



SENATOR THE HON MITCH FIFIELD

ASSISTANT MINISTER FOR SOCIAL SERVICES

Dr Andrew Southcott MP
Chair
Joint Committee of Public Accounts and Audit
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Dr Southcott *Andrew*

Thank you for your letter of 12 February 2014 to Minister Dutton MP about recommendation 18 of the Joint Committee of Public Accounts and Audit (JCPAA) Report No. 417. As this falls within my portfolio responsibilities the Minister has asked me to reply to you on his behalf.

This recommendation relates to progress in monitoring whether or not accommodation bonds are being used according to the requirements of the *Aged Care Act 1997* (the Act). By letter dated 23 June 2011, the Hon Mark Butler, who was at the time the Minister for Mental Health and Ageing, wrote to Mr Robert Oakeshott MP enclosing a Government response dated 21 June 2011 for the JCPAA as recommended by Report No. 417 *Review of Auditor-General's Reports tabled between February 2009 and September 2009* tabled on 22 June 2010. I understand that the Committee secretariat has been unable to locate this response and a copy is enclosed.

The Commonwealth Government continues to refine the regulatory framework for accommodation payments to better balance ensuring that accommodation bonds are being used in line with the Act with reducing the burden of red tape on aged care providers. The Government has implemented reforms to clarify permitted uses of accommodation bonds and appropriate investments. Accommodation payment use is now monitored through the Annual Prudential Compliance Statement, and is routinely canvassed when the Department of Social Services engages with providers on prudential matters.

The protections for accommodation bonds, including limiting their application to uses that generate assets for aged care providers, also apply to refundable accommodation deposits which commenced from 1 July 2014.

Thank you again for writing.

Yours sincerely

MITCH FIFIELD

Encl. – Correspondence and Government response of June 2011.

13/7/14



**THE HON MARK BUTLER MP
MINISTER FOR MENTAL HEALTH AND AGEING**

Mr Robert Oakeshott MP
Chair
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

Dear Mr Oakeshott

I am writing to you in relation to Joint Committee of Public Accounts and Audit (JCPAA) Report No. 417: Review of Auditor-General's Reports tabled between February 2009 and September 2009.

In that report the JCPAA made one recommendation -- Recommendation No. 18 - relating to the Department of Health and Ageing (the Department). That recommendation required the Department to report back to the Committee within 12 months of the tabling of the report on the implementation of Recommendation No. 3 from ANAO Report No. 5 of 2009-10: *Protection of Residential Aged Care Accommodation Bonds* outlining progress towards monitoring whether or not accommodation bonds and bond income are being used according to the requirements of the *Aged Care Act 1997*.

A report responding to Recommendation No. 18, in the Executive Minute format required by the JCPAA, and signed by the Acting Secretary of the Department, is attached detailing measures being implemented to strengthen the current prudential regulation of accommodation bonds.

Yours sincerely

MARK BUTLER

23 JUN 2011

Encl

COPY

EXECUTIVE MINUTE

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT REPORT NO. 417: REVIEW OF AUDITOR-GENERAL'S REPORTS TABLED BETWEEN FEBRUARY 2009 AND SEPTEMBER 2009

General Comments

The JCPAA report 417 made one Recommendation (No. 18) requesting that the Department of Health and Ageing report back to the JCPAA within twelve months on the implementation of Recommendation No. 3 from ANAO Report No. 5 of 2009-10: *Protection of Residential Aged Care Accommodation Bonds*. The timeframe was extended in re-establishing the JCPAA in the 43rd Parliament. The Department's response to the recommendation is set out below.

DEPARTMENT OF HEALTH AND AGEING RESPONSE TO RECOMMENDATION NO. 18

Recommendation No. 18

The Committee recommends that the Department of Health and Ageing (DoHA) report back to the Committee within twelve months of the tabling of this report on DoHA's implementation of Recommendation Number 3 from the Australian National Audit Office Report No. 5 2009-10, outlining progress towards monitoring whether or not bonds and bond income is being used according to the requirements of the *Aged Care Act 1997*.

Department of Health and Ageing Response

The Government announced on 12 April 2010 that it would take measures to strengthen the current prudential regulation of aged care accommodation bonds.

The Department has consulted extensively with stakeholders on legislative amendments which are necessary to implement the Government's decision.

On 26 May 2011 the Minister for Mental Health and Ageing, the Hon Mark Butler MP, introduced the Aged Care Amendment Bill 2011 into the House of Representatives. The Bill was passed in the House of Representatives on 2 June 2011. Subject to the passage of the Bill by Parliament, the proposed new arrangements are expected to commence on 1 October 2011.

The Bill amends the *Aged Care Act 1997* (the Act) to:

- limit the permitted uses for accommodation bonds;
- introduce new criminal offences for misuse of accommodation bonds;
- introduce new information gathering powers to enable the Department to better monitor approved providers in circumstances where accommodation bonds may be at risk or where an approved provider is not meeting their statutory responsibilities for accommodation bonds; and
- remove restrictions on the use of income derived from accommodation bonds, retention amounts and accommodation charges.

In association with the Act amendments, there will be related changes to the User Rights Principles (the Principles) which are delegated legislation made under the Act.

It is proposed that the Principles will include:

- a new Accommodation Bond Governance Standard specifying requirements for the management of accommodation bonds;
- information that must be provided to the Department, aged care residents and prospective residents regarding the use of accommodation bonds.

The Department has also extended its supervisory activities under the existing legislative requirements to identify risks of misuse of bonds.



David Learmonth
A/g Secretary
Department of Health and Ageing

2/ June 2011