



THE HON JUSTINE ELLIOT MP

**Minister for Ageing
MEDIA RELEASE**

April 12, 2008

**ZERO REAL INTEREST LOANS – CALL FOR APPLICATIONS AND RELEASE OF
TIMETABLE FOR STAGE ONE**

The Australian Government today called for applications and released the timetable for Stage One of its election commitment for \$300 million zero real interest loans to build or expand aged care beds in areas of high need.

The plan is expected to create 2,500 permanent residential aged care places in areas of high need such as regional and undersupplied areas.

The three-part delivery plan comprises:

- **Stage One: An initial \$150 million zero real interest loans for up to 1,250 residential aged care places provided by the Commonwealth;**
- A review and evaluation within 18 months* – to determine the implementation arrangements for the remaining 1,250 places; and
- Stage Two: providing the second set of 1,250 places - \$150 million zero real interest loans.

(*The 18 month review will take into account the effectiveness of the plan and the definition of areas of high need.)

Stage One Loans timetable	
12 April 2008	Providers of residential aged care invited to submit proposals
6 June 2008	Applications close
Early August	Announcement of loans/places

Mrs Elliot said: “This is about finding new ways to get proven providers – through low cost finance – to establish aged care services in areas where they were previously unlikely to invest.”

“It is also about preparing Australia for the challenges of the 21st century and our nation’s long-term needs,” she said.

In September 2007, Federal Labor made the pledge in its *New Directions for Older Australians: Zero Real Interest Loans for New Residential Aged Care Beds in Area of High Need* document.

The pledge was in response to the 12 years of neglect of aged care in Australia by the previous government and Australia’s rapidly ageing population due to advances in health and medicine contributing to the longevity of those born between the world wars.

To ensure accountability and transparency, the Department of Health and Ageing will independently assess the applications and oversee the application process for the zero real interest loans.

Guidelines, definitions of high need and criteria for the zero real interest loans are recommended by the Department of Health and Ageing.

The department's eligibility criteria for the provider include:

- A good past record as a provider of residential aged care;
- A sound record of developing new services in a timely manner;
- Sound financial viability;
- A willingness to provide aged care services in the identified areas of high need and address any additional identified care needs; and
- The ability to access a suitable site.

Only those applicants who meet the zero real interest loan eligibility criteria will be considered for an allocation of places.

State, territory and local government entities will be permitted to apply for the loans as in some small regional centres and rural and remote areas they are the only operators.

The loans are over 12 years and will target parts of Queensland, the Northern Territory, NSW, Victoria, Western Australia and South Australia. All of the Northern Territory (with special attention to Aboriginal needs) and Tasmania are targeted.

The department's areas of need are as follows:

- In general, areas selected are non-metropolitan regions with operational residential aged care ratios below the current national target ratio of 88 residential places per 1000 people aged 70 years and over and where there are not a large number of recently allocated places already under development;
- While in general metropolitan areas have been excluded, included are those metropolitan areas in Perth which failed to attract a sufficient number of quality applications in recent Aged Care Approvals Rounds to allocate all available places, and which have large indicative release in future years;
- All of Tasmania has been included because of the inability to allocate all available places in the previous Round;
- Some non-metropolitan regions with higher ratios have been included because of the high proportion of indigenous people who require care at an earlier age; and
- In some larger non-metropolitan regions, specific geographic locations within those regions have been targeted where there are particular areas of undersupply.

The department will not advertise set numbers of places in particular areas. Providers will be able to apply for both high and low care residential places and for community care places as part of an overall application to set up services in targeted locations.

Aged Care in Australia – the facts

The Department of Health and Ageing oversees more than 2870 accredited nursing homes with 167,070 aged care beds across Australia.

The average age of people entering residential care is 82.

Currently, there are 1.9 million Australians aged 70 and over, comprising 9.3 per cent of the population.

Within 40 years the number of people aged over 65 will almost triple, from 2.8 million today to around 7.2 million in 2047, or from around 13 per cent of the population today to over 25 per cent.

Australia is facing a demographic shift. Australians now have one of the world's longest life expectancy rates, outliving Swedes, Norwegians and Finns. Australia will change forever.

An Australian born today can expect to live to reach 80.9 years of age; it is 78.5 years for a man and 83.3 for a woman.

Office of Justine Elliot – (02) 6277-7280

FAQs on Zero Real Interest Loans

When and where do I lodge my application?

Applications for the loans must be received within the Department of Health and Ageing **by no later than 5.00pm** (AEST) on **Friday 6 June 2008**. There is no extension to this closing time/date.

Applications should be addressed to:

IN CONFIDENCE
2008 Loans Round
MDP 75
Ageing and Aged Care Division
Department of Health and Ageing
GPO Box 9848
Canberra ACT 2601

What does a zero real interest loan mean?

Providers will be able to obtain a loan to which only the Consumer Price Index (CPI) will be applied. As the CPI measures the change in the cost of living and commercial interest rates do not apply to these loans, the result is the repayment of zero real interest on the borrowed amount.

How are the loans going to be administered?

The loans will be administered in a similar way to a loan with a bank or financial institution; however providers will enter a Loan Agreement with the Department of Health and Ageing.

The loan will span a period of 12 years. In the first two years, providers will repay only the CPI on the amount drawn down, giving an opportunity to generate revenue from the new places before having to meet the principal repayments. Two years after the loan commences, repayment of the principal will be required at 10% of the original loan amount plus interest (CPI) per year. These repayments will be spread evenly over the year.

Over the life of the loan, providers will receive statements from the Department of Health and Ageing summarising the amount borrowed, the CPI calculations (and any changes to this amount), the required repayments and the due date(s).

Am I required to enter into a contract with a financial institution?

For the purposes of the zero real interest loans, providers are required to enter a Loan Agreement with the Department of Health and Ageing only. If separate or additional finances are required, providers should enter into other arrangements with a financial institution of their choosing.

How big a loan can I apply for?

The initial stage of the zero real interest loan initiative comprises \$150 million in loans. The amount of the loan being sought by individual applicants needs to be fully explained in terms of the overall business plan of the applicant organisation and needs to represent value for money for the Australian Government.

When will I be paid the loan?

Providers will receive the first loan increment upon entering into the Loan Agreement with the Department of Health and Ageing. It is anticipated this will be early in the new financial year 2008-09. Subsequent increments of the loan amount will be made commensurate with progress against agreed milestones.

Can I pay the loan out early?

Yes. Providers may also begin repaying the principal in the first two years of the loans if they wish.

Can I apply for a loan without applying for places?

No. The zero real interest loan initiative is aimed at delivering additional residential aged care places to establish or expand aged care services in the identified areas of high need.

Can I apply for a loan and associated places and use the loan to purchase land only?

Yes. It is up to the applicant to fully explain the overall proposal which needs to represent value for money for the Australian Government.

Can I apply for a loan to bring an existing provisional allocation of places 'on-line'?

No. The zero real interest loan initiative is aimed at delivering additional residential aged care places to establish or expand aged care services in the identified areas of high need. However, if you already have a provisional allocation of places and wish to apply for more places in the Loans Round, an application for a zero real interest loan will be considered provided it is directed to making the additional places from the Loans Round operational.

How were the areas of high need identified?

In general, the identified areas of high need as defined by the Department of Health and Ageing - are as follows:

- non-metropolitan aged care planning regions with operational residential aged care ratios below the current national benchmark of 88 residential places for every 1,000 people aged 70 years and over, and where a large number of provisionally allocated places are not already under development;
- Perth-based metropolitan aged care planning regions areas which failed to attract a sufficient number of quality applications in the recent Aged Care Approvals Rounds to allow for the allocation of all the places made available and where a large number of places have been identified in the indicative releases for 2008-09 and 2009-10;
- all of Tasmania has been included because of the inability to allocate all available places in the recent Aged Care Approvals Round;
- all of the Northern Territory has been included with a particular focus on Indigenous communities in all of the aged care planning regions;

- some non-metropolitan regions with comparatively higher residential aged care ratios have been included because of the high proportion of Indigenous people who require care at an earlier age; and
- within some larger non-metropolitan regions, specific geographic locations have been identified as having a particular focus in the 2008 Loans Round because they are currently undersupplied.

Where are the areas of high need?

The identified areas of high need are as follows:

New South Wales	Central Coast
	Central West
	Far North Coast
	Nepean
	New England
	Orana Far West
	Riverina/Murray (except Albury)
	Southern Highlands (focus on the SLAs of Boorowa, Crookwell, Goulburn, Gunning, Mulwaree, Snowy Mountains, Yarrowlumla Part A and Young)
Victoria	Barwon-South Western (focus on Moyne and Queenscliffe)
	Gippsland (focus on Bass Coast and Wellington)
	Grampians (focus on Ararat and Pyrenees)
	Hume (focus on Benalla, Mitchell and Murrindindi)
	Loddon-Mallee (focus on Central Goldfields and Loddon)
Queensland	Cabool
	Far North (whole of region with a particular focus on Cairns)
	Fitzroy
	Mackay
	Northern
	North West
	West Morton
Wide Bay	
Western Australia	Goldfields
	Kimberley
	Metropolitan North
	Metropolitan South West
	Mid West (focus on Carnarvon)
	Pilbara
	Wheatbelt
South Australia	Eyre Peninsula
	Hills, Mallee and Southern (focus on Coorong and Victor Harbor)
	Mid North
	Riverland
	South East
	Whyalla, Flinders and Far North (focus on Whyalla)

Tasmania	Whole of state
Northern Territory	Whole of state with a focus on Indigenous communities in all regions

Maps and locations of identified high need

Identified High Need Aged Care Planning Regions

[http://www.health.gov.au/internet/ministers/publishing.nsf/Content/569C6AB87EA86B46CA257412001532F4/\\$File/regions.pdf](http://www.health.gov.au/internet/ministers/publishing.nsf/Content/569C6AB87EA86B46CA257412001532F4/$File/regions.pdf)

Identified High Need Regions (Maps)

[http://www.health.gov.au/internet/ministers/publishing.nsf/Content/569C6AB87EA86B46CA257412001532F4/\\$File/Identified%20Areas%20of%20High%20Need%20-%20Aged%20Care.pdf](http://www.health.gov.au/internet/ministers/publishing.nsf/Content/569C6AB87EA86B46CA257412001532F4/$File/Identified%20Areas%20of%20High%20Need%20-%20Aged%20Care.pdf)

How many places can I apply for?

The initial stage of the zero real interest loan initiative is expected to result in up to 1,250 new residential aged care places being allocated.

The Department has not prescribed a fixed number of places or type of place for the identified areas of high need, however, applicants will need to fully explain in their application(s) the basis of, and rationale for the number and type of places being sought.

What type of place can I apply for?

While the zero real interest loans initiative seeks to specifically encourage residential aged care providers to build or expand residential and respite facilities in areas of high need, it is possible that a number of community and/or flexible aged care places may also be considered as an ancillary allocation.

The ancillary allocation of community and/or flexible aged care places will be considered *only* where there is a clear need for additional community and/or flexible aged care places in the identified area *and* will be dependent upon your past record as an existing provider of community/flexible aged care. If you are not an existing community/flexible aged care approved provider, you will need to demonstrate your capacity to provide this type of care as part of your overall response to this initiative.

Can I apply for places without applying for a loan?

No. Applicants need to meet the eligibility criteria for a zero real interest loan before the associated application for places can be considered.

Applications for new residential places, not associated with a zero real interest loan can be submitted in response to the Invitation to Apply for places in the 2008 Aged Care Approvals Round.

Can I transfer the places to another provider during the period of the loan?

Only once the places have been made operational and the loan is repaid in full.

When will I receive the places?

It is expected that the places associated with the zero real interest loan initiative will be allocated to successful applicants early in the new 2008-09 financial year.

How and when will I be advised of the results of the 2008 Loans Round?

All applicants will be advised of the results of their application(s) in writing following the conduct of the 2008 Loans Round which is expected to be finalised early in the new 2008-09 financial year.

How does the 2008 Loans Round relate to the annual Aged Care Approvals Round?

The 2008 Loans Round is a new initiative based on the Government's election commitment to provide \$300 million in zero real interest loans for aged care providers to build or expand aged care services in areas of high need. It is separate 'stand-alone' process to the annual Aged Care Approvals Round.

Will the places allocated in the 2008 Loans Round affect the number of places to be made available in the 2008 Aged Care Approvals Round?

The number of places to be made available in the 2008 Aged Care Approvals Round will have regard to the planning ratio, the current provision level measured against the planning ratio, population projections, the previously published indicative releases for each aged care planning region and the results of the 2008 Loans Round.

When will the 2008 Aged Care Approvals Round be held?

The annual Aged Care Approvals Round will be conducted after the results of the 2008 Loans Round have been announced in early August.

Unless otherwise indicated in this document, it is Copyright of the Commonwealth of Australia and the following applies:

Copyright Commonwealth of Australia. This material has been reproduced by permission but does not purport to be the official or authorised version. You should make independent inquiries and obtain appropriate advice before relying on the information in any important matter.

If you have any queries, please contact Capital Monitor, a division of LexisNexis Australia, on 02 6273 4899.