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NSW GOVERNMENT | Aboriginal Housing Office

Q&A – Webinar for providers

How can a portfolio which is in deficit pay for things that need to be fixed if the provider doesn't have the funds?
Under the current model many providers are having a deficit on a portfolio and are cross subsidising funds from other portfolios to cover that deficit. The intent of the proposed new model is to absolutely be able to address the deficits, we agree whole heartedly that we cannot operate in deficits which is why there was a very firm decision around a no step back subsidy approach. This new model is meant to address deficits for every portfolio based on their individual needs. The reason we are piloting is to test if we can do that with the current funding bucket available for Subsidies.

Some providers have money from other sources but if you don't have the money how will things be fixed?
The Build & Grow Subsidy model and the associated subsidies included 3 components bundled into it (Rent Gap, Capacity and Capability). There was no clear direction on which components the provider will need to spend the funds on. Portfolios that were in deficit, the providers focused purely only on deficits (i.e. Rent Gap Component). In the Current model we have tried separating the components and focus on each individual component separately. The current HCCSP model purely focuses on "Rent Gap" component These are the key avenues that we will be addressing in our pilot.

What about the other properties you have not collected data from?
Although the methodology in which the funds will be disbursed to providers/portfolios is different under the new model, the funding bucket for AHO has not changed. Hence, the scope for HCCSP has been retained as applicable only to properties and portfolios that receive transitional funding. Once we have tested the model under Pilot for its practical applicability, worked through fine details and undertaken the impact analysis for all the portfolios under the new model, the AHO will be in position to understand financial impacts of the new model on the available funding bucket. Unfortunately, until then the scope is limited for the properties and portfolios currently receiving Transitional Funding.

Under a reimburse model how will the last 3 years be the best reflection on portfolio costs such as insurance in the current future FYs, we have seen portfolio's increase in costs above 40% for FY 21-22?
The Reimburse model works on a blended approach i.e. for different categories of revenues and expenses the model uses either the average of last 3 financial years or actuals at a point in time to accurately reflect the financial position of the portfolios. For example, insurance costs is something that changes every year and hence the proposed approach to be tested in the model currently is to use the "latest financial year costs" with an adjustment for CPI (Inflation index) for the next financial year, whereas maintenance expenses might change

from year to year and using one year is not accurate reflection of the expense and hence proposed to be based on average of last 3 financial years. As we have mentioned these are the finer details and practical application of these methodology that we will be exploring in detail with the pilot participants.

If there are historical arrears how will the payments balance the whole process work out making providers financially viable?
The AHO subsidy payments have always been focused on future sustainability of portfolios and providers. The focus of HCCSP model is to attain the same objective. We are aware there are historical rental arrears which might be in the portfolio and be carried forward but what we are looking at in this model is the future support payments and how can we design them so we are addressing the future needs of portfolios.

Before these subsidies were to help with providing that cash in hand component. Now you will transition it, how are they going to manage the reimbursement part of your process if they don't have the cash to sustain themselves?
As the AHO has mentioned in the webinar the payments under HCCSP model is planned to be paid in advance based on the last 3 years financial data. For example, currently for ex: For FY 22-23 if HCCSP was implemented we will use FY19-20, FY 20-21 and FY 21-22 data to reimburse in that financial year (i.e. immediately after you provide us with FY 21-22 Data) which would mean the payments will be made 6 months in advance. We are working out all this in the pilot and will come back to sector with outcomes. We want to clarify that the AHO doesn't expect that the provider expense and then we reimburse, it is totally opposite to that. We will be giving you the payments in advance.

Other aspect of that cash in hand conversation under the old model we were funding a rent-gap, and Capability Building component. In this new model we are specifically focused only on the rent-gap not that we are dropping commitment to capability & capacity , we are just detaching it from the subsidy/Support payments and moving the other 2 components towards the growth provider area to explore and fund the sector where required.

Does the AHO see the grant money to be day to day repairs or maintenance? (for clarity there are to be two methods of payment: 1. Day to day & 2. Increase capacity
The AHO wants to reiterate that Build & Grow subsidies had inbuilt 3 components within the payments (Rent Gap, Capability and Capacity) but the HCCSP model would focus only on the Rent Gap in relation to portfolio and hence the grants specifically on capability development is up to the providers on how they want to articulate how they want to build their capability. It is not meant for things such as fixing taps or repairs and maintenance because it is assumption that HCCSP reimburse model will identify such funding requirements for repairs and maintenance.

Does this payment apply to Local Aboriginal Land Councils that are on commercial property management agreements?
As we have mentioned that the HCCSP scope is limited only to current properties receiving Transitional funding. As part of this all the Direct Management Agreements resulting from Headlease exits or are already under direct managements due to prior Headlease exits will be eligible to be considered for HCCSP funding.

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