



*Making every day the best it can be*

15 June 2018

Senate Standing Committee on Economics  
PO Box 6100, Parliament House  
Canberra ACT 2600  
By email: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

Dear Sir/Madam,

**Inquiry into the financial and tax practices of for-profit aged care providers**

Allity welcomes the opportunity to present this submission to the Senate Economics References Committee. We believe for-profit providers, including Allity, play an integral role in the provision and sustainability of quality and efficient aged care services to Australians.

Less than 5 per cent of residential aged care places in Australia are provided by state and local governments, such as the Oakden Aged Care Facility in South Australia, with 56 per cent provided by the charity and not-for-profit sector, and approximately 40 per cent by the for-profit sector.

Without the for-profit sector's involvement, Australia would face a shortage of residential aged care facilities to meet the needs of the country's ageing population. By 2046, an estimated 7.3 million Australians will be aged 65 and over, up from 3.7 million in 2016<sup>1</sup>. This will put enormous pressure on finite government funding for a range of government services, including aged care.

Allity Aged Care (Allity) was founded in March 2013 to provide choice for elderly Australians, and is today recognised as one of the most respected providers of aged care services in Australia. We own and operate a network of 45 homes, providing care and services to 3,500 residents across Queensland, NSW, Victoria and South Australia, delivered by more than 4,000 committed staff and a highly experienced management team.

Residential aged care is an essential service for the community and must continue to evolve to meet the changing expectations of the consumer and align operational and business practices to successfully transition to the Government's Living Longer Living Better reforms.

We understand that the Senate Inquiry has, at least in part, been prompted by a Tax Justice Network – Australia (TJNA) report concerning aged care companies (May 2018). The report contains significant errors and misunderstandings at an industry level as well as in relation to Allity. This submission focuses on providing factual information on Allity – its establishment, corporate structure, record of investment and tax compliance as well as our approach to service delivery, sustainability of aged care services and value for money for the government.

As CEO, and with over 20 years' aged care sector experience, I believe that ageing is a stage in life to be embraced, and an important time to bring family and friends together. Allity aims to make each resident's experience as good as or better than they would have had at home. Indeed, we have a 90 per cent plus

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<sup>1</sup> [Australian Institute for Health & Welfare](#) (AIHW): Older Australia at a Glance, April 2017

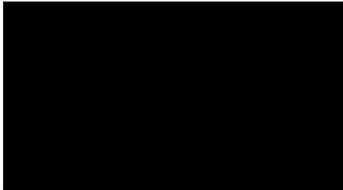


customer satisfaction rating among residents, which absolutely refutes any inference that Allity puts profit before care.

I am proud of our people and the quality of care and service provided to our residents.

Should the Committee have any questions about this submission, please don't hesitate to contact me on [REDACTED]

Yours sincerely,



**David Armstrong**  
**Chief Executive Officer**



## Senate Economics References Committee

### Inquiry into the financial and tax practices of for-profit aged care providers

Submission  
June 2018



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## 1. Executive Summary

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This submission seeks to address the Inquiry's terms of reference (TOR) by setting out how Allity supports the growth, sustainability and ongoing standards of care and services for its residents.

By way of background, Allity is a group of Australian entities, of which Australian Aged Care Partners Holdings is the 'head' company. This entity was established in March 2013 to acquire the aged care business known as Primelife from Lendlease. All entities within the Allity group are incorporated in Australia, are tax resident of Australia, and are treated as a single taxpayer for Australian taxation purposes.

### **Inquiry TOR A: Use of any tax avoidance or aggressive tax minimisation strategies**

The claims made in the TJNA Report that Allity engages in aggressive tax planning and tax avoidance are false, unsubstantiated and uninformed. Allity is fully compliant with all applicable tax laws and has satisfied all of its tax obligations by the relevant due dates.

Contrary to the assertions in the TJNA Report and as stated in Section 5, Allity does not, and has not, used stapled structures at any point. Nor does Allity make any rent payments to any related entities outside of the group. The TJNA Report also repeatedly and erroneously seeks to connect company revenue with liability for income tax, when the relevant reference point is company profit.

Importantly, as outlined in Section 5, Allity's group structure drives no tax outcome but is designed purely for organisational and commercial reasons. All of the entities comprising the Allity group are treated as a single taxpayer for Australian income tax purposes.

Allity was in a tax loss position for its first two years of operation (FY14 and FY15). From Allity's establishment in March 2013, significant costs were incurred in respect of acquisition and investment activity to grow and improve the business and the services it provides. We now provide almost 1,400 more places to residents than in 2013, and have completed refurbishment projects at almost all homes - a significant benefit to residents, their families and the communities they live in. These improvements respond directly to consumer research feedback and include bedroom refurbishments, open cafes and landscaped courtyards, dining and lounge areas, children's play areas, internet kiosks and private dining function rooms.

Allity is a business with very significant holdings of property and other assets giving rise to substantial annual depreciation expenses.

Having absorbed tax losses from the peak acquisition and investment growth phase, we anticipate being in an income tax paying position from FY 18 onwards. Allity has routinely paid all taxes levied including payroll tax (which is not levied on the non-profit sector), stamp duty and land tax which totals in excess of \$55 million in the past 5 years. (See Section 5 for further details).

### **Inquiry TOR B: Associated impacts on the quality of service delivery, the sustainability of the sector, or value for money for government**

Allity does not accept the premise of this Term of Reference, which assumes that the for profit aged care sector has engaged in aggressive tax planning and tax avoidance. We reiterate that such claims as asserted in the TJNA Report are false, unsubstantiated and uninformed.

As such, rather than addressing any "associated impacts", we are providing factual information on Allity's approach to service delivery, sustainability of services and value for money for government.



The high quality of services provided by Allity are extensively outlined in Section 4; we have a strong focus on meeting customer expectations governed by a robust operational framework.

Government funding in the aged care sector (whether to for-profit or not-for-profit providers) is linked to individual residents and not provided to operators as a general 'subsidy'; it is properly subject to high levels of governance and accountability. The result of transparent, trackable and identifiable funding associated with individual residents means that government is able to procure services on a very efficient basis. The aged care operators are almost entirely non-government owned (both for-profit and not-for-profit) and provide the capital/infrastructure in the sector.

For an average total combined revenue (including government subsidies and resident fees) of approximately \$260 - \$280/day, we believe this represents good 'value for money' for both the government and the consumer based on the quality of care, services and lifestyle choices provided to our residents – including 24/7 care, living expenses and accommodation costs. By way of comparison, it is our understanding that the average cost of supporting medical patients in private and public hospitals can range from \$700 per day to well over \$1,000 per day

Allity's capital investment strategy, and allocation of resources including government funding are fundamental to maintaining standards, quality of care and providing contemporary services and lifestyle choices to consumers.

In addition to the provision of core care services, Allity is continually investing in quality dining, Foxtel, Wi-Fi, other entertainment, hair dressing and spa services, bus trips and innovative lifestyle programs that seek to add value to the quality of life of residents. As an example, in May 2018, Allity was awarded the Asia Pacific Eldercare Innovation Award for our "Write of Passage – My Memoirs" program. This professionally facilitated program creates intergenerational experiences for our residents who are partnered with school students to write their Memoirs as part of their school English curriculum.

Investing in ongoing research, focus groups and maintaining current knowledge and market insights is an essential component of our Customer Experience charter. In 2016, Allity commenced the development, integration and embedding of our Customer Experience principles as a significant whole of organisation initiative.

Our focus on consumer-led care and services reflects the direction of current government policy and regulation, with a focus on consumer outcomes and experience. Almost one third of Allity homes have completed the independent Australian Quality Agency's Consumer Experience Report during planned accreditations since their introduction in 2017. The aggregated results show an effective approval rating of more than 90 per cent across 10 consumer experience questions. Allity has implemented these 10 questions as a standard upon which we will continually measure our performance. This will be conducted on a quarterly basis across all Homes.

**Inquiry TOR C: Adequacy of accountability and probity mechanisms for the expenditure of taxpayer money**

Allity and other for profit aged care providers are subject to a comprehensive and rigorous set of regulatory requirements for accountability and reporting of relevant financial and non-financial information, including:

- The Aged Care Act 1997, which requires that residential aged care providers prepare audited *General Purpose Financial Reports* (GPFR) in accordance with all accounting standards;
- The *User Rights Principles 2014*, which state that the respective GPFR must be made available to all intending or current residents of residential aged care facilities;
- The *Fees and Payments Principles 2014 (No. 2)* which include four standards that must be adhered to by approved provider organisations, namely:



- Liquidity Standard
  - Records Standard
  - Disclosure Standard
  - Governance Standard
- Effective from 31 October 2017, the Department of Health mandated that all providers must also submit the *Aged Care Financial Report (ACFR)* including their audited GPFR. The new report must include the following specific information (as is relevant for residential aged care):
    - Statements of Income & Expenditure, Financial Position, Cash Flows and Notes (Approved Provider level)
    - Statement of Income & Expenditure and Financial Position (Residential care segment)
    - Annual Prudential Compliance Statement (accompanied by an external Audit Opinion)
    - Detailed supporting schedules in relation to Annual Prudential Compliance Statement
    - Survey of Aged Care Homes

In addition, from a statutory reporting perspective, Allity is a "Large Proprietary Company", and as such is required to lodge our GPFR with ASIC.

#### **Inquiry TOR D: Current practices to meet public expectations**

In all instances, we endeavour to implement practices that support our homes and people to meet public expectations in an increasingly consumer-driven environment. It must be recognised that our residents and their families expect quality clinical care to be delivered in a home-like environment, not a hospital. We commission independent market research (Acuty Research) and conduct customer focus groups (Strativity) to guide thinking and innovation. Allity has and continues to significantly invest in:

- Capital and resources to develop the physical environment of our homes
- Developing the capabilities of our people and alignment of organisational culture to support the delivery of high quality care
- Developing Allity customer experience principles and performance standards
- Implementation of operational practices to consistently deliver high standards of clinical care, and provide contemporary choice of services that enhance the lifestyle experience of our residents.

We support the Federal Government's Aged Care Workforce Strategy Taskforce's proposed strategic actions, including commitment to a voluntary Industry Code of Practice designed to incorporate initiatives aimed at achieving consumer-centric, high quality aged care. This includes workforce practices that will attract and retain committed, high quality staff. (*Refer to Section 4 for full details of current practices and initiatives*)

#### **Inquiry TOR E: Other related matters**

This submission demonstrates the importance Allity places on a holistic approach to how revenue, profit, capital investment and funding work in combination to enable our business to meet consumer expectations and care outcomes to the high standards that we have set for our customers. In doing so, Allity ensures we are able to actively contribute to the sustainability of the aged care sector.



## 2. About Allity

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### 2.1 Background – About Us

Allity was established in 2013 through the acquisition of Lendlease's Primelife aged care business by funds advised and managed by leading Australian private equity firm, Archer Capital, (together referred to as Archer Capital Fund 5 or 'Fund 5'). Allity is a group of Australian entities which are tax resident and operated in Australia (refer Section 5 for more details).

As a brand, Allity recently celebrated five years of welcoming residents and families to our 45 homes across Queensland, New South Wales, Victoria and South Australia. In this relatively short period of time, we have become recognised as one of the most respected providers of aged care services in Australia. From the beginning, Allity's mission has been to "Make every day the best it can be" – for our residents, their families and employees – to help us achieve our Vision of *Changing the Face of Aged Care*.

At the core of Allity's strategy is ongoing investment to meet the changing expectations of care, services and physical environment in an increasingly consumer driven environment. We have a strong focus on building culture and capability to continue evolving our service delivery to be ever more consumer focused.

### 2.2 Our People

Allity's executive and senior leadership team comprises a mix of sector-leading aged care experience including our Head of Clinical Strategy and Development, a nurse practitioner, and specialist commercial, customer and marketing experience from outside the healthcare sector. This ensures we have a progressive approach to our operations that supports growth, innovation and sustainability of our business moving into a challenging future.

Our homes are provided with high levels of specialist support by a central team at Allity Services offices in Sydney, Melbourne and Adelaide. Allity Services comprise the following teams:

- People & Culture
- Operations
- Brand, Marketing, Communication and Customer Experience
- Information Technology
- Finance and Legal
- Commercial
- Property Services

In our 45 homes, appropriately qualified Clinical, Care, Hospitality, Lifestyle and Maintenance teams provide standards of care and services to residents in accordance with government legislation and Allity's internal performance standards. All homes operate under the leadership of a General Manager, more than 90 per cent of whom have a clinical background, who shares the Allity vision, mission and commitment to building a consumer experience and business that changes the perceptions of aged care.

Allity invests significantly in staff training and development, employee recruitment, engagement and recognition, and offers an employee communications and benefits platform known as Allity Central. (Refer to Section 4.2 for further detail)

### 2.3 Our Care and Services

Allity has a registered nurse-led multidisciplinary care model, with a comprehensive assessment and care planning process. We have valued partnerships with allied health care providers, medication management and pharmacy supply arrangements, clinical and academic partnerships, consumer experience mapping and training, and consumer insights researchers.



In addition to investing in improvement of core lifestyle services and programs, Allity has developed and trademarked our organisation's evolving lifestyle approach and philosophy - 'Live Love Shine'. Implementation began in 2016, integrating the arts, music, literature and self-expression into everyday living.

Allity has a systematic and organisation-wide approach to ensure clinical and resident outcomes are monitored and achieved. We implement overall governance and oversight of the quality of care services being delivered through internal monitoring systems and support functions including dedicated quality of care resources and these are embedded in the operational structure.

All Allity homes operate in accordance with the Allity Quality Management Framework, developed to provide Allity with the necessary components to implement and maintain quality management systems for providing quality aged care services throughout the organisation. The framework addresses standardisation of document types and control, the review and monitoring of work flows and processes, governance and ongoing improvement efforts. Allity ensures all homes are appropriately staffed through agreed staff skill mix to care needs, delegated decisions and central oversight and support.

The number and skill mix of staff in each home is determined by the care and social needs of residents, the service model (additional and extra services), the actual or predicted number of residents living at the home and the configuration of the home (neighbourhoods and floors). These decisions are made locally and supported centrally by the People and Culture and Commercial teams to ensure resident outcomes and all relevant legislative and company standards are met. (Refer to Section 4.3 for further detail)

## **3. Investment for Continuous Improvement**

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### **3.1 Growth and Investment to Date**

Over the past five years Allity has expended more than \$400 million on additional acquisitions, development and improvement, maintenance and growth of our homes and properties.

With this investment, Allity has grown its available aged care places from 2,261 at inception in 2013 to 3,810 today and has undertaken significant refurbishment projects at almost all homes. This extensive refurbishment program has resulted in broad improvements in resident amenity, with new and improved common areas and resident spaces, many new and refurbished bedrooms, additional service offerings including new buses, AV and IT equipment and lifestyle offerings.

### **3.2 Planned Growth and Investment**

By June 2021, Allity expects to invest an additional \$100 million to further develop and maintain our homes and make available an additional 225 places. This investment will continue to significantly improve the physical environment for our residents. In addition, Allity has undertaken investment that will facilitate future expansion at 10 'Brownfields' (i.e. extensions to existing building) locations and a Greenfield (i.e. new building from ground up) site in order to continue to meet the rapidly growing consumer-led demand for residential aged care. (Refer to Section 4.1 for more detail)



## 4. Funding of Services and Outcomes

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Quality of care and continuous improvement, together with ongoing financial sustainability, are the key considerations in Allity's ongoing investment program and funding of services. These are assessed against the company's four pillars – Customer, People, Operations and Financial outcomes. Increasingly, consumers' perception of service quality reflects the desirability and aesthetics of their living environment and this is also reflected in Allity's funding approach.

### 4.1 Customer

#### **Creating Uplifting Home Environments - Capital Investment**

Allity has a strong ongoing commitment to continued investment in our homes to meet increasing community expectations around the physical environments within which people live while being supported with high care services.

All capital investment decisions are made through the lens of independently commissioned consumer research and disciplined financial analysis to ensure Allity maintains contemporary and desirable living environments for present and future customers. In the last 5 years, a significant investment (over \$400m) in home improvement projects, and acquiring and building of new homes has been undertaken.

All improvements have been consistent with Allity's design vision to create uplifting, warm and welcoming home environments where our residents are proud to host family and friends. This incorporates purposefully designed features, such as open cafes, outdoor children's play areas, internet kiosks, and private dining function rooms.

While the investment in ensuring ongoing quality of care and continuous improvement is essential, the aesthetics of the living environment has become equally as important in the consumer decision journey.

#### **Investment in Programming, Improving Care, Services and Resident Living Opportunities**

The new Aged Care Quality Standard 4 requires operators to provide "Services and Supports for Daily Living" – *"I get the services and supports that are important for my health and wellbeing and that enable me to do the things I want to do"*

The depth of consumer choice and expectation is directly related to the lived experience of individuals prior to entering residential aged care. Consumer research tells us that people want to continue to do what they have been doing. It is therefore indisputable that as we move forward, people coming into aged care will have had far greater experiences and lifestyle expectations than in previous generations. As such we aim to offer residents greater choice, including professional artists and teachers who are specialists in their fields, in addition to Recreational Activity Officers and lifestyle staff.

The response to these changes in service expectations that support individual enablement is ongoing investment in program innovation. Allity is committed to creating meaningful experiences for residents, and continuously improving the care, services and support we provide.

In addition to investing in improvement of core lifestyle services and programs, Allity has developed and trademarked our organisation's evolving lifestyle approach and philosophy - 'Live Love Shine'. Implementation of this customer experience initiative began in 2016, integrating the arts, music, literature and self-expression into everyday living. Further, our "Write of Passage – My Memoirs" program won the Asia Pacific Eldercare Innovation Award in May 2018. This professionally facilitated program creates intergenerational experiences for our residents who are partnered with school students to write their Memoirs as part of their school English curriculum over a 10 week period. This ensures the resident's stories are recorded to be kept and treasured by them, and their families and friends.



## **Customer Experience and Consumer Expectation**

Investing in ongoing research, focus groups and maintaining current knowledge and market insights is an essential component of our Customer Experience charter. In 2016, Allity commenced the development, integration and embedding of our Customer Experience principles as a significant whole-of-organisation initiative. As a key change management initiative and critical to the reputation, growth and sustainability of our business as a quality aged care provider, a significant investment of resources has been earmarked to build and embed our Allity service culture.

Allity has invested in developing a bespoke customer relations management system to effectively track customer interactions and improve our ability to more personally service consumers, referrers and our community.

Almost one third of Allity homes have completed the Quality Agency's Consumer Experience Report during planned accreditations since its introduction in 2017. The aggregated results of these consumer experience questions over this period are as follows:

1. Do staff treat you with respect? – 95% of respondents stated most of the time or always
2. Do you feel safe here? – 98% of respondents stated most of the time or always
3. Do staff meet your healthcare needs? – 98% of respondents stated most of the time or always
4. Do staff follow up when you raise things with them? – 90% of respondents stated most of the time or always
5. Do staff explain things to you? – 89% of respondents stated most of the time or always
6. Do you like the food here? – 81% of respondents stated most of the time or always
7. If I'm feeling a bit sad or worried, there are staff here who I can talk to. – 78% stated they agree or strongly agree
8. The staff know what they are doing – 92% stated that they agree or strongly agree
9. This place is well run – 89% stated that they agree or strongly agree
10. I am encouraged to do as much as possible for myself – 93% stated that they agree or strongly agree

Allity has implemented these 10 questions as a standard upon which we will continually measure our performance; it will be conducted on a quarterly basis across all homes.

## **Funding of services**

Government funding comprises approximately 70 per cent of our revenues, and every dollar of government funding is spent for the purpose for which it is intended, on:

- Staff costs required for delivering care and services to residents; and
- Providing accommodation for (supported) residents of low means.

The remaining 30 per cent of Allity's revenues are provided by residents in the form of:

- Basic Daily Fee - paid by all residents to cover basic lifestyle expenses e.g. food, cleaning, entertainment;
- Additional/Extra Service fees – to cover services provided in excess of government specified care and services at certain homes;
- Means-tested care payments by residents who can afford them; and
- Accommodation costs for non-supported residents who elect to pay via a daily payment.

The proportion of revenues funded by government is expected to gradually decline into the future.



## 4.2 People

Allity employs in excess of 4000 people across a range of disciplines to deliver services to its 3500 residents. This includes clinical teams, management, facilities staff, lifestyle coordinators and so on. Our homes and clinical teams are provided with high levels of specialist support by Allity Services, as outlined in Section 2.2.

A dedicated People and Culture team within Allity Services provides a range of support to Allity employees and leaders which include facilitation of the annual performance and remuneration review, industrial relations advice, recruitment and selection, work health and safety and injury management expertise, employee engagement and communication initiatives, and leadership and development.

Allity Services' Operations team includes a state-based Director of Operations with supporting Operations Manager(s) in each geographical region. Operations also monitor clinical care and compliance and provide support and training, under the leadership of our Head of Clinical Strategy and Development, and oversee all food services to ensure compliance with nutrition and dietary standards, under our Corporate Executive Chef. *(See 4.3 for more information)*

### **Employee Training and Development Overview**

Building capability through training is a key priority for Allity and an area of continuing innovation and investment. All our Home General Managers undertake leadership training including the Allity Way Leadership Program, and Situational Leadership training.

#### **Mandatory training / eLearning**

Allity ensures all employees have access to a core suite of mandatory compliance training (annually). These include:

- Manual Handling
- Infection Control
- Reportable Incidents and Preventing Elder Abuse.
- Electronic Communication & Social Media
- Workplace Bullying & Harassment: What Do I Need to Know
- Work Health and Safety
- Trade Practices (certain roles only)
- Fire Emergency and Evacuation Training
- Health and Safety Law – Officers and Managers Course (senior management roles only)

In addition to mandatory training programs above, we run a number of other training programs ranging from Meaningful Conversations to Building Effective Teams, Recruitment and Performance Management. All key personnel undertake Prudential Compliance and WHS risk assessment training and development annually.

**The Allity Way Leadership Program:** The program was developed in consultation with key leaders across Allity and sets a blueprint of what a good leader should be at the company. The program has been rolled out to senior managers and frontline General Managers in each home. The program blends leadership and management concepts to ensure practical application to the workplace.

**Registered Nurses (RN) Development Program:** Our Clinical Services and Support team run the Allity RN Development Program which has been completed by more than 65 per cent of our Registered Nurses, and an Accelerated Nursing Program offering high performance candidates the opportunity to strengthen their clinical excellence and leadership. By the end of 2019, it is envisaged that all RNs will have completed this structured program

This positions Allity well to ensure our most talented clinicians are supported and encouraged to take on leadership roles within our business, but also creates the career path for our RNs to flourish in a challenging



environment. The program lays the platform for RNs to progress clinically and also for Allity to retain talented people, who have the capability to deliver specialist level care for our residents. It is Allity’s intention to develop specialist programs in dementia care, palliative care and sub-acute care in the future to ensure that our residents experience highly tailored interventions in familiar environments that maintain their lifestyle, wellbeing and reduce unnecessary hospitalisation.

Other training provided includes regulatory compliance, customer experience, community engagement and lifestyle program implementation.

**Employee Engagement and Recognition**

Employee Recognition: Allity formally recognises our people through an annual employee recognition program called the ‘People’s Choice Awards’ which acknowledges, celebrates and rewards employees who demonstrate the Allity Values. In addition, we provide multiple avenues for both peer and leader recognition throughout the year via our online communication, recognition and rewards platform Allity Central.

Engagement Survey: A national employee engagement survey (‘Your Voice’) is conducted annually, measuring the level of engagement of our employees and our performance against key factors such as customer satisfaction, change and innovation, leadership, recruitment, reward and recognition amongst others.

Allity’s results are compared to an Aged Care Benchmark that is derived from the results of other Aged Care participants in this survey. The survey provides our employees with a voice and gives Allity access to rich data on which to focus our efforts to improve performance in areas that matter most to our employees.

Snapshot example of Your Voice survey results:

	Allity Results	Aged Care Benchmark
Engagement	81%	83%
Recruitment	54%	55%
Intention to Stay	75%	70%
Reward & Recognition	65%	68%
Career Opportunities	63%	59%
Performance Appraisal	73%	70%

Pulse Check (eNPS) (employee net promoter score): We have also introduced a quarterly pulse check of employee advocacy which asks employees: ‘How likely are you to recommend Allity and this Home as a great place to work?’. The response provides Allity with our overall employee advocacy level in the form of a score. The premise of eNPS is, if you have happy and engaged employees who are enthusiastic about your organisation and the work they perform then this will flow through to our customers. Run quarterly, the Pulse Check provides a snapshot of sentiment within each team and the opportunity to redirect resources to proactively address areas highlighted by the results. eNPS scoring has a range from -100 to +100. Survey results in the positive range are considered to be a good outcome. To date, Allity has run 3 eNPS Pulse Checks, with results all in the positive range. Our most recent result is +14 eNPS company-wide.

Recruitment: Allity is focused on attracting the right people to our organisation and as such, are continuously looking at ways to improve our recruitment, selection and onboarding processes. Within the last twelve months we have introduced a number of initiatives to streamline the process, increase leader capability and reduce risk to our business. These initiatives include the introduction of robust and innovative online reference checking software which automates the reference checking process not only saving hiring manager time but also ensuring 100% compliance with reference checking future employees.

We are introducing an on-boarding system which streamlines candidate paperwork and system set up reducing the time required to hire new employees and improving candidate experience. We have developed recruitment



standards and corresponding training for any leader responsible for recruitment and selection at Allity and a comprehensive induction program to ensure all new employees are inducted appropriately and consistently into Allity. Presently we are implementing a centralized assessment center recruitment model to improve the quality and timeliness of hiring decisions ensuring our Homes are resourced appropriately and consistently.

Investment in employee communication and benefits: Allity is committed to ensuring we provide a great place to work for our employees. As a result of seeking employee feedback via our Your Voice Survey we implemented an online reward, recognition and communication platform, Allity Central, in October 2017. Allity Central provides employees and their families with discounts at over 350 different retailers providing them with significant savings and the opportunity to improve their disposable income. In addition, Allity Central is our communication hub where we celebrate success, recognize employees and provide up to date information on Allity news via our online communication and video blogs.

## 4.3 Operations

### Care and Services provided to all Residents

Allity utilises funding for services provided by government to provide high quality care and services to all residents through a multidisciplinary care model that includes Registered Nurses and regular staff, as well as access to GPs and other allied health professionals. Allity provides specific training and development to ensure that:

- a) all staff are appropriately trained aligned to their roles and responsibilities; and
- b) staff are able to assist with maintaining resident's mobility and independence

Through this multidisciplinary model, Allity ensure that all residents receive access to care and services specific to their care needs and preferences, and that all care is individually planned and consistent with achieving positive care outcomes. It is through this planning process that Allity ensure appropriate access to clinical treatments and procedures, rehabilitation support and recreational therapies.

Allity has a comprehensive assessment and care planning process, to ensure that a resident's needs are completely understood and appropriately documented (see [Appendix 1](#)).

Additionally and on an ongoing basis, Allity ensures appropriate access to medical treatment and review as required as well as regular review of all residents' medications (four-monthly) and care plans (quarterly in NSW/QLD/VIC; four-monthly in SA). Further, independent clinical pharmacists are engaged to complete bi-annual Quality Use of Medicines reviews.

### Partnerships to Promote Quality Care for Consumers

Allity recognises the value of key partnerships to provide care and services to our residents and has engaged key partners to support the delivery of high quality care and services, including:

- Wellness & Lifestyle – to provide residents with access to Physiotherapists and Occupational Therapists to ensure their mobility needs and preferences are catered for, and also provides contemporary and relevant support and training for staff to ensure safe manual handling;
- Best Health Solutions – BHS' specialised software is available in all 45 Allity Homes allowing efficient, safe and high quality medication management through integrated systems with the Home's supply pharmacies;
- Ward Medication – provides independent clinical pharmacists to perform comprehensive medication reviews;



- Melbourne Health – Allity has formed strong clinical and academic partnerships with Melbourne Health to drive improvements in clinical practices through clinical trials and innovations;
- Strativity – provides Allity with customer experience mapping and training; and
- Acuity Research – Acuity provide Allity with consumer insights market research.

### **Clinical & Operational Risk**

Allity has a systematic and organisation-wide approach to ensure clinical and resident outcomes are monitored and achieved.

All Allity homes operate in accordance with the Allity Quality Management Framework, developed to provide Allity with the necessary components to implement and maintain quality management systems for providing quality aged care services throughout the organisation. The framework addresses standardisation of document types and control, the review and monitoring of work flows and processes, governance and ongoing improvement effort. Allity's implementation of a companywide Quality Management System (QMS) will see the following benefits:

- Clear guidelines for initiation, development, approval and deployment of new and changed documentation and processes supporting all areas of Allity's business
- Standardisation of the approach to delivery of care and services across all our homes and Allity Services
- Simplification of procedural documentation for day-to-day work practices for staff
- Effectively meet Audit and Governance requirements

Allity implements overall governance and oversight of the quality of care services being delivered through internal monitoring systems, support functions including dedicated quality of care resources and these are embedded in the operational structure.

Clinical and resident outcomes, compliance with all related legislation and risk in these areas is reported through the organisation's clinical, operations and executive reporting and meeting structures to ensure a systematic approach to meeting resident and legislative outcomes.

The organisation has a central team who monitor clinical care and compliance through systematic and as required oversight of: key clinical indicators, internal audits, clinical and consumer outcomes, and processes to manage critical incidents. Additional to the clinical and nursing care standards, Allity has a Corporate Executive Chef with his role being the oversight of all food services to ensure compliance with nutrition and dietary standards.

An operating rhythm ensures that the internal monitoring systems are reviewed alongside key risk indicators including customer service metrics, quality of care, and compliance history on a frequent basis to determine both the technical and operational support required to deliver consistent resident outcomes. The timely and regular insights resulting from the clinical and care monitoring systems are used by each home's management team and the regional operational teams to address any deficiencies against the expected internal and regulatory standards.

Allity has a robust operational structure, including state-based Directors of Operations with supporting Operations Manager(s) in each geographical region. These roles have direct accountability for ensuring compliance with internal policies and processes; additionally the Director of Operations conducts quarterly home-based reviews as part of a wider operating rhythm to ensure consistency in the delivery of care services, provide feedback into improvements for the physical environment and validate that high quality care is being provided.



## **Staffing**

Allity ensures all homes are appropriately staffed through agreed staff skill mix to care needs, delegated decisions and central oversight and support.

The number and skill mix of staff in each home is determined by the care and social needs of residents, the service model (additional and extra Services), the actual or predicted number of residents living at the home, configuration of the home (neighbourhoods and floors). These decisions are made locally and supported centrally by the People and Culture and Commercial teams to ensure resident outcomes and all relevant legislative and company standards are met.

Local staff management and roster decisions are supported by systems (KRONOS- time & attendance) and an operating rhythm that includes;

- Agreement, approval and communication of rosters a fortnight in advance of the commencement.
- Central daily monitoring of staffing levels is in place. The central monitoring includes review of: unfilled shifts, nursing agency usage, sick leave and skill mix to meet resident needs. The monitoring is in place to ensure that Homes are staffing in accordance with the approved rosters and that identified shortfalls are rectified through central support and direction.
- Central Support functions include support in the recruitment of permanent and casual employees, sick management and replacement strategies.
- Fortnightly review of homes' actual staffing across the period and further local home management and central support team action to ensure appropriate staffing.

Allity is continuously working to improve practices and we use technology to support appropriate and effective staffing of our homes to ensure quality outcomes for our residents and address key industry wide workforce challenges. Allity is currently implementing a shift filling 'app' (Emprevo) that addresses roster management challenges and helps address key workforce challenges including employee turnover, administrative burden on home based employees on non-resident facing tasks and underemployment in the sector.

## **5. Corporate Structure – Funding and Tax Issues**

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### **5.1 Company History and Structure**

Allity is a group of Australian entities, of which Australian Aged Care Partners Holdings is the 'head' company. This entity was established in March 2013 to acquire the aged care business known as Primelife from Lendlease. All entities within the Allity group are incorporated in Australia, are tax resident of Australia, and are treated as a single taxpayer for Australian taxation purposes.

Allity does not involve, and never has involved, the use of 'stapled structures' (i.e. a type of financial instrument consisting of two or more securities that are contractually bound to form a single saleable unit and cannot be bought or sold separately). The Allity group does not make any rent payments to any related entities outside of the group.

The 2013 acquisition involved collective investment vehicles (CIVs) advised and managed by leading Australian private equity firm, Archer Capital, (together referred to as Archer Capital Fund 5 or 'Fund 5') establishing Australian resident companies to facilitate the acquisition. CIVs are a well-known and widely used mechanism under Australian law to enable investment by multiple parties in Australian businesses and assets. The parties in Fund 5 span a range of Australian and international investors, including Australian and global



superannuation and pension funds, including industry and retail super funds. In this sense, there is significant Australian (and international) retail investor ownership of Allity. Allity senior management are also shareholders in the business.

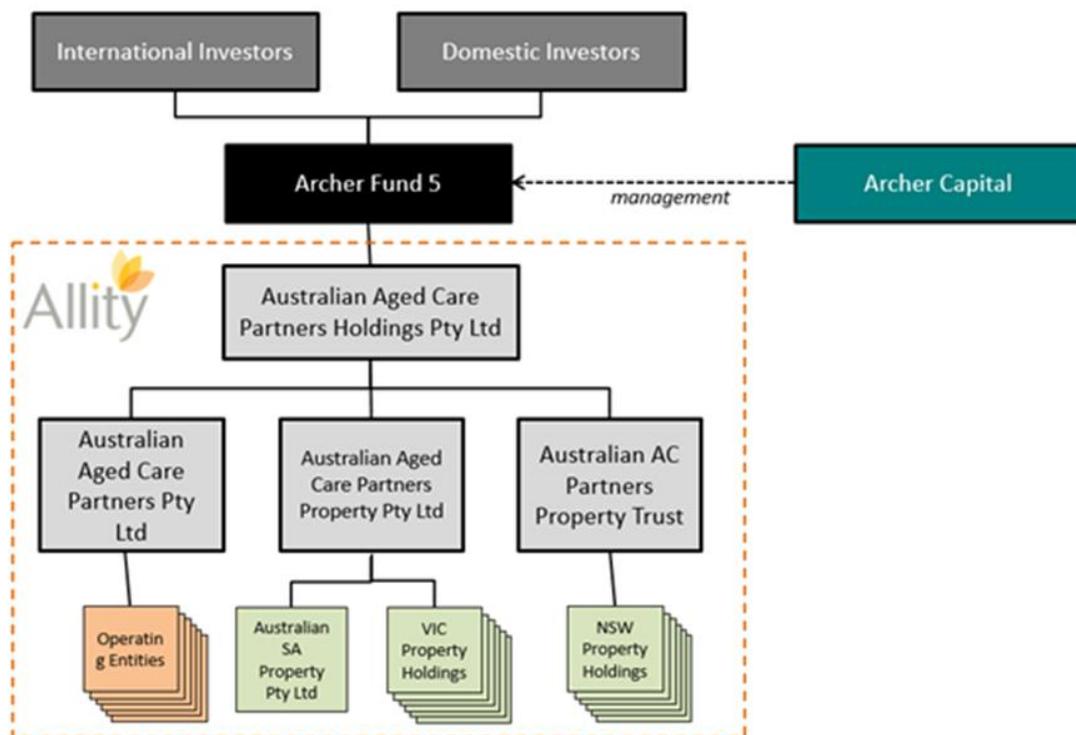
The Australian companies established by Fund 5 raised the monies required for the acquisition, which is set out in greater detail in Section 5.4, below.

Allity's current corporate structure is necessarily reflective of the actions and priorities of prior owners of the various businesses which today comprise the Allity Group. There have also been additional acquisitions undertaken by Allity (particularly the ECH portfolio of aged care homes in South Australia). A timeline of Allity's evolution under various owners since 2008 is shown below.



The original 30 homes under the Lendlease corporate structure acquired in 2013 were organised in a group comprising 45 individual companies. Allity immediately began a process to rationalise the number of companies in this structure to remove those that were not required, in order to operate an efficient aged care business structure. This process resulted in the deregistration of 36 companies and two trusts.

Allity's group structure can be represented by the following simplified structure diagram:





The Allity group of companies owns the property from which 43 of its 45 homes operate – with two leased from external parties.

## 5.2 Acquisition and Funding

Further to the corporate structure information set out in Section 5.1, a conventional tiered holding company structure under Australian Aged Care Partners Holdings Pty Ltd was established in order to complete the original acquisition of the business in 2013. Allity's corporate structure enables:

- Allity's bank lenders to have clearer security over the assets of the business,
- The formation of a single taxpayer under regular tax consolidation principles
- The internal separation of the business into a more flexible 'Operating' division and a 'Property' division.

Australian Aged Care Partners Holdings Pty Ltd and its subsidiaries raised the monies required for the acquisition. The funding sources included equity and shareholder loans from the Fund 5 entities, a vendor loan from Lendlease, and debt funding facilities obtained from Australian banks (a syndicated debt facility managed through ANZ Bank). This acquisition structure as well as the sourcing of funding for the investment is typical for investments made by CIVs in the Australian market and is fully compliant with Australian tax laws.

Debt provides a cheaper and more flexible source of funding as compared to more permanent sources of capital (i.e., share capital). Though interest is deductible for tax purposes (subject to thin capitalisation and transfer pricing constraints, all of which have been fully complied with), the use of debt serves predominantly commercial purposes.

As shown by the figures in [Appendix 2](#), from the 2015 financial year (FY), the company has been refinancing and retiring debt. More specifically, during FY15 Allity retired the vendor loan owing to Lendlease, and during FY16 it retired the debt owing to CIVs comprising Fund 5. From FY17 onwards Allity has been solely relying on debt provided by third party Australian banks to support its operations and growth, together with income generated by the business. Notably, the amount of debt capital deployed in the business has also been steadily reducing since FY15 after the peak acquisition and investment phase of Allity's growth.

## 5.3 Taxation

The claims made in the TJNA Report that Allity engages in aggressive tax planning and tax avoidance are false, unsubstantiated and uninformed. Allity is fully compliant with all applicable tax laws and has satisfied all of its tax obligations by the relevant due dates.

In the normal course of the ATO's regular audit and review program, it has completed a review of Allity's income tax affairs for the 2013 through to the 2016 income years. This review has not resulted in any disputes or amended assessments being issued by the ATO.

Contrary to the assertions in the TJNA Report and as stated in Section 5.1, above, Allity does not, and has not, used stapled structures at any point since its establishment. Nor does Allity make any rent payments to any related entities outside of the group. The TJNA Report also repeatedly and erroneously seeks to connect company revenue with liability for income tax, when the relevant reference point is company profit.

Importantly, Allity's group structure drives no tax outcome but is purely designed for organisational and commercial reasons. As already stated, all of the entities comprising the Allity group are treated as a single taxpayer for Australian income tax purposes.

As can be seen from the financial data provided in [Appendix 2](#), Allity has been in a tax loss position for only two full income years (FY14 and FY15). From Allity's establishment in March 2013, significant costs were incurred



in respect of acquisition and investment activity to grow and improve the business and the services it provides. Allity is also a business with very significant holdings of property and other assets giving rise to substantial annual depreciation expenses. Appendix 2 shows that from FY16 onwards the business had taxable income before applying carry forward tax losses (\$6.486 million in FY16 and \$27.37 million in FY17).

Accordingly, Allity has now recouped substantially all of the carry forward tax losses it incurred during the heavy acquisition and investment periods of FY14 and FY15 and is expected to be paying income tax for FY18.

Allity has routinely paid all taxes levied – including payroll tax, stamp duty and land tax which totals in excess of \$55 million in the past 5 years.



## Appendix 1: Allity Comprehensive Assessment and Care Planning Process

Day	Timeline/Task
1 (Admission)	Complete initial Assessment within 3 hours of admission
	Falls Risk Assessment
	Skin Integrity Assessment
	Commence pain charting 14 days
	Commence settling in progress notes (every shift every day x 28 days)
	Dietary preferences form
	Complete a full set of baseline observations including Nuero obs ,Weight and Height' Urinalysis
	If not available arrange for a copy of a Medical History/CMA/Health Summary - Document into TRAX diagnosis list all diagnoses
	Referral to Physio/OT for functional assessment
	Set up required TRAX charts – bowels, BGLs, etc ensure parameters are entered where relevant
	Ensure medical status tab on TRAX is completed
	Medication Assessment and Self Medication Assessment ( if relevant)
	Health and end of life wishes to be raised if appropriate time
	2
Technical Needs charting to be set up(Heat packs, CPAP, Catheters, Massage, etc)	
6	Commence Food intake chart x 3 days
	Commence Fluid Balance chart x 3 days
8	Nutrition Risk Assessment ( <i>not used in SA</i> )
	Nutrition and Hydration Assessment - Nutrition/hydration and Swallowing Ax (SA)
	Commence Behaviour Chart for 16 days
9	Urinary Continence chart x 4 days to commence
	Technical Needs charting to be completed (Heat packs, CPAP, Catheters, Massage, etc)
	Cornell Assessment
10	Therapy charting to commence x 14 days
	Repeat skin assessment
	Mobility Assessment to be completed
11	PAS or Cognitive Assessment to be completed
12	Sleep chart x 3 nights
	Vision Assessment
13	Hearing Assessment
14	Speech/ Language and Comprehension Assessment
15	Pain Assessment to be completed
	Bowel Assessment
16	Sensory Assessment
	Technical Needs Assessment
17	Life history Assessment (not used in SA)
	Lifestyle Assessment - Lifestyle and history Ax (SA)
18	Oral and Dental Assessment - Oral health (SA)
19	Personal Hygiene Assessment -
20	Toileting times trial charting x3 days
	Sleep Assessment
21	Therapy Assessment - not required unless external therapists are used
22	Toileting Assessment
23	Self-Expression & sexuality assessment plus Privacy and Personal relationships (N/Allity)
	Urinary Continence assessment - Urinary assessment (SA)
24	Behaviour Assessment - Behaviours of Concern (SA)
25	Restraint charting/assessment (if required )
26	Psychosocial/Cultural/ Spiritual Assessment (SA)
	All care plans should be completed as the relevant assessment is finalised. At the latest all care plans must be completed by Day 26
27	Collate all required for ACFI submission and send to your Care Revenue business partner



## Appendix 2: Summary of Allity Financial and Tax Position Financial Years 2014 to 2017 inclusive

	FY14 \$'million	FY15 \$'million	FY16 \$'million	FY17 \$'million
EBITDA / operating profit	23.774	57.826	64.598	64.123
Shareholder loan interest	(13.705)	(20.712)	(13.458)	-
3rd party interest paid	(17.228)	(56.907)	(19.894)	(17.652)
Tax depreciation	(17.700)	(20.400)	(21.500)	(22.100)
Taxable income / (loss) for the year (before c/f losses)	(13.446)	(22.251)	6.846	27.370
c/f tax losses used	-	-	(6.846)	(27.370)
c/f tax losses	(13.446)	(35.697)	(28.851)	(1.481)
Debt	395.000	420.000	385.000	287.000