US government's Nursing Home Compare website, offers one model that also includes inspection reports and detailed information on staffing levels by occupation; and
- ACNC should audit the largest non-profit residential aged care operators on a regular basis to ensure full compliance with Tier 1 accounting standards, complete business segment reporting, consistency with federal aged care funding data and to ensure no abuse of charitable non-profit status and appropriate reporting on any for-profit business ventures or investments.

The Royal Commission should include these simple and common-sense recommendations in its final report. The current lack of public accountability in residential aged care is unacceptable. Australia can and should do better to ensure high quality care for all of aged care residents who have made vast contributions to Australian society, including through a lifetime of personal income tax payments. Transparency on government spending in residential aged care and other publicly funded but privately delivered services is urgently needed. Government policies and regulation also need to be independent and transparent. Elderly Australians, and their families, deserve better.

Centre for International Corporate Tax Accountability and Research

Previous reports on Australia's largest for-profit aged care operators and more information about CICTAR can be found on CICTAR's website.

www.cictar.org